



Msukaligwa Local Municipality



2023/2024 Draft Annual Report

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Chapter 1

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD



To be Provided in the Final Report.

MUNICIPAL MANAGER'S OVERVIEW



To be Provided in the Final Report.

1.1. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.1.1. INTRODUCTION TO BACKGROUND DATA

Municipalities in South Africa perform their functions in terms of Section 152 and 153 of the Constitution of the Republic of South Africa, Act 108 of 1996. Additionally, Schedule 4, Part B of the Constitution further provides for core functional areas of the local government and the mandate for a municipality to render such services. However, some of the said functions may not be applicable to this municipality because some are allocated to the District Municipality for a variety of reasons, especially relating to issues of capacity to render those services. Those services that are not rendered by this municipality will be listed in this document.

In line with the efforts to provide quality and sustainable services that improve the lives of the citizens, the municipality utilises a variety of intergovernmental strata and mechanisms such as both the District Municipality And the Provincial Government; the conditional grants and other funding options to extend basic and other government services to rural/farms communities. To date, most farm settlements and through these collaborative efforts, have predictable access to basic water, safe sanitation through VIP toilets and electricity although some areas experience challenges where water boreholes get dry. It must be said that due to the perennial limited resources versus people's needs, there are some areas that still lack basic services in rural/farm areas, which the municipality continuously focuses on.

It is also important to mention that all urban areas within the municipality have access to running water; this includes informal settlements areas where water is provided through communal taps. The municipality has also met the millennium goals target of eradicating the bucket system in all its towns with a slight caveat that some informal settlements still utilise pit latrines. However, the municipality has plans in place to relocate some of those informal settlements where in-situ development is not possible and to develop those that are situated in areas conducive for human habitation.

T 1.2.1

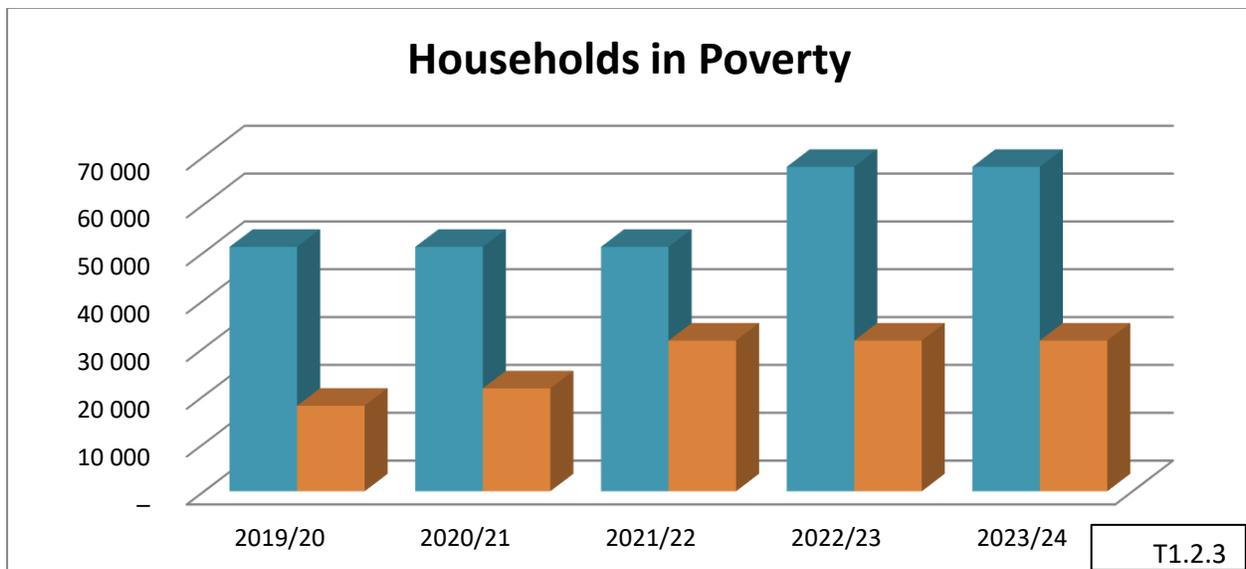
1.1.2. MUNICIPAL DEMOGRAPHICS

The population dynamics of the Msukaligwa Local Municipality is based on statistics derived from *Statistics South Africa 2011 to 2022 Census*. *Statistics South Africa* data had been used for the demographics and where data could not be derived from Statistics South Africa, other sources with more reliable and latest data would have been used. The population of Msukaligwa grew by 49 937 persons during the period 2011 to 2022 at an average annual population growth of 2.8%. Based on the historic growth rate, the municipality would have reached a total of 217 272 persons by 2030. Considering these estimates, this imply that the municipality must continuously and incrementally prepare to provide the necessary services infrastructure to accommodate the growing population.

As for households, the municipality has seen a significant increase in households from 40 932 to 67 827 being an increase of 26 895 households between 2011 and 2022. Although there has been an increase in households, there was a decline in household size from 3.6 to 2.9 in 2022.

Population Details							
Age Groups	2011 Census			2022 Census			
	Male	Female	Total	Male	Female	Total	
0-4	8301	8273	16574	9650	9649	19299	
5-9	7590	7271	14861	8412	8257	16668	
10-14	7030	6944	13974	8353	8298	16650	
15-19	7532	7542	15074	7843	7758	15601	
20-24	8089	7908	15997	9352	9691	19043	
25-29	7969	7520	15489	9897	10698	20595	
30-34	5829	5359	11188	9656	10297	19955	
35-39	4794	4741	9535	8960	9255	18215	
40-44	4125	4191	8316	6641	6735	13376	
45-49	3427	3921	7348	5005	4867	9872	
50-54	3001	3238	6239	3675	4258	7933	
55-59	2417	2673	5090	3267	3876	7143	
60-64	1656	1970	3626	2618	3231	5849	
65-69	969	1192	2161	1817	2312	4129	
70-74	649	1082	1731	1018	1517	2535	
75-79	365	638	1003	463	710	1173	
80-84	223	438	661	283	483	766	
85+	148	363	511	123	389	512	
TOTAL	74114	75264	149378	97032	102282	199314	T 1.2.2

Source: Statistics South Africa, Census 2022

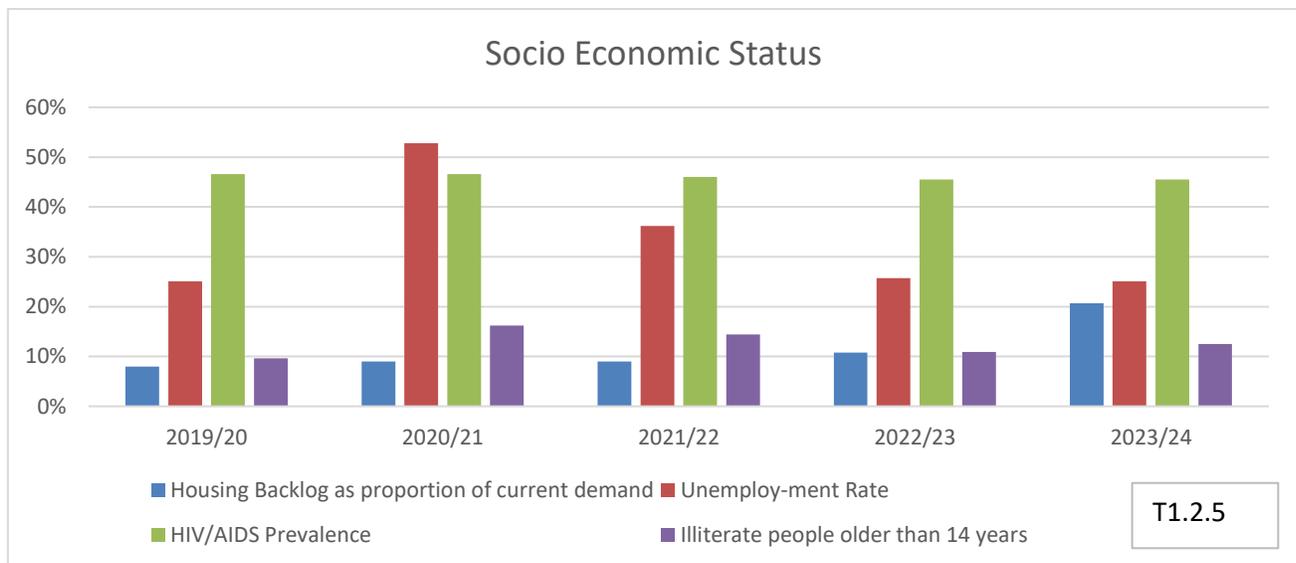


Source: Dept. of Economic Development and Tourism – SEP Report, December 2023

Socio Economic Status (as a %)				
Year	Housing Backlog as proportion of current demand	Unemployment Rate	HIV/AIDS Prevalence	Illiterate people older than 14 years
2019/20	8%	25.1%	46.5%	9,6%
2020/21	9%	52,8%	46.5%	16,2%
2021/22	9.4%	36.1%	46%	14,4%
2022/23	10.8%	25.7%	45,5%	10,9%
2023/24	20.7%	25.1%	45,5%	12.5%

T1.2.4

Source: Dept. of Economic Development and Tourism – SEP Report December 2023 and Statistics South Africa, Census 2022



T1.2.5

Source: Dept. of Economic Development and Tourism – SEP Report December 2023 and Statistics South Africa, Census 2022

1.1.3. ENVIRONMENTAL OVERVIEW

1.1.3.1. Topography and Surface Hydrology

Msukaligwa LM is characterized by the gently undulating highland topography with fairly broad to narrowly incised valleys of headwater drainages. The rural areas are also characterized by typical Highveld landscapes in the western and central parts, and more undulating terrain with dense commercial forests in the eastern parts. Interesting landscapes are found in the Chrissiesmeer pan veld area.

There are a number of marshy areas or vleis in the upper parts of the valleys and numerous pans, which vary from insignificant vegetated depressions to large deeply etched features with bare clayey floors. An ecologically important concentration of pans and freshwater lakes is located in the Chrissiesmeer area.

The Local Municipality is roughly dissected by the (continental) divide between the Upper Vaal and Usuthu / Pongola WMA's. In the north of the Local Municipality, certain sub-catchments drain into the Olifants and Inkomati WMA's. The headwaters of the Vaal River are found in the western half of the Local Municipality and drain in a southwesterly direction along with the Tweefontein River. The Usuthu River rises in the northeast of the Local Municipality. The headwaters of the Inkomati River flow northwards from the

Local Municipality into the Inkomati WMA, and the headwaters of the Olifants and Klein-Olifants River drain the far north-west of the Local Municipality.

1.1.3.2. *Climate*

Msukaligwa LM falls under the central Mpumalanga climatic zone characterized by warm, rainy summers and dry winters with sharp frosts. Rainstorms are often violent (up to 80mm per day) with severe lightning and strong winds, sometimes accompanied by hail. The winter months are droughty with the combined rainfall in June, July and August making up only 3.9% of the annual total (734mm).

The average daily maximum temperature in January (the hottest month) is 25.2°C and in July (the coldest month) is 16.7°C. Due to its position near the escarpment, the area is somewhat windier than is typical for the South - Eastern Mpumalanga Highveld, although the majority of winds are still light and their direction is controlled by topography.

1.1.3.3. *Geology and Soils*

Msukaligwa Local Municipality is underlain predominantly by arenite and dolerite intrusions of the Karoo Supergroup. Other underlying rock types include quartz monzonite, granite and basalt. The central-western part of the study area is underlain by the Ermelo coal field, where the predominant rocks are sedimentary, i.e. sandstones, shales and siltstones of the Ecca Group that contains erinaceous strata of the coal-bearing Vryheid formation.

1.1.3.4. *Vegetation and Biodiversity*

The vegetation in undeveloped areas of the Msukaligwa Local Municipality consists predominantly of typical highveld grasslands. Grasslands are dominated by a single layer of grass and the amount of cover depends on rainfall and the degree of grazing. Trees are absent, except in a few localized habitats and geophytes are often plentiful.

1.1.3.5. *Challenges/ the Major Threats to the Natural Environment*

The following are challenges or threats to the natural environment within the local municipality:

- (a) Human population growth, transformation of land and urbanization;
- (b) Mining, especially open-cast coal mining;
- (c) crop cultivation and afforestation.
- (d) Overgrazing;
- (e) Loss of riverine and wetland/marsh habitat through human intervention;
- (f) Air quality as the Local Municipality was amongst the five Local Municipalities that were declared as Highveld Priority Area in 2007;
- (g) Unavailability of environmental section and environmental officials to implement environmental management programmes;
- (h) Unavailability/ limited/ outdated environmental planning tools;
- (i) Unsustainable developments within the Local Municipality;
- (j) Climate change leading to biodiversity destruction and other natural disasters;
- (k) Alien invasive plants that are replacing indigenous plants while also encroaching water bodies thereby reducing water level in them.

1.1.3.6. *Efforts made to Address the Challenges*

- (a) Landfill sites are maintained on a regular basis to ensure clean environment;
- (b) Plans were put in place for conducting sewer analysis to deal with sewer spillages within the municipality;
- (c) Provisions made in the IDP for the upgrading of existing waste water treatment plants and construction of new plants;
- (d) Environmental management programmes incorporated in the IDP;
- (e) Awareness campaigns through waste management education are being conducted;
- (f) Participating in government environmental management initiatives that promote job creation and sustainable livelihoods; and

(g) Support all government initiatives to protect natural resources.

Natural Resources	
Major Natural Resource	Relevance to Community
Coal	Mining opportunities, transportation, employment opportunities and economic development.
Arable land	Agricultural production, forestry, employment opportunities, economic development and poverty alleviation.
	T1.2.7

1.2. SERVICE DELIVERY OVERVIEW

1.2.1. SERVICE DELIVERY INTRODUCTION

This section deals with the core municipal responsibility, which is to provide basic services to all communities in a sustainable fashion. This core responsibility flows from the provisions of both Section 152 and Schedule 4 of the Constitution of the Republic of South Africa, which provides the following:

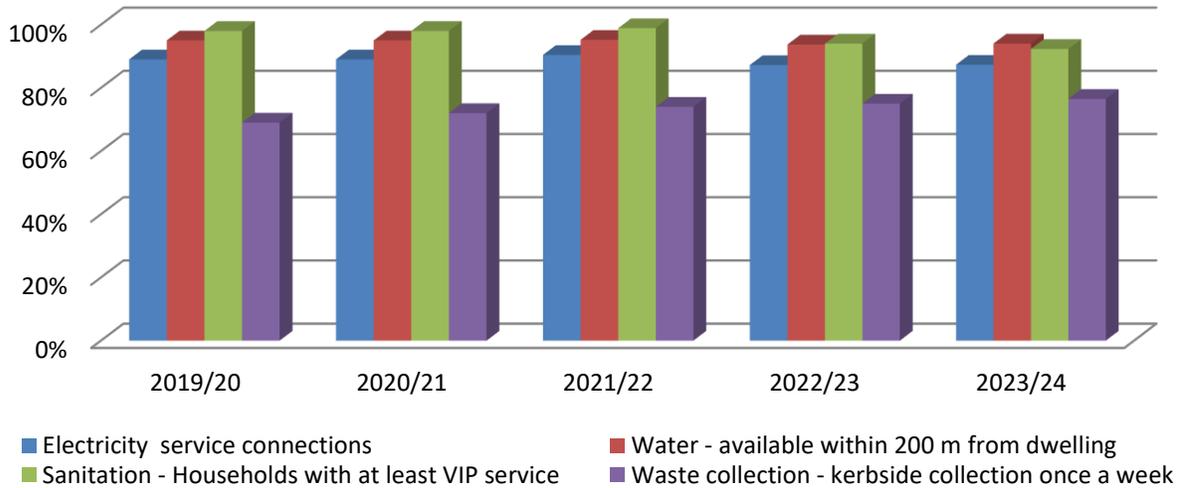
- (a) to provide democratic and accountable government for local communities;
- (b) to ensure the provision of services to communities in a sustainable manner;
- (c) to promote social and economic development;
- (d) to promote a safe and healthy environment; and
- (e) to encourage the involvement of communities and community organizations in the matters of local government.

Section 152 (2) further provides that a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)

Therefore, the Integrated Development Plan of the municipality is prepared in line with the provisions of the Municipal Systems Act, the Constitution of the Republic of South Africa and all other legislative mandates to ensure sustainable and quality service delivery to its communities.

T 1.2.1

Proportion of households with access to basic services



T1.3.2

Source: Statistics South Africa, Census 2022 & Municipal 2023/2024 APR

1.2.2. ACCESS TO BASIC SERVICES

As shown in the diagram above, service delivery in respect of electricity, water and sanitation shows what may look like a slight decrease but it is in fact not. This graph indicates that these services have been provided to more people due to population growth, the number of households had increased, resulting in informal settlements without adequate services. Hence, communal water supply within 200m from dwellings has been reduced as a result of formalization of most informal settlements and water is mostly connected inside yards. There is quite a significant progress made in electricity connections to households except in areas where houses were not yet completed and in the informal settlements that cannot be formalized. There are some areas that need to be electrified and they are in the municipal plans to be electrified.

Provision of VIP sanitation services at farm areas has covered most the areas in the municipality and after the unsuccessful implementation of the piloted convertible water borne toilets system, the municipality will continue to provide sanitation services through the VIP toilets where it is not possible to provide the water borne sewer system. Accordance Statistics South African 2022 Census data, about 6% of the households still do not have proper sanitation and mostly are those in the informal settlements within various towns including Nganga Township in Warburton where sewer reticulation was completed but no connections were made due to challenges related to water supply.

With regards to waste collection, household waste is collected twice a week in all townships except Everest Park, Long Homes, Klipbou and Ermelo suburbs which is collected once a week. The municipality has over the years managed to extend refuse collection services to areas where it was not before and due to limited resources regular collection sometimes becomes a challenge.

T1.2.3

1.3. FINANCIAL HEALTH OVERVIEW

1.3.1. FINANCIAL OVERVIEW

The municipality had a cash flow challenge due to high levels of non-payment, distribution losses and illegal connections. In endeavouring to address the cash flow challenges a Financial Recovery Plan was developed and implemented with short-, medium- and long-term objectives. The latter are as follows:

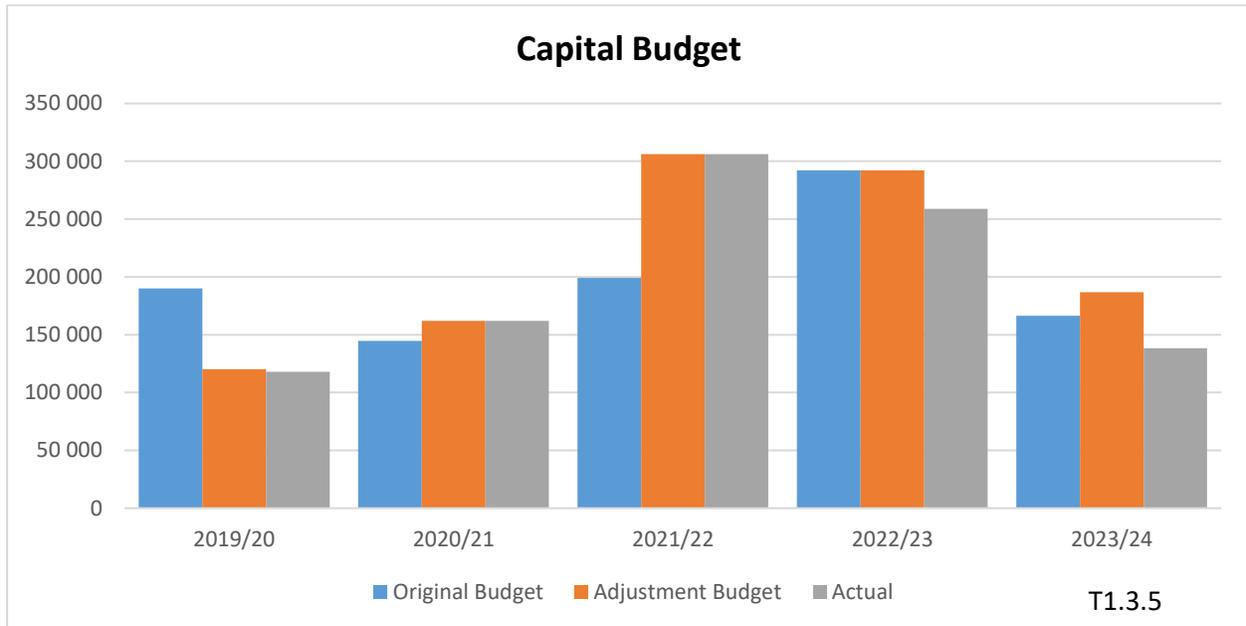
- (a) Strategy One: Restructure the Budget
- (b) Strategy Two: Revise Tariff Policies and Tariff Increases
- (c) Strategy Three: Revenue Enhancement
- (d) Strategy Four: Financial Administration
- (e) Strategy Five: Cash Management Strategy
- (f) Strategy Six: Human Resource Management

T1.3.1

Financial Overview: Year 2023-24			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	406 872	419 425	419 425
Taxes, Levies and tariffs	283 078	252 085	250 165
Other	526 295	569 700	516 330
Sub Total	1 216 245	1 241 210	1 185 920
Less: Expenditure	1 161 047	1 220 625	1 433 417
Net Total*	55 198	20 585	-247 497
* Note: surplus/(defecit)			T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	25%
Repairs & Maintenance	7%
Finance Charges & Impairment	9%
T 1.4.3	

Total Capital Expenditure: Year 2021-22 to Year 2023-24			
			R'000
Detail	2021-22	2022-23	2023-24
Original Budget	5383	297 835	166 448
Adjustment Budget		427 180	186 719
Actual	0	603 251	138 357
			T 1.4.4



COMMENT ON CAPITAL EXPENDITURE

All capital grants were spent at 100%, except Regional Bulk Infrastructure Grant (RBIG) and Municipal Disaster Response Grant (MDRG) of which 52% and 41% was not spent respectively. Roll-over applications will be submitted for both grants.

T 1.3.5.1

1.4. ORGANISATIONAL DEVELOPMENT OVERVIEW

1.4.1. ORGANISATIONAL DEVELOPMENT PERFORMANCE

After the harrowing experience of the Covid-19 pandemic, the municipality has had to adapt its organizational processes to cater for the ever-changing work environment to incorporate virtual platforms without compromising expected performances. Amongst the Organizational Development processes that the municipality undertook was to review the organisational structure, the adoption and implementation of human resources policies and capacity building of councillors and employees.

The Msukaligwa local municipality has continued the implementation of the following organizational development interventions for the year under review.

1.4.2. WORKPLACE SKILLS PLAN

The Municipality developed, adopted and implemented a Workplace Skills Plan that is informed by the training needs those councillors and employee as well as the training needs identified through an independent skills audit, which the municipality conducted in the previous financial year. The following targets that are informed by the budgetary considerations were set for the Work Skills Plan:

	Target	Actual
Number of Councillors trained	38	29
Number of officials trained	50	59

The training of the elected members was informed by the identification of training needs through the guidance of the Office of the Speaker, SALGA and in line with the effective implementation of the Workplace Skills Plan (WSP) and Annual Training Program (ATP)

1.4.3. BATHO PELE SERVICE STANDARDS

The Municipality adopted and implemented the 'Batho Pele' Service Charter in all functional areas of the Municipality through the implementation of the following:

- (a) Batho Pele Services Charter
- (b) Personnel Name tags
- (c) Customer Care Centre
- (d) Security / Information Desk in the main building

The Municipal Call Centre has been established and reasonably equipped to allow the communities to report all service delivery-related concerns. The call centre is fully functional, but it needs to incrementally adapt to the ever-changing technology and online platforms for communicating and engaging communities.

1.4.4. EMPLOYMENT EQUITY PLAN

The Municipal Employment Equity Plan has been approved by the Council to reflect the employment equity targets from the non-designated and designated groups in line with the principles of good governance. Refer to Chapter 4 for detailed numerical targets.

1.4.5. EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM

The Municipality has adopted its revised Performance Management Framework on the 9th of December 2022 and an Individual Performance Management Policy approved in May 2021 both of which are currently being implemented to establish an effective Performance Management System. Currently, the system is implemented on employees appointed in terms of Section 54A and Section 56 of the Municipal Systems Act. With the Municipal Staff Regulation of 2021 promulgated, the municipality is cascading performance management to employees below the Senior Management level. An e-PMS has also been introduced and the municipality has migrated from manual to fully web-based ePMS for SDBIP reporting cycle.

1.4.6. EMPLOYEE VALIDATION PROCESS

The municipality has conducted an employee validation process to identify ghost workers which required that each employee to present themselves to be validated through their identification document and employee number. The validation process was able to validate all the employees and there were no ghost workers identified.

T1.4.1

1.5. AUDITOR GENERAL REPORT

1.5.1. AUDITOR GENERAL REPORT 2022/2023

In terms of section 131(1) and (2) of the Municipal Finance Management Act, 2003, a municipality must address any issues raised by the Auditor General in an audit report. The Mayor of a municipality must ensure compliance by the municipality with this subsection.

The MEC for local government in the province must-

- (a) Assess all annual financial statements of municipalities in the province, the audit report on such statements and any responses of municipalities to such audit reports, and determine whether municipalities have adequately addressed any issues raised by the Auditor General in an audit report; and
- (b) Report to the provincial legislature any omission by a municipality to adequately address those issues within 60 days.

The municipality has received a Qualified Audit Opinion for the 2023/2024 financial year with the following matters:

- (1) Payables from exchange transactions
- (2) Net Cash flow from operating activities
- (3) Material distribution losses of electricity
- (4) Material distribution losses of water
- (5) Restatement of corresponding figures
- (6) Underspending of the conditional grant

There is total number of **41** findings for the financial under review as per the Management letter which shows significant improvement when compared with 2022/2023 financial year with **83** findings.

Findings per Department

- (a) Finance Department: 37 Findings
- (b) Corporate Department: 1 Findings
- (c) Office Of The MM: 0 Findings
- (d) Technical Services: 1 Findings
- (e) Community Services: 1 Findings
- (f) Planning & Economic Dev: 1 Findings

1.5.2. ADDRESSING AUDITOR GENERAL FINDINGS

A web-based Audit Action plan has been provided by National Treasury on which progress in addressing the audit findings is captured as and when findings are addressed. These therefore ensure the following processes are implemented:

- (a) Monitoring the progress on the implementation of the Auditor General recommendations on a monthly basis.
- (b) Management provides progress report on addressing the issues raised by the Auditor General on a monthly basis.
- (c) Internal audit and Audit Committee conduct follow up on the implementation of action plans on a quarterly basis.

1.5.3. OVERALL IMPLEMENTATION OF ACTION PLANS

The overall implementation of the Auditor General findings Action Plan for the 2023/24 financial year as at the end of June 2024 was as follows:

TOTAL FINDINGS	Addressed	In Progress	Not yet started
41	18	4	19

The Municipality is committed to achieve clean administration and to achieve Unqualified Audit Opinion. For the third year running the Municipality received Qualified Audit Opinion, with reduced qualification paragraphs from 4(four) to 2(two). The Audit Action Plan has been provided and will strengthen the Municipal Internal Control environment, compliance with applicable laws and regulations and improved Financial Management practice. The monitoring and implementation of the Audit Action plan is managed in the Office of the Municipal Manager.

T 1.5.1

1.6. STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and Integrated Development Plan (IDP) process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and Integrated Development Plan (IDP) commences (In-year financial reporting).	
3	Finalise 4 th quarter Report for previous financial year	
4	Submit the prior year's Draft Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to Municipal Manager	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited draft Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the Integrated Development Plan (IDP) Analysis Phase	
11	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September – October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget and finalization of the draft Integrated Development Plan (IDP) for the next financial year. Draft Annual Report and Oversight Reports to be used as input.	January

T1.6.1

Chapter 2

CHAPTER 2 – GOVERNANCE

2.

2.1. POLITICAL GOVERNANCE



Cllr. N.S Xaba
Speaker



Cllr. M. P. Nkosi
Executive Mayor



Cllr. P.T Sibeko
Chief Whip

MEMBER OF THE MAYORAL COMMITTEE



Cllr BJ Motha
MMC for Planning and Economic
Development Department



Cllr. TJ Madlala
MMC for Corporate Services
Department



Cllr TC Motha
MMC for Technical Services
Department



Cllr E.C Msezane
MMC for Finance Department



Cllr. S.E Ngovene
MMC for Community and Social Services
Department

COUNCILLORS

Refer to **Appendix A** where a full list of Councillors is captured (including committee allocations and attendance at council meetings).

T2.1.2

2.2. ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Msukaligwa Local Municipality adhered to administrative governance legislations and regulations and complied with the follows:

1. The Integrated Development Plan (IDP) for 2023/2024 financial year was adopted in accordance with the provisions of the Municipal Systems Act.
2. The Service Delivery and Budget Implementation Plan (SDBIP) for 2023/2024 was approved by the Executive Mayor in compliance with the provisions of the Municipal Finance Management Act (MFMA).
3. Performance Agreements for 2022/2023 financial year were signed in compliance with legislation by the section 54A and 56 employees and submitted to the Member of the Executive Council (MEC) for Cooperative Governance, Human Settlements and Traditional Affairs (COGHSTA) as per the provisions of the performance management regulations.
4. Performance Management is implemented at the strategic level for Section 54A and 56 employees as required by the Municipal Systems Act. The municipality has commenced with the process of cascading performance to all employees in terms of the Municipal Staff Regulations.
5. Audit Committee meetings were held in the 2023/2024 financial year as per the agreed schedule with additional special Audit Committee meetings.
6. Mid-year performance reports for 2023/2024 was submitted to the Council in accordance with the provisions of Section 72 of the Municipal Finance Management Act (MFMA) including the 3rd and the 4th quarter Service Delivery and Budget Implementation Plan (SDBIP) reports.

T2.2.1

TOP ADMINISTRATIVE STRUCTURE



Mr. P S Mabuza
Director: Corporate Service



Mr. M. Kunene
MUNICIPAL MANAGER



Mr. P J Nhlabathi
Chief Financial Officer



Mr. M S Lukhele
Director: Community & Social Services Department



Ms. H Maganya
Director: Planning and Economic Development



Ms. P Z Duma
Director: Technical Services

T2.2.2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3. INTERGOVERNMENTAL RELATIONS

2.3.1. INTERGOVERNMENTAL STRUCTURE

Intergovernmental structures in which engagements are taking place comprise the Provincial Planners Forum, District IDP Management Committee, District Development Model forum, District and Local IDP Rep Forum and PCF meetings with other plenary meetings in which the municipality participates for plenary and strengthening of IGR.

In the Provincial Planners Forum, issues that affect municipal planning and provincial planning cycles are discussed in order to have a coordinated planning within these two spheres of government also allowing interrogation of plans to establish the best possible approaches to the planning process. These meetings assist in providing municipalities with better understanding on how municipal planning cycles influence the proper planning of the District municipalities and other spheres of government.

The District or Local forums and committees provide a platform for interaction on planning issues, information sharing and learning from best practices between municipalities and other spheres of government. There has been a great improvement on the packaging of the municipal IDP and valuable insights in Spatial approaches obtained from these engagements.

T2.3.2

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4. PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4.1. OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Public Participation Policy and Public Participation strategy that outline the various measures on how the municipality engages with the communities were adopted are being implemented by the municipality. The municipality also had to adapt to more contemporary means to engage with the communities. Some of these measures include the use of social media and local radio stations platforms to conduct consultations with the public.

In terms of Section 152 of the Constitution of the Republic of South Africa, Local Government Municipal Systems Act, Act 32 of 2000 as amended and Local Government Structure Act, Act 117 of 1998, Municipalities are required to:

- (a) Encourage the involvement of communities and the community organisations in matters of Local Government.
- (b) Develop the culture of participatory development.
- (c) Establish ward committees as a vehicle for community participation.

Community Participation takes place to involve communities during the following processes:

- (a) The preparation, implementation and review of the Integrated Development Plan (IDP).
- (b) The establishment, implementation and review of its Performance Management System
- (c) Preparation of the Budget.

The following are structures established to promote community participation:

- (a) Integrated Development Planning (IDP) Representative Forum
- (b) Ward Committees and Ward Community Meetings
- (c) Local Geographic Names Committee
- (d) Community Development Workers

- (e) Newsletters
- (f) Radio broadcast slots
- (g) Municipal Official Web site
- (h) Municipal Official Facebook page

Community Participation Programmes per ward were developed and implemented.

Refer to **Appendix E** which contains further details on ward committee governance and to **Appendix F** that contains performance data on a ward-based public participation.

T 2.4.0

2.5. PUBLIC MEETINGS

2.5.1. COMMUNICATION FORUMS

The Communications Unit of the municipality is responsible for the overall implementation of the communication policy, strategy, information dissemination, media monitoring, media liaison, Communication research, website update, virtual meetings and management, events management and corporate advertisement / branding.

Other Communication channels used to supplement the dissemination of information are the following: Gert Sibande District Municipality and Mpumalanga (South African Local Government Association) quarterly newsletters.

2.5.2. COMMUNICATION INSTITUTIONAL ARRANGEMENT

The Communication Unit has been established, and capacitated to perform its functions. The unit is placed in the Office of the Municipal Manager.

2.5.3. COMMUNICATION FORUM

The municipality attends and participates at the District and Provincial Government Communicators Fora.

2.5.4. LEGISLATIVE FRAMEWORK

There are various legislations that governs the establishment and the functioning of local Government Communication structures which amongst others include the following:

- (1) Constitution Act 108 of 1996
 - (a) **Section 152 (1) (e):** that municipalities must encourage the involvement of communities and community organizations in matters of local government.
 - (b) **Section 160(7):** A municipal council must conduct its business in an open manner, and may close its sittings, or those of its committees, only when it's reasonable to do so.
- (2) Local Government: municipal Systems Act, 2000
 - (a) **Section 21:** communication with local community must take place through the following.
 - (i) in the local newspaper or newspapers of its area;
 - (ii) in the newspaper or newspapers circulating in its area and determined by the council as a newspaper of record; or
 - (iii) by means of radio broadcasts covering the area of the municipality.
- (3) Promotion of Access to information Act, Act No.2 of 2000

- (a) This act operationalizes sections 8 and 32 of the constitution, it fosters the culture of transparency and accountability and promotes effective access to information to protect an individual's rights.
 - (4) Promotion of Administrative Justice Act. Act No 3 of 2000
 - (a) The act requires that all decisions of administrative bodies have to be lawful, procedurally fair and reasonable.
 - (b) People have the right to be given reasons for decisions that adversely affect them which are taken by the government officials.
 - (5) Protection of Disclosure Act, Act No 26 of 2000
 - (a) The act protects people who speak out against government corruption, dishonesty and bad administration.
- T 2.5.1

2.6. INTEGRATED DEVELOPMENT PLAN (IDP) PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers' Performance Plans?	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	

T2.6.1

COMPONENT D: CORPORATE GOVERNANCE

2.7. RISK MANAGEMENT

2.7.1. RISK MANAGEMENT

The municipality is required to have systems that can proactively and continuously identify, evaluate, analyse, measure and manage risks that might directly or indirectly affect the capacity of the municipality to deliver on its core service delivery and operational objectives.

Hence, the organization has an approved Risk Management Policy, Risk Management Committee Charter and Risk Management Strategy. Risk assessments are conducted annually for all the Departments to identify risks that impact on the achievement of objectives. As per the strategic risk and operational risk assessment conducted during the financial year under review, 89 risks were identified with their magnitudes as follows:

Risk Magnitude	No of Risk per Risk Magnitude as per Strategic Risk Register	No of Risk per Risk Magnitude as per Operational Risk Register
Maximum Risk	1	-
High Risk	4	62
Medium Risk	0	16
Low Risk	0	6
Minimum Risk	0	-
Total number of Risk Identified	5	84

Progress made on identified risk areas are evaluated on a quarterly basis and the quarterly reviews would also identify new or emerging risks. The risk management unit's task is to identify and propose measures to contain, avoid or transfer all identified risks. Currently, there are systems in place to monitor the identified risks and a continuous yearly risk management implementation plan that was developed together with a risk register to tighten the monitoring regime.

Risk awareness workshops are conducted to create awareness of risk at all levels of the Municipality. A Risk Management, Anti-Fraud and Corruption Committee that advises management on the overall system of risk management has been appointed and sits on a regular basis. An external Chairperson was appointed to add an element of impartiality when dealing with these important matters.

The Audit Committee advises the Municipality on risk management and independently monitors the effectiveness of the system of risk management in Audit Committee meetings. The Municipality conducts quarterly/monthly risk evaluation and monitor the risk action plan (Mitigating Strategies).

T2.7.1

2.8. FRAUD AND CORRUPTION MANAGEMENT

2.8.1. FRAUD AND CORRUPTION MANAGEMENT

The Municipality has reviewed and approved an Anti-Fraud Policy and Strategy and the Anti-Fraud implementation plan as a control measure put in place to eliminate the possibility of fraud and corruption occurring. The municipality is obligated to ensure that integrity and accountability are infused into its operational architecture to discourage and eliminate corruption, dishonesty, misconduct and unethical behaviour among public officials, which represent a serious threat to the basic principles of public service. A Risk Management, Anti-Fraud and Corruption Committee chaired by an independent person was also established by the Council, the committee's duties are to review and monitor the implementation of the anti-fraud and corruption plan and related issues to the higher governance structure such as the Audit Committee and to the Council.

The municipality also approaches the fight against fraud and corruption in a proactive way where fraud risks assessments are conducted as another way of fraud detection and prevention, the National Anti-Fraud Hotline is also promoted for use to report fraud and corruption. The Municipality also makes use of social media platforms such as Facebook to create awareness on the fight against fraud and corruption. Anti-fraud and corruption policies and plans are uploaded on the Municipal website (both intranet and internet) as another way of raising awareness on anti-fraud and corruption to the officials of the Municipality and the community at large. Lastly, anti-fraud and corruption workshops or awareness's are incorporated in the induction programme of the Municipality to ensure that new recruits are informed about anti-fraud and corruption related policies and controls.

T2.8.1

2.9. WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	<Yes / No>	Publishing Date
Annual and adjustment budget and budget-related policies	Yes	2023/02/28
All current budget-related policies	Yes	2023/02/28
The previous annual report (2021/2022)	Yes	2023/04/12
The annual report (2022/2023) published/to be published	Yes	2024/04/04
All current performance agreements for 2022/2023 as required in terms of section 57(1) (b) of the Municipal Systems Act.	Yes	2022/12/13
All service delivery agreements (2022/2023)	No	
All long-term borrowing contracts (2022/2023)	No	
All supply chain management contracts above a prescribed value (give value) for 2022/2023	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2022/2023	No	
Contracts agreed in 2022/2023 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in 2022/2023	No	
All quarterly reports tabled in the council in terms of section 52 (d) during 2022/2023	Yes	2023/07/10
T2.9.1		

COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

The Municipal Website is functional and accessible to the public. The following documents are available on the website:

- (a) Integrated Development Plan (IDP)
- (b) Service Delivery Budget implementation Plan (SDBIP)
- (c) Performance Contracts and Agreements for s54A and 56 Managers
- (d) Budget and Budget related policies
- (e) Annual Financial Statements
- (f) Annual Reports
- (g) Tenders
- (h) By-Laws and other related information.

The Municipal libraries have internet access for the public to access information and the Msukaligwa Local Municipality website address is www.msukaligwa.gov.za.

T2.9.1.1

Chapter 3

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

COMPONENT A: BASIC SERVICES

3.

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

3.1. WATER PROVISION

3.1.1. INTRODUCTION TO WATER PROVISION

Msukaligwa Local Municipality is a water services authority which provides water to all households and businesses within its areas.

- (1) The raw water sources for Msukaligwa
 - (a) Brummer dam for Ermelo Town
 - (b) Douglas dam for Ermelo Town
 - (c) Department of Water and Sanitation (DWS) (Jericho scheme) for Ermelo Town, Davel and Sheepmoor.
 - (d) Torbanite dam for Breyten and Chrissiesmeer
 - (e) Mpuluzi River for Lothair.
 - (f) Boreholes, for Warburton and rural areas.

Achievements

The Municipality has in the past year implemented the 2023/2024 financial year IDP. As at the end of June 2024, 63736 households are having access to at least basic level of water which constitute **94%** of households with access to basic level of water services and backlog of 6% (4091 households). The process of providing water to communities will continue until all households are provided with water.

- (2) Municipal Infrastructure Grant (MIG) has funded the following water projects:
 - (a) Water reticulation at Breyten Ext 2: Ward 13 (Project Completed)
 - (b) Installation of 1Ml steel elevated tank and construction of booster pump station at Extension 34 Ermelo (Multi-year project)

The above projects were implemented at an amount of **R 14,478,434.12**.

- (3) Regional Bulk Infrastructure Grant (RBIG) has funded the following water projects:
 - (a) Regional bulk water supply scheme for Breyten cluster 2 in Msukaligwa Local Municipality
 - (b) Regional Bulk Water Supply for Msukaligwa LM: Cluster 1 Ermelo WSS

The above projects were implemented at an amount of **R 42,876,166.91** and it's implemented in phases.

Drinking water compliance for 2022/2023:

The Msukaligwa water treatment works achieved 93.7% compliance for Microbiological Compliance and 94.0% for Chemical Compliance. These results indicate that there were 6.3% failures on Microbial Compliance 6% failures for Chemical Compliance. This assessment was performed by DWS during the Blue Drop Assessments of 2022. The department has developed action plans for each municipality which didn't perform well during the BD Audits with which each municipality will complete as per the requirements set and submit in order to update their individual scores / performance. The overall Blue Drop Score for the municipality is 21.6%.

T3.1.1

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2018/19	0	0	0		
2019/20	0	0	0		
2020/21	0	0	0		
2021/22	0	0	0		
2022/23	0	0	0		

T3.1.2

Water Service Delivery Levels					
Description	Households				
	2019/20	2020/2021	2021/22	2022/23	2023/24
	Actual No.				
<i>Water: (above min level)</i>					
Piped water inside dwelling	25,991	25,991	25,991	43,982	44,026
Piped water inside yard (but not in dwelling)	18,846	18,846	18,935	18,935	18,935
Using public tap (stand pipes)					
Other water supply (within 200m)	3,714	3,714	3,714	775	775
Minimum Service Level and Above sub-total	48,551	48,551	48,640	63,692	63,736
Minimum Service Level and Above Percentage	95%	95%	95,2%	93,9%	94%
<i>Water: (below min level)</i>					
Using public tap (more than 200m from dwelling)	0	0	0	0	0
Other water supply (more than 200m from dwelling)	2,538	2,538	2,449	4,135	4,091
No water supply	0	0	0	0	0
Below Minimum Service Level sub-total	2,538	2,538	2,449	4,135	4,091
Below Minimum Service Level Percentage	5%	5%	4,8%	6,1%	6%
Total number of households*	51,089	51,089	51,089	67,827	67,827

* - To include informal settlements

T3.1.3

The wording "within/more 200m from dwellings" be replaced with "stand pipes" as it challenging to measure.

Households - Water Service Delivery Levels below the minimum					
Description	Households				
	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual No.				
Formal Settlements					
Total households	48,551	48,551	48,640	62,917	62,961
Households below minimum service level	0	0	0	775	775
Proportion of households below minimum service level	0	0	0	0	0
Informal Settlements					
Total households	2,538	2,538	2,449	4,135	4,091
Households that's below minimum service level	3,576	3,576	2,449	4,135	4,091
Proportion of households that's below minimum service level	4.97%	4.97%	4.8%	6.1%	6%

T3.1.4

Water Service Policy Objectives Taken From Integrated Development Plan (IDP)										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure long term planning and provision of sustainable services delivery and maintenance of infrastructure										
Number of households with access to basic water	Increase the number of households accessing water supply	48,551	48,551	48,640	48,640	49,565	63,692	63,842	63,736	63,736
Km of water AC pipes replaced with U-PVC pipes	Water pipe bursts repaired or replaced within 24hrs of being reported.	N/A	N/A	N/A	N/A	2 km	3.084 km	0	0	0
Number of water meters installed	Consumers metered for water consumption	N/A	N/A	N/A	N/A	200	47	1500	1593	1000
% of call-outs responded to within 24hrs after being reported	Water pipe bursts repaired or replaced within 24hrs of being reported	95%	98.65%	95%	99.99%	100%	100%	0	0	0
Water quality sampling results for both water and wastewater compiled	Drinking water quality compliant to SANS 241	N/A	N/A	N/A	N/A	N/A	N/A	12	12	12
Review of the WSDP and Water Safety Plan and approved by Council	Compliance with the Water Services Act	N/A	N/A	N/A	N/A	N/A	N/A	2	1	0

Number of reports on the status and performance of the water treatment plants	Environmentally compliant water treatment plants	N/A	N/A	N/A	N/A	N/A	N/A	4	4	4
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T3.1.6

Financial Performance 23-24: Water Services						R'000
Details	2022-23	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	277 335	76 305	78 149	182 886	58%	
Expenditure:						
Employees	19 173	18 388	18 388	11 110	-66%	
Repairs and Maintenance	23 056	2 265	2 265	1 076	-111%	
Other	42 229	1 225	1 225	10 566	88%	
Total Operational Expenditure	84 458	21 878	21 878	155 407	86%	
Net Operational Expenditure	-192 877	-54 427	-56 271	-27 479	-98%	

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.1.8

Capital Projects	2023-24					R' 000
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	59 660 527	99 730 718	59 536 693	0%		
RBIG Projects Implemented By GSDM	43 000 000	83 070 191	42 876 167	0%	280	
Water Reticul at Breyten Ext 2: Ward 13	850 390	850 390	850 390	0%	150	
Elevated Tank and Constr Of Booster Pump	957 004	957 004	957 004	0%	320	
Elev Tank and Constr of Booster Pump Ext	13 628 045	13 628 045	13 628 045	0%	89	
Refurbish Warburton Wastewater Treatm W	1 225 088	1 225 088	1 225 088	0%	90	

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.

T 3.1.9

3.2. WASTEWATER (SANITATION) PROVISION

3.2.1. INTRODUCTION TO SANITATION PROVISION

The Msukaligwa Local Municipality is responsible for the provision of sanitation services to all households and businesses within its jurisdiction in accordance with Schedule 5, part B of the Constitution. Since the municipality comprises of rural and urban areas, sanitation services are provided through the construction of VIP toilets (convertible water borne toilets) in rural areas and water borne toilets in urban areas. The sanitation service extends to regular management of septic tanks in the areas where they are used.

Achievements

The Municipality has in the past year implemented the 2023/2024 financial year IDP. As at the end of June 2024, 62595 households were provided with access to at least basic level of sanitation services which constitute **92%** of households with access to basic level of sanitation services and backlog of 8% (5232 households). The focus of the municipality is on providing water first while preparations were made for installation of the sewer infrastructure. Therefore, the following are the sanitation projects implemented within the 2023/2024 financial year:

- (1) Municipal Infrastructure Grant (MIG) has funded the following sanitation projects:
 - (a) Installation Of Sewer Reticulation in Wesselton Extension 11 Phase 1 and Phase 2
 - (b) VIP Toilets in Msukaligwa Farm areas
 - (c) Electro-Mechanical Upgrades to Extension 32, 33 and 34 Pumpstations in Ermelo
 - (d) Sewer reticulation at Breyten Ext 2: Ward 13

- (2) Water Services Infrastructure Grant (WSIG) has funded the following sanitation projects:
 - (a) Upgrading of Ermelo Ext 32, 33 and 34 outfall sewer pipelines
 - (b) The Refurbishment of the Chrissiesmeer Oxidation Ponds
 - (c) The Refurbishment of the Lothair Oxidation Ponds
 - (d) The upgrade of Phumula Outfall Sewer Pipeline

The sanitation capital projects as implemented through the MIG and WSIG funding were multi-year projects, and they were all completed except the latter. The amount spent on MIG and WSIG was R 11 012 307 and R 30 000 000 respectively.

Though water-borne sewer is provided in the urban areas, the ageing infrastructure remains a huge challenge resulting in regular blockages and effluent overflows, which was attended to on an ad hoc basis due to the lack of adequate funding to address the problem completely.

Wastewater treatment compliance for 2023/2024:

The Msukaligwa wastewater treatment work performance was reviewed against using the DWS Special standards for waste treatment works. The municipality shown slight improvement on the Green Drop score during the 2021 assessment (**17%**) versus assessments conducted in 2013 (**7.4%**). There was also a very slight improvement on the Green Drop Risk Rating scores (**94% in 2021 versus 98% in 2013**). It should be noted that there's still a lot of work that still needs to be done as it's estimated that R50 million is required to bring all the wastewater treatment plants to their original operational state.

T3.2.1

Sanitation Service Delivery Levels					
*Households					
Description	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual No.				
Sanitation/sewerage: (above minimum level)					
Flush toilet (connected to sewerage)	38,895	39,396	39,492	53,583	53,583
Flush toilet (with septic tank)	465	465	465	465	465
Chemical toilet	497	497	497	497	497
Pit toilet (ventilated)	2,006	2,006	2,006	2,340	2,570
Other toilet provisions (above min. service level)	8,072	8,072	8,072	5,480	5,480
Minimum Service Level and Above sub-total	49,935	50,436	50,532	62,365	62,595
Minimum Service Level and Above Percentage	97.7%	98.7%	98.9%	92%	92.3%
Sanitation/sewerage: (below minimum level)					
Bucket toilet	0	0	0	0	
Other toilet provisions (below min. service level)	0	0	0	0	
No toilet provisions	1,154	653	557	5,462	5,232
Below Minimum Service Level sub-total	1,154	653	557	5,462	5,232
Below Minimum Service Level Percentage	2.3%	1.27%	1.1%	8%	7.7%
Total households	51,089	51,089	51,089	67,827	67,827
*Total number of households including informal settlements					T3.2.3

Waste Water (Sanitation) Service Policy Objectives Taken From Integrated Development Plan (IDP)										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure long term planning and provision of sustainable services delivery and maintenance of infrastructure										
Number of households with access to basic sanitation	Increase in number of households having access to basic level of sanitation.	50,436	50,535	50,532	50,532	50,532	62,365	62,595	62,595	62,595
Number of reports on the status and performance of wastewater treatment plant	Environmentally compliant wastewater treatment plants	N/A	N/A	N/A	N/A	N/A	N/A	4	4	4
Number of households provided with Ventilation Improved Pit Toilets (VIPs)	Households provided with access to basic level of sanitation	N/A	N/A	N/A	N/A	334	334	230	230	0
% of callouts responded to within 24 hours (sanitation/wastewater)	Well maintained services infrastructure	95%	98.65%	95%	100%	98%	100%	0	0	0

Financial Performance 2023-24: Sanitation Services						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	63 856	76 307	70 563	60 291	-27%	
Expenditure:						
Employees	15 029	15 494	15 494	18 358	16%	
Repairs and Maintenance	1 029	190	190	147	-29%	
Other	62 261	15 302	15 302	4 459	-243%	
Total Operational Expenditure	78 319	30 986	30 986	22 964	-35%	
Net Operational Expenditure	14 463	-45 321	-39 577	-37 327	-21%	

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.2.8

Capital Expenditure 2023-24: Sanitation Services						R' 000
Capital Projects	2023--24					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	43 183 147	43 183 147	43 183 147	0%		
Electro Upgrade Ext 32-34 Pumpst Erm	585 906	585 906	585 905	0%	280	
Sewer Reticulation in Wesselton Ext11	846 652	846 652	846 652	0%	150	
Sewer Reticulation at Breyten Ext 2: War	2 807 864	2 807 864	2 807 864	0%	320	
Construct Of Ermelo Ext 50 Outfall Sewer	949 188	949 188	949 188	0%	90	
Refurbish Of Warburton Wastewater Treatm	511 959	511 959	511 959	0%		
Sewer Reticu at Warburton (House Connec	709 692	709 692	709 693	0%		
Vip Toilets in Msukaligwa Farm Areas	6 771 886	6 771 886	6 771 886	0%		
Refurbishm Chrissiesmeer Oxidation Ponds	13 340 336	13 340 336	13 340 336	0%		
Refurbishm Lothair Oxidation Ponds	3 752 795	3 752 795	3 752 795	0%		
The Upgrade of Phumula Outfall Sewer Pip	9 180 507	9 180 507	9 180 507	0%		
Ermelo Ext 32 33 34 Outfall Sewer Pipe	3 726 363	3 726 363	3 726 363	0%		

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.

T 3.2.9

3.3. ELECTRICITY

3.3.1. INTRODUCTION TO ELECTRICITY

The municipality is licensed to provide electricity in Ermelo, Wesselton, Kwa-Dela, Breyten and Silindile. The rest of the admin units as well rural areas of the municipality get electricity supply directly from Eskom. An electricity Master plan has been reviewed and approved by the Council in 2019 for a period of 5 years to address the operations and maintenance challenges. The Master Plan is valid for a period of 5 years, when considering the rapid growth of the population.

Achievement

The municipality has through the assistance of the Department of Minerals Resources and Energy under the Integrated National Electrification Programme for the year under review managed to electrify additional 108 households for both Eskom and the Municipality. This has seen the increase in households with access to electricity increasing from **59, 145** to **59, 230** which constitutes 88% of households with access to electricity. The TID Rollover project has also positively contributed to the increase of registered households within access to electricity. Furthermore, the total achieved through electrification projects at various settlements of the municipality at an estimated cost of R2,4 million

T3.3.1

Electricity Service Delivery Levels					
Households					
Description	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual No.	Actual No.	Actual No.	Actual No.	Actual No.
<i>Energy: (above minimum level)</i>					
Electricity (at least min. service level)	5,263	5,236	5,263	3, 491	4, 372
Electricity - prepaid (min. service level)	26,806	26,806	26,806	21, 820	21, 381
Electricity – Eskom	14,155	14,155	14,455	33, 834	33, 477
Minimum Service Level and Above sub-total	45,878	45,878	46,178	59,145	59, 230
Minimum Service Level and Above Percentage	89,8%	89,8%	90,4%	87%	87.3%
<i>Energy: (below minimum level)</i>					
Electricity (< min. service level)					
Electricity - prepaid (< min. service level)					
Other energy sources	5,211	5,211	4,911	8,682	8, 597
Below Minimum Service Level sub-total	5,211	5,211	4,911	8,682	8, 597
Below Minimum Service Level Percentage	10,2%	10,2%	9,6%	13%	12.7%
Total number of households	51,089	51,089	51,089	67,827	67, 827

T3.3.3

Electricity Service Policy Objectives Taken from Integrated Development Plan (IDP)										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure long term planning and provision of sustainable services delivery and maintenance of infrastructure										
Number of households with access to basic level of electricity	Eradication of electricity backlogs	45,878*	46,634*	45,878	46,178	46,528	51,145	59,242	59,230	59,350
Number of electricity meters installed	Consumers provided with metered electricity	N/A	457	500	525	600	425	800	1,491	2,000
Refurbishment of the Breyten 11Kv sub-station	Uninterrupted power supply to consumers	N/A	N/A	N/A	N/A	1	1	0	0	0
Refurbishment of MV/LV overhead network at Industrial & Laffnie street		N/A	N/A	N/A	N/A	1 km	1 km	1,1 km	1,1km	0
Number of reports on the implementation of NERSA audit recommendations		N/A	N/A	N/A	N/A	4	4	0	0	0
Maintenance of 88 KV main sub-station	Optimal operation and power supply to consumers	N/A	N/A	N/A	N/A	N/A	N/A	1	1	0
Number of irreparable steel/fibre glass kiosks replaced with concrete kiosks	Safety of power supply facilities	N/A	N/A	N/A	N/A	N/A	N/A	10	0	0
Construction of a MV overhead line to Northern Water Treatment Works (Douglas Dam)	Uninterrupted power supply to water treatment works	N/A	N/A	N/A	N/A	N/A	N/A	1	0	10

T3.3.5

Source: STATSSA 2022 Census and Own records

* Figures include projects funded by Eskom which may differ from figures as contained in the Annual Performance Report linked to the SDBIP. The reasons for excluding Eskom figures in the APR are that the municipality do not have direct control on such projects or expenditure.

Financial Performance 2023-24: Electricity Services						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	236 782	323 045	342 381	311 274	-4%	
Expenditure:						
Employees	25 304	22 454	22 454	27 667	19%	
Repairs and Maintenance	19 873	318	250	224	-42%	
Other	364 785	1 405 796	1 405 796	471 816	-198%	
Total Operational Expenditure	409 962	1 428 568	1 428 500	499 707	-186%	
Net Operational Expenditure	173 180	1 105 523	1 086 119	188 433	-487%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						
T 3.3.7						

Capital Expenditure 2023-24: Electricity Services						R' 000
Capital Projects	2023-24					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	13 800 000	13 800 000	13 800 000	0%		
Retrofit 250w Hps T0 100 Led	2 339 677	2 339 677	2 339 677	0%	280	
High Mast Retrofit Ward 1 To 16 400w Hps	4 660 323	4 660 323	4 660 323	0%	150	
Electrif Of 150 Househ Kwazanele Ext 6 -	1 572 673	1 572 673	1 572 673	0%	320	
Design And Construction Of 20MVA, 88/11KV Transformer in Ermelo KV Substation	3 529 222	3 529 222	3 529 222	0%		
Design And Refurbishment of The Breyten Switching Station and Installation OF 3KM MV Line	1 698 105	1 698 105	1 698 105			
				#DIV/0!	90	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>						
T 3.3.8						

3.4. PROJECTS MANAGEMENT

3.4.1. INTRODUCTION TO PROJECTS MANAGEMENT

The municipality has established a project management unit dealing with overall project management from projects planning, application for funding, monitoring and reporting of projects progress to confirmation of projects completion and signing off of completed projects.

Projects dealt with by the unit are listed on **Appendix F** and **N** of this report.

T3.3.1

Projects Management Policy Objectives Taken from Integrated Development Plan (IDP)										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Number of jobs opportunities created through EPWP	Achieving the EPWP target	547	365	547	331	461	450	461	430	461
Percentage Municipal Infrastructure Grant (MIG) spent annually	To ensure that funds allocated are spent on planned infrastructure projects	100%	100%	100%	100%	100%	100%	100%	100%	100%
Percentage Water Services Infrastructure Grant (WSIG) spent annually	To ensure that funds allocated are spent on planned infrastructure projects	100%	100%	100%	100%	100%	100%	100%	100%	100%
Percentage Integrated National Electrification Programme (INEP) spent annually	To ensure that funds allocated are spent on planned infrastructure projects	100%	100%	100%	100%	0	0	100%	100%	100%
Energy Efficiency and Demand-side Management Grant	Funds allocated are spent on planned infrastructure project	N/A	N/A	N/A	N/A	100%	100%	100%	100%	100%
Percentage of Municipal Disaster Response Grant (MDRG) spent by 30 th June 2025	Funds allocated are spent on planned infrastructure project	N/A	N/A	N/A	N/A	N/A	N/A	N/A	41%	100%
Percentage of Regional Bulk Infrastructure Grant (RBIG) spent by 30 th June 2025	Funds allocated are spent on planned infrastructure project	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%

T3.3.6 a

3.5. WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

3.5.1. INTRODUCTION TO WASTE MANAGEMENT

Core functions of waste management are to render the following:

- (a) Solid waste removal and prevention illegal dumping
- (b) Development and Enforcement of Waste Management By-Laws
- (c) Establishment and Management of landfill sites
- (d) Cleaning of public open spaces.

The municipality is currently operating two registered landfill sites situated in Ermelo and Breyten while the others are utilized as transfer stations. Waste recorded from Ermelo landfill site is reported regularly on the South African Waste Information Centre (SAWIC). Medical and other hazardous wastes are not disposed at the municipality's landfill sites. Generators of such waste dispose of it privately. The municipality monitor the handling and disposal of medical waste.

Municipal Infrastructure Grant (MIG) has funded the following solid waste projects:

- (a) Procurement of the Yellow Fleet for the waste management.

T3.5.1

Solid Waste Service Delivery Levels

Description	Households				
	2019/20 Actual No.	2020/21 Actual No.	2021/22 Actual No.	2022/23 Actual No.	2023/24 Actual No.
Solid Waste Removal: (Minimum level)					
Removed at least once a week	35,324	36,952	37,816	51,426	51,908
Minimum Service Level and Above sub-total	35,324	36,952	37,816	51,426	51,908
Minimum Service Level and Above percentage	69%	72%	74%	76%	77%
Solid Waste Removal: (Below minimum level)					
Removed less frequently than once a week	809	809	809		
Using communal refuse dump	3,041	3,041	3,041		
Using own refuse dump	6,974	6,974	6,974		
Other rubbish disposal	2,176	2,176	2,176		
No rubbish disposal	2,765	1,137	273		
Below Minimum Service Level sub-total	15,765	14,137	13,273	16,401	15,919
Below Minimum Service Level percentage	31%	28%	26%	24%	23%
Total number of households	51,089	51,089	51,089	67,827	67,827

T3.5.2

Waste Management Service Policy Objectives Taken from Integrated Development Plan (IDP)										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure long term planning and provision of sustainable services delivery and maintenance of infrastructure										
Number of households with access to waste collection.	Number of households with access to refuse removal	36,154	36,952	37,782	37816	38,572	51,426	51,866	51,908	52308
Number of Environmental management educational campaigns held.	Education and creating awareness to communities on cleanliness and environmental conservation.	13	13	13	12	8	12	8	17	12
Number of waste disposal sites and transfer stations maintained quarterly	Well managed waste disposal sites	2	2	2	2	2	2	0	2	2
Number of waste minimization projects supported	Clean and waste free environment	6	3	6	26	8	8	0	0	0
Number of illegal dumping sites eradicated	illegal waste dumping spots are identified and cleared	N/A	N/A	N/A	N/A	2	2	0	0	0
										T3.5.4

Financial Performance 2023-24 Solid Waste Management Services					
					R'000
Details	2022-23	2023-24			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	59 061	68 029	70 281	58 988	-15%
Expenditure:					
Employees	57 968	26 543	26 543	24 557	-8%
Repairs and Maintenance	-	2 043	2 043	1 989	-3%
Other		15 368	15 368	34 673	56%
Total Operational Expenditure	57 968	43 954	43 954	61 219	28%
Net Operational Expenditure	-1 093	-24 075	-26 327	2 231	1179%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
					T 3.4.7

Financial Performance 2023-24: Waste Disposal and Other Services						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	184 853	20 713	9 328	37 762	45%	
Expenditure:						
Employees	77 621	63 906	63 906	50 281	-27%	
Repairs and Maintenance	3 851	1 871	1 871	2 421	23%	
Other	73 891	54 423	54 423	58 050	6%	
Total Operational Expenditure	155 363	120 200	120 200	110 752	-9%	
Net Operational Expenditure	-29 490	99 487	110 872	72 990	-36%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						
T 3.4.8						

Capital Expenditure Year 0: Waste Management Services						R' 000
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	0	0	0	#DIV/0!		
Project A	0	0	0	#DIV/0!	280	
Project B	0	0	0	#DIV/0!	150	
Project C	0	0	0	#DIV/0!	320	
Project D	0	0	0	#DIV/0!	90	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>						
T 3.4.9						

3.6. HUMAN SETTLEMENT

3.6.1. INTRODUCTION TO HOUSING

The mandate of the housing section in the Municipality is to facilitate and support the provision of human settlement services within the municipality together with the department of Human Settlements, which include the following:

- (a) Identifying of land for human settlement
- (b) Support Department of Human Settlements in identifying potential beneficiaries for low cost housing.
- (c) Management and maintaining of housing waiting list database.
- (d) Management of housing rental stock.
- (e) Managing and Controlling of illegal land invasions.
- (f) Facilitation of land transfers.

T3.5.1

Housing Service Policy Objectives Taken From Integrated Development Plan (IDP)										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: provision of Sustainable Human Settlement										
Number of informal settlements formalized	Communities are settled on approved townships to access municipal services	N/A	N/A	N/A	N/A	3	3	3	2	2
Number of quarterly meetings held with the Provincial Department of Human Settlement	Continuous communication between the municipality and the DHS on development is maintained	4	5	4	6	4	6	4	4	4
T3.5.3										

Financial Performance 2023-24: Housing Services						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	-	2 948	2 948	1 871	-58%	
Expenditure:						
Employees	-	4 683	4 683	4 803	2%	
Repairs and Maintenance	-	-	-	-	#DIV/0!	
Other	-	3 044	3 044	101	-2914%	
Total Operational Expenditure	-	7 727	7 727	4 904	-58%	
Net Operational Expenditure	-	4 779	4 779	3 033	-58%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						
T 3.5.5						

Capital Expenditure Year 0: Housing Services						R' 000
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	0	0	0	#DIV/0!		
Project A	0	0	0	#DIV/0!	280	
Project B	80	91	90	11%	150	
Project C	45	50	80	44%	320	
Project D	35	55	80	56%	90	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.5.6	

3.7. FREE BASIC SERVICES AND INDIGENT SUPPORT

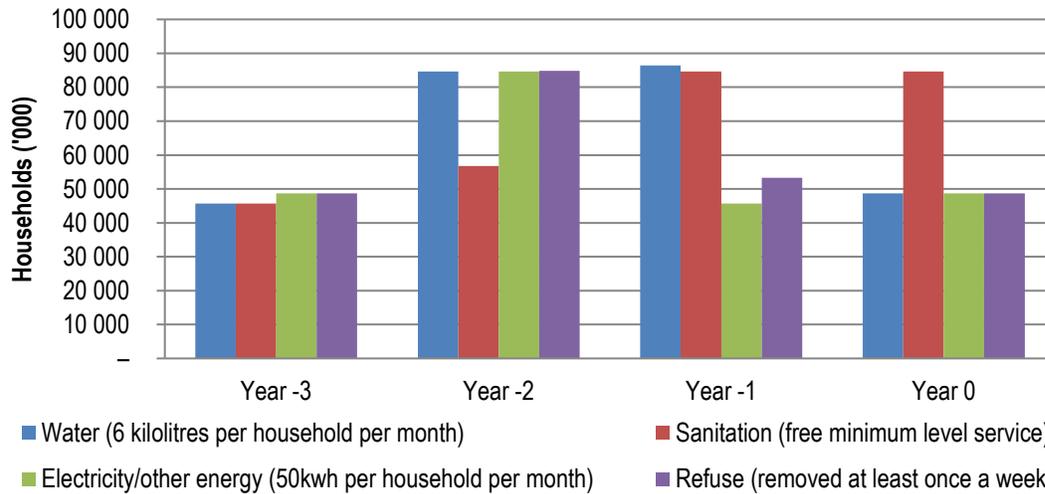
3.7.1. INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The indigent household subsidy policy was approved as part of budget related policies on the 30th of May 2023. The municipality supported **4,812 registered** indigents of the **9,000** planned indigent households in 2023/24 financial year. The municipality budgeted **R 17 198 766** from equitable share to support indigent consumers and assist with free 6kl of water and 50 kwh of electricity which is provided only to indigent households.

(1) Indigents were supported as follows:

- (a) Free 6kl of water is provided to all registered indigent households.
- (b) 50kw basic electricity
- (c) Free refuse removal (R154.00)
- (d) Free sanitation services (R168.00)
- (e) Property rates – R 70 000 reduction on property value

Free Basic Household Services



Data sourced from
MBRR A10

T3.6.2

The following table illustrates how the indigent households that were supported in **2023/2024**:

Electricity	Water	Sewer	Refuse	Rates	Total Amount
R 2299206	R 2853081	R 5219497	R 6010334	R 816 648	R 17 198 766

COMPONENT B: ROAD AND STORMWATER

This component includes roads; transport; and stormwater drainage.

3.8. ROADS AND STORM WATER MANAGEMENT

3.8.1. INTRODUCTION TO ROADS AND STORM WATER MANAGEMENT

Road access needs to be provided to all residents as they facilitate and improve the quality of life and contribute to the ease of doing business, they also ensure that the police and the emergency first responders in Msukaligwa can access all the communities.

The Grants received from Municipal Infrastructure Grant (MIG) and Gert Sibande District Municipality (GSDM) enable the Municipality to upgrade, maintain and re-build municipal roads. During the Integrated Development Planning (IDP) process, projects are identified during the community consultation meetings. Then the Council takes a final decision on which projects are to be prioritised for the financial year depending on the urgency of the articulated community needs.

Achievements

In the **2023/2024** financial year, 2.808km roads have been upgraded from gravel to paved roads. The asphalt roads need to be resurfaced to maintain their asset value. In the financial year under review, 45,583.73m² of tarred roads have been re-surfaced.

(1) Municipal Infrastructure Grant (MIG) has funded the following roads & Stormwater projects:

- (a) Construction of the roads at Wesselton Msheveni Street (Project Completed) 1.79 km
- (b) The Rehabilitation of Extension 32, 33, 34 Taxi Collector Street (Ring Road) (Multi-year Project)
- (c) Construction of 2km paved roads in Wesselton - Mabilisa and Magwaza street, Taxi Collector (Multi-year project)
- (d) The rehabilitation of 1,05km Silindile main street in Lothair Ward 15 (Multi-year project)

(2) OWN Funds has funded the following road project:

- (a) Resurfacing of Merino Road through municipal support programme.
- (b) Resurfacing of John Foster Road through municipal support programme.
- (c) Resurfacing of Naude street through municipal support programme.
- (d) Resurfacing of the portion of Thanjekwayo street through municipal support programme.
- (e) Resurfacing of Breyten/ Kwa-Zanele main access entrance the municipality was assisted by Mpumalanga Department of Public, Works, Roads and Transport with materials and fleet.

(3) Municipal Disaster Response Grant (MDRG) has funded the following projects:

- (a) Upgrade culvert bridge with 3x 1500x1000mm box culverts – Mofokeng Street (Project completed)
- (b) Construction of Access Bridge – Khayelisha and Emadamini in Wesselton Ext 11 (Multi-year project)
- (c) Construction of Mabuza Access Bridge in Wesselton Ext 2 (Multi-year project)
- (d) Resurfacing of Gwebu Street in Wesselton Ext 2 (Project completed) 1.018 km

The total costs for upgrading of the roads from gravel to paved surface was **R 29,692,337.41 MIG** with a total length of 1.79km which one project was fully completed by the end of 2023/2024 financial year. The total costs for projects funded through **MDRG** amounted to R6, 624, 181.53 with a total length of 1.018km fully completed.

The total of 122.943km of Gravel roads were bladed and new gravel material was imported to repair roads. Sidewalks are maintained by replacing broken concrete tiles, as well as constructing new sections where there was a need. The total square meters of potholes patched including resurfacing is 87,786.92 square meters. Msukaligwa Local Municipality together with Gert Sibande District Municipality has resurfaced Merino Road, John Foster Street, Naude street and a portion of Thanjekwayo street through the municipal support programme at a total cost of R21,000,000.00. The Breyten main entrance access was resurfaced with the assistance from Mpumalanga department of public works, roads and transport at a cost of R2,000,000.00.

T3.7.1

Gravel Roads Infrastructure

	Kilometers			
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to asphalt or paved	Gravel roads graded /maintained
2019/20	3301.13	0	0.56km	123.6km
2020/21	144.345	0	2.775km	144,345km
2021/22	185.5	0	0.72km	185.5km
2022/23	181,6	0	3,886km	181,6km
2023/24	181,6	0	2.808km	122.943km
Total	3.994.17	0	10.748km	757.95km

T3.7.2

Asphalted Roads Infrastructure Kilometers					
	Total asphalted and paved roads	New asphalt or paved roads	Existing asphalt roads re-asphalted	Existing asphalt roads re-sheeted	Asphalt and paved roads maintained
2018/19	251.2 km	3.3 km	0 km	3339 m ²	251.2 km
2019/20	254.5 km	0.58 km	0 km	27,404.54 m ²	254.58 km
2020/21	255,1 km	2.775 km	0 km	23,319.31 m ²	257,5 km
2021/22	257,9 km	0.7 km	0 km	10,222.4 m ²	257,9 km
2022/23	261,79 km	3.886km	7,598.00km	45,583.83 m ²	257,9 km
2023/24	261,79 km	1.79km	14,632.168 km	87,786.92 m ²	257,9 km
Total		km	0 km	m²	

T3.7.3

Roads and Storm Water Management Service Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To Provide Sustainable Basic Services and Sustainable Infrastructure										
Square meters of roads re-surfaced/ patched	Well maintained roads infrastructure	12,000 m ²	23,319 m ²	12,000 m ²	10222 m ²	32090 m ²	45583,7 3 m ²	40000 m ²	87787 m ²	21000 m ²
Km of gravel roads maintained	Well maintained roads infrastructure	20 km	144,345 km	20km	185,5k m	30 km	55,73 km	30 km	128,94 km	80 km
Number of storm water inlets maintained	Storm water drainage systems maintained	60	115	60	100	0	0	240	604	360
Kilometres of roads/streets upgraded to asphalt/paved	Well maintained roads infrastructure and storm water drainage systems	2.8 km	2,775 m ²	2,34km	0,72km	3,985 km	4.096 km	1.8 km	1.8 km	2.1 km

Financial Performance 2023-24: Road Services					
					R'000
Details	2022-23	2023-24			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	2 813	8 223	410	126	-6426%
Expenditure:					
Employees	-	12 400	12 400	15 105	18%
Repairs and Maintenance	-	2 106	2 106	1 810	-16%
Other	-	72 624	72 624	87 346	17%
Total Operational Expenditure	-	87 130	87 130	104 261	16%
Net Operational Expenditure	-2 813	78 907	86 720	104 135	24%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.7.8

Capital Expenditure 2023-24: Road Services					
R' 000					
Capital Projects	2023-24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	36 513 177	27 009 516	32 137 358	-14%	
Constr Of the Roads at Wesselton Msheven	9 647 489	9 647 489	9 647 489	0%	280
Rehab of Ext 32 33 34 Taxi Collector Str	6 157 657	6 157 657	6 157 657	0%	150
Rehab of Mabilisa Magwaza & Mabuzataxi C	4 325 348	4 325 348	4 325 348	0%	320
The Upgrading of Lothair Street (Main)	5 382 683	5 382 683	5 382 683		
Rehab of Nsibande & Thanjekwayo Taxi Col	-		-		
Upgrade Culvert Bridge Mofokeng St	1 500 000	1 496 284	1 496 284		
Reconstr Khayelihle-Emadamini Access Bri	4 500 000		129 370		
Resurface Gwebu Street	5 000 000		4 998 528		
Constr Storm Water Chanel Wesselton Ext	-	55	-	#DIV/0!	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					

T 3.7.9

3.9. STORM WATER DRAINAGE

Storm water drainage forms part of the roads and storm water management reported in section 3.8 of this report.

COMPONENT C: PLANNING AND ECONOMIC DEVELOPMENT

This component deals with planning and local economic development within the municipality.

3.10. PLANNING AND ECONOMIC DEVELOPMENT

3.10.1. INTRODUCTION TO PLANNING AND ECONOMIC DEVELOPMENT

The purpose and function of the Town Planning and Building Control Section is to facilitate the effective implementation and enforcement of the Msukaligwa Spatial Development Framework, the Msukaligwa Land Use Scheme 2021, the Msukaligwa Spatial Planning and Land Use Management By-Law of 2016, the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013) and the National Building Regulations. The objectives of the enforcement of the above-mentioned pieces of legislation and policy directives seek to give effect to the following:

- (a) indicate where public and private land development and infrastructure investment should take place;
- (b) indicate desired or undesired utilization of space in a particular area;
- (c) delineate the urban area within a well-defined urban edge;
- (d) identify areas where strategic intervention is required; and
- (e) Indicate areas where priority spending is required.
- (f) ensure compliance with applicable land use and building regulations

The Town Planning Section is composed of the following sub-functions:

- (a) Spatial Planning and Land Use Management
- (b) Building Control Management
- (c) Geographic Information System (GIS) Management

T3.8.1

Applications for Land Use Development						
Detail	Formalization of Townships		Rezoning		Built Environment	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Planning application received	0	0	0	25	0	25
Determination made in year of receipt	0	0	0	18	0	18
Determination made in following year	0	0	0	7	0	7
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	7	0	7

T3.10.2

Planning Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure integrated long-term planning										
Number of IDP/Budget Process Plans approved by Council annually	IDP/budget process plan developed and approved by Council every year	1	1	1	1	1	1	1	1	1
Number of Council Approved IDPs by 31 May and submitted to the MEC within 10 days of approval and publicised for public information within 14 days of approval	Council approved IDP by May annually, submitted to the MEC within 10 days of approval and publicized for public information within 14 days of approval	2	2	2	2	2	2	2	2	2
Number of IDP ward consultative meetings held annually	19 IDP public participation meeting held by October each year	19	19	19	19	19	17	19	21	19
Number of Budget/IDP	19 Budget / IDP public participation	19	19	19	19	19	15	19	13	19

Planning Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
consultative meeting held annually	meetings held by 30 April each year									
Number of quarterly IDP Rep-Forums held	4 IDP Rep forums held quarterly each year.	4	2	4	2	4	4	4	4	4
Number of performance agreements signed annually	Six performance agreement signed each year for Senior Managers	6	6	6	6	6	6	6	6	6
Number of performance evaluations conducted annually	2 formal performance evaluations conducted annually	2	2	2	0	4	4	4	4	4
Number of Annual Performance Reports compiled in terms of Sec 46 of MSA and submitted to relevant stakeholders by 31 August each year	1 Annual Performance Report compiled in terms of Sec. 46 of MSA submitted to Council, PT, AG & COGTA by August each year	1	1	1	1	1	1	1	1	1
Number of Annual Reports submitted to relevant stakeholders by 31 March each year	2 Annual Report compiled and submitted to Council, PT, AG & COGTA (draft and final AR)	2	2	2	2	2	2	2	2	2
Number of SDBIP quarterly reports tabled in Council annually	Four (4) quarterly SDBIP reports prepared and submitted to the Council each year	4	4	4	4	4	4	4	4	4
Number of SDBIPs approved 28 days after budget approval	One municipal SDBIP approved by the Executive Mayor 28 days after the approval of the annual budget.	1	1	1	1	1	1	1	1	1
Number of Internal Audit Annual Plans approved	Internal Audit Annual Plan approved by the Audit Committee	1	1	1	0	1	0	1	0	1
Number of Audit Committee meetings held annually	4 quarterly Audit Committee meetings held	4	4	4	7	4	6	4	7	4

Planning Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Annual Risk Register developed and approved	1 Annual Risk Register developed and approved by RMC	1	1	1	0	1	0	1	1	1
Number of quarterly risk management reports submitted to Risk Management Committee (RMC) annually	4 Risk Management report submitted RMC by June each year	4	4	4	4	4	4	4	4	4
Number of quarterly newsletters compiled and posted on the municipal website	4 quarterly newsletters publicised on the municipal website	N/A	N/A	N/A	N/A	N/A	N/A	4	4	4
Percentage of website updates made within 24 hours after request has been made	Website updates made continuously as and when required	N/A	N/A	N/A	N/A	N/A	N/A	100%	98%	100%
Percentage of compliant building plans processed within 60 days	100% of compliant building plans applications received and processed within 60 days of receipt	100%	100%	100%	100%	100%	100%	100%	100%	100%
Number of building and land use contraventions issued quarterly	Building and land use contraventions issued quarterly	100	102	100	100	100	100	100	100	100
Percentage of compliant Land Use and Land Development Applications considered by the Land Development Officer within 30 days	100% compliant Land Use and Land Development Applications considered by LDO	100%	100%	100%	100%	100%	100%	100%	100%	100%
Development of policy on the development charges	Development charges policy developed to guide development charges.	N/A	N/A	N/A	N/A	N/A	N/A	1	1	0
Number of Planning and Economic Development Section 80 meetings held	To strengthen corporate governance and accountability	N/A	N/A	N/A	N/A	N/A	N/A	12	12	12

T3.10.3

Financial Performance 2023-24: Planning Services					
R'000					
Details	2022-23	2023-24			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4 628	5 047	5 154	210	-2303%
Expenditure:					
Employees	-	1 758	1 758	966	-82%
Repairs and Maintenance	-	-	-	0	#DIV/0!
Other	12 725	1 166	1 166	1 438	19%
Total Operational Expenditure	12 725	2 924	2 924	2 404	-22%
Net Operational Expenditure	8 097	-2 123	-2 230	2 194	197%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.10.5					

Capital Expenditure 2023-24: Planning Services					
R' 000					
Capital Projects	2023-24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	#DIV/0!	
Project A	0	0	0	#DIV/0!	280
Project B	0	0	0	#DIV/0!	150
Project C	0	0	0	#DIV/0!	320
Project D	0	0	0	#DIV/0!	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					
T 3.10.6					

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL

The major project in the planning unit which has rolled-over from preceding years was the establishment of a township on Portion 17 of the Farm Nooitgedacht 262-IT. The township establishment application was approved by the Gert Sibande District Municipal Planning Tribunal in March 2022. The project can be considered to be 80% complete as the only remaining item is the opening of the township register (for title deeds) and proclamation of the township. In the 2020/21 Financial year, the PED department also worked on the development of a SPLUMA compliant land use scheme.

The project was completed in 2021, with the land use scheme being proclaimed in March 2021. The PED department also facilitated the approval of the formalisation of the KaMabuza Informal Settlement, the formalisation was approved in October 2021. This a multiyear project funded by the department of Human Settlements, the project can be considered to be 50% as all the town planning approvals have been obtained, save for the registration of the General Plan. In the 2021/22 financial, the municipality received an application for the formalisation of the Nyibe informal settlement. The project is also funded by the department of human settlements. The project is still undergoing the town planning compliance procedure.

In as far as our mandate to ensure compliance by enforcing applicable municipal land use and building regulations, achieving 100% in how we administer land use and building contraventions means that we are able to effectively respond to public complaints and detected cases of non-compliance within the legislated timeframes.

We are further committed to maintaining the above status quo. Since the promulgation of the Spatial Planning and Land Use Management By-Law on the 23rd of April 2016, the Section has been successfully implementing the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013) (SPLUMA) in the assessment of new land use and development applications.

T3.10.7

3.11. LOCAL ECONOMIC DEVELOPMENT

3.11.1. INTRODUCTION TO ECONOMIC DEVELOPMENT

The purpose of Local Economic Development (LED) is to facilitate the growth and sustenance of the local economic capacity for all communities; and to improve economic future prospects that would enhance the quality of life for all. The purpose is also to ensure that plans are in place to improve the socio-economic status of the municipality through infrastructure development. Through the engagements and partnership with other stakeholders, a number of Local Economic Development (LED) objectives such as business opportunities for locals, youth skills development, employment and poverty alleviation were achieved.

The development of the Local Economic Development (LED) strategy for Msukaligwa local municipality was viewed as part of the broader Local Economic Development (LED) Planning process and the development of this strategy took into account work previously done as well as the new developments.

The municipality has reviewed its LED strategy which identifies catalytic projects to address existing and new developments within the municipal area. That is, projects that will have a meaningful impact on the local economy of Msukaligwa Local Municipality and consequently contribute to the national war against unemployment, inequalities and poverty.

The municipality is also working hard to re-establish the Local Economic Development Forum, which must be a platform where LED stakeholders engage on matters relating to the economic growth of the municipality.

(1) Key stakeholders in Local Economic Development (LED) planning, implementation and evaluation are:

- (a) Government
- (b) State enterprises
- (c) Private sector
- (d) Community structures

(2) The LED Vision Elements and Objectives:

Key Vision Elements:

- (a) Creation of job opportunities and the empowerment of local communities.
- (b) SMME development and support.
- (c) Sustainable growth and development based on sectoral competitiveness of the local space.
- (d) Addressing socio-economic challenges faced by local communities, such as poverty, unemployment and skills levels.

3.11.2. JOB CREATION PROJECTS

There is also an initiative from the State-Owned Enterprise, TRANSNET, to extend the railway line from Lothair to Swaziland in order to improve transportation of goods between South Africa and Swaziland, which will in turn alleviate the road freight burden as well as create job opportunities. Another initiative from the State-Owned Enterprise, SANRAL, is the construction of the Ermelo Ring Road, which will in turn contribute to job opportunities. In improving the transport system, the government commits to shift the transportation of coal from road-to-rail in order to protect the provincial roads through a planned construction of Majuba Rail coal line linking to the existing rail line in Msukaligwa to Majuba power station. The Majuba rail coal line project has been commissioned and number jobs were created.

Since the commissioning of the above-mentioned project, skills transfer for non-contractual targets has resulted in 560 candidates to be trained. In terms of skills development the following skills were transferred to locals:

- (a) Artisanal assistants;
- (b) Environmental officers;
- (c) Laboratory technicians;
- (d) Operators; and
- (e) Quality

Economic Sector Contribution to the District Economy		
Sector	2022/23	2023/24
Agric, forestry and fishing	17%	6,5%
Mining and quarrying	7.4%	6,8%
Manufacturing	5.4%	5,4%
Wholesale and retail trade	21,6%	17,7%
Finance, property, etc.	23,5%	19,7%
Govt, community and social services	21%	27,2%
Construction services	15,3%	1,9%
Transport	29%	9,5%
Utilities	19,4%	5,3%
Total	16.7%	16.7%
		T3.11.2

Jobs Created during 2022/23 by Local Economic Development (LED) Initiatives (Excluding Extended Public Works Programme (EPWP) projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Initiative A	430	None	None	
Initiative B	None	None	None	
Initiative C	None	None	None	
				T3.11.5

Job creation through Extended Public Works Programme (EPWP) * projects			
Year	Extended Public Works Programme (EPWP) Projects	Community Workers Programme (CWP)	Jobs created through Extended Public Works Programme (EPWP) projects
	No.	No.	No.
2019/2020	17 Projects	0	443 Jobs created
2020/2021	26 projects	0	365 jobs created
2021/2022	20 projects	0	331 jobs created
2022/2023	19 Projects	0	450 jobs created
2023/2024	25 projects	0	450 jobs created
* - Extended Public Works Programme			

T3.11.6

Local Economic Development Policy Objectives Taken From Integrated Development Plan (IDP)										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Service Indicators										
Service Objective: To encourage shared economic growth and development										
Number of Sector Labour Plans meetings held	Businesses adherence to their social responsibility plans	N/A	N/A	N/A	N/A	20	20	4	4	4
Number of Local SMMEs and Cooperatives supported and registered	Support provided to SMMEs	20	20	20	26	20	21	30	35	30
Number of LRC meetings convened	Ensure coordination of CWP Local Reference Committee (LRC)	N/A	N/A	N/A	N/A	N/A	N/A	4	4	4
Number of short-term job opportunities created via Public Employment programmes (EPWP, CWP, etc.)	Job opportunities created in terms of the EPWP guidelines	547	331	461		461	450	461	430	461
Number of the LED Workshops held	Support is given to SMMEs to	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1

	participate in the economy.									
Re-establishment and launching of the LED Forum	Ensuring the functionality of the LED Forum	N/A	N/A	N/A	N/A	N/A	N/A	1	0	1
Number of LED Forum Meetings held	Functional Local economic development forum	0	0	0	0	0	0	3	0	3
T3.11.7										

Financial Performance 2023-24: Local Economic Development Services						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	-	-	-	-	#DIV/0!	
Expenditure:						
Employees	-	2 348	2 226	2 576	9%	
Repairs and Maintenance	-	-	-	-	#DIV/0!	
Other	1 976	22	22	40	45%	
Total Operational Expenditure	1 976	2 370	2 248	2 616	9%	
Net Operational Expenditure	1 976	2 370	2 248	2 616	9%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						
T 3.11.9						

Capital Expenditure 2022-23: Economic Development Services						R' 000
Capital Projects	2023-24					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	0	0	0	#DIV/0!		
Project A	0	0	0	#DIV/0!	0	
Project B	0	0	0	#DIV/0!	0	
Project C	0	0	0	#DIV/0!	0	
Project D	0	0	0	#DIV/0!	0	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>						
T 3.11.10						

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes libraries and archives; museums, arts galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

3.12. LIBRARIES AND COMMUNITY FACILITIES

3.12.1. INTRODUCTION TO LIBRARIES AND COMMUNITY FACILITIES

The Public Libraries of Msukaligwa are positioned to be a local gateway to information and knowledge. They provide an opportunity for lifelong learning, independent decision-making and cultural development of individuals and social groups. The Libraries are established, supported and funded by Msukaligwa Municipality together with the Provincial Government. Msukaligwa Libraries provide access to information, knowledge and expand the imagination through a range of resources and services because the libraries are equally accessible to all members of the community regardless of race, nationality, gender, religion, language, disability, economic and employment status and educational attainment.

(1) The libraries carry out a number of programmes such as:

- (a) Readathon Programme
- (b) World Book Day
- (c) South African Library Week

(2) We have a total of ten (10) libraries and nine (9) libraries are fully functional while Cassim park library is not functioning due to the renovation of the library. The library will be operational again as soon as all issues are sorted, and it is handed back to the municipality by DCSR. The libraries are situated in the following areas:

- (a) Ermelo
- (b) Wesselton
- (c) Cassim park
- (d) Chrissiesmeer
- (e) Davel
- (f) Breyten
- (g) Kwazanele
- (h) Silindile
- (i) Thusiville
- (j) KwaChibikulu

The Libraries have been able to provide resources and services in a variety of medium to meet the needs of individuals and groups for education, information and personal development including recreation and leisure. They are constantly playing an important role in the development and maintenance of a democratic society by giving the individual access to a wide and varied range of knowledge, ideas and opinions. One of our achievements was being able to create and strengthen the reading habits in children from an early age. Libraries have managed to engaged most schools within the vicinity of the libraries to participate in the activities of the libraries, which are aimed at enhancing and empowering the learners of these schools.

All Libraries are a local centre of information making all kinds of knowledge and information readily available to users. The other one of our achievements as Msukaligwa Libraries is that we have managed to bridge the gap between the information rich and the information poor by providing public access to the Internet as well as providing information in traditional formats.

Ten libraries provide electronic corners in their facilities which give free access to the internet and personal computing. Therefore, Msukaligwa Libraries continue to provide services, which are aimed at meeting the needs of the local communities and continue to be a dynamic information hub in line with government's pathway to the 4th Industrial Revolution.

T3.12.1

Libraries Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure long term planning and provision of sustainable services delivery										
Number of libraries events and educational campaigns held	Culture reading and learning for learners at school promoted	2	0	2	2	10	10	8	10	8

T3.12.3

Financial Performance 2023-24: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
R'000					
Details	2022-23	2023-24			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	131	0	0	23,485	#DIV/0!
Expenditure:					
Employees	6,954	6,641,637	6,104,441	6,475,773	97%
Repairs and Maintenance	0	0	0	0	#DIV/0!
Other	19,666	1,087,265	830,052	92,021	8%
Total Operational Expenditure	26,499	7,728,902	6,934,493	534,329	6%
Net Operational Expenditure	26,499	7,728,902	6,934,493	534,329	6%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.12.5

Capital Expenditure Year 2023/2024: Libraries; Archives; Museums; Galleries; Community Facilities; Other

R' 000

Capital Projects	Year 2023/2024				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	#DIV/0!	
Project A	0	0	0	#DIV/0!	0
Project B	0	0	0	#DIV/0!	0
Project C	0	0	0	#DIV/0!	0
Project D	0	0	0	#DIV/0!	0
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					

3.13. CEMETERIES AND CREMATORIUMS

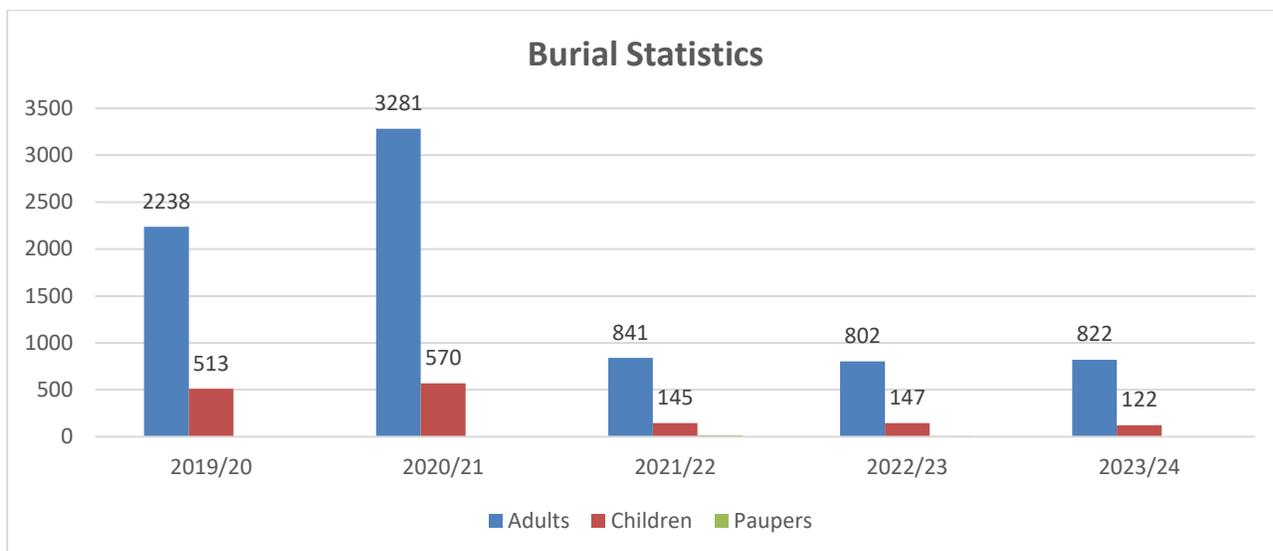
3.13.1. INTRODUCTION TO CEMETERIES & CREMATORIUMS

The top priorities of the municipality in relation to cemeteries are to provide burial space as required by legislation and maintain it to the required standards, securing and fencing of the cemeteries and the enforcement of the by-laws. Msukaligwa municipality has 21 cemeteries of which 6 of them are still in an operational state whereas 15 are closed. It is imperative to provide the community with burial facilities that will be able to meet the demand. It is envisaged that the Municipality will not run out of burial space for the next five to ten years. Plans are in place to extend cemetery services to areas where they are currently not provided i.e. Warburton/Nganga.

T3.13.1

Burial Statistics

Group	2019/20	2020/21	2021/22	2022/23	2023/24
Adults	2238	3281	841	802	822
Children	513	570	145	147	122
Paupers	3	0	17	6	1
					T3.13.2



T 3.13.2a

The burial statistics are only for those cemeteries that are registered. There are areas where the burials are not accounted for due to the cemeteries or graveyards not being registered. Some graveyards are located on private farms which cannot be account for.

Cemeteries Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2019/20		2020/21		2021/22		2022/23		2023/24
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To provide sustainable basic services and sustainable infrastructure										
Well maintained and aesthetic cemeteries	All cemeteries maintained on regular basis.									

T3.13.3

Financial Performance 2023-24: Cemeteries and Crematoriums					
R'000					
Details	2022-23	2023-24			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	803	986	986	656	-50%
Expenditure:					
Employees	-	3 726	3 726	3 961	6%
Repairs and Maintenance	-	-	-	-	#DIV/0!
Other	3 543	381	183 444	13	-2831%
Total Operational Expenditure	3 543	4 107	187 170	3 974	-3%
Net Operational Expenditure	2 740	3 121	186 184	3 318	6%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.13.5

Capital Expenditure Year 2023/2024: Cemeteries and Crematoriums						R' 000
Capital Projects	Year 2023/2024					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	0	0	0	#DIV/0!		
Project A	0	0	0	#DIV/0!	0	
Project B	0	0	0	#DIV/0!	0	
Project C	0	0	0	#DIV/0!	0	
Project D	0	0	0	#DIV/0!	0	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.13.6	

(1) There are two main challenges in rendering proper services which are:

- (a) The staff component at the municipal units outside of Ermelo is not assigned to specific tasks and they are doing rotational work from one division to the other. Only the Ermelo unit staff is assigned to specific tasks.
- (b) The other challenge in rendering proper services is obsolete equipment which the municipality is unable to replace due to financial constraints.

COMMENT ON THE PERFORMANCE OF CEMETERIES OVERALL

The priority projects were to fence all the existing and new cemeteries and to establish new cemeteries in those areas where there are no cemeteries. Most of the cemeteries have been fenced, and only seven (7) out of 21 of the existing cemeteries have not been fenced and are in the Municipality's plans to be fenced. The only area without a registered cemetery is Warburton/Nganga and the municipality is a process of establishing a cemetery at that area or unit.

T3.13.7

3.14. CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

COMMENT ON THE PERFORMANCE OF CHILD CARE; AGED CARE; SOCIAL PROGRAMMES OVERALL:

Childcare, aged care and social programmes are not the competency of the Local municipality but the District Municipality.

T3.14.7

COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes pollution control, biodiversity and landscape

3.15. POLLUTION CONTROL

This function does not fall within the municipality's competency and is being performed by the District Municipality.

3.16. BIO-DIVERSITY AND LANDSCAPE (INCL. OPEN SPACES AND SIDEWALKS)

3.16.1. INTRODUCTION BIO-DIVERSITY AND LANDSCAPE

These services include the administration, development and upgrading of parks, maintenance of open spaces, parks, sidewalks, street trees and general cleanness of the towns and its grounds. The main priorities in the parks division is to repair and replace all dilapidated playing ground facilities and to maintain parks, sidewalks and municipal terrains. Support is given to communities during the cleaning campaigns through provision of equipment and cleaning material.

T3.16.1

3.16.2. SERVICE STATISTICS FOR BIO-DIVERSITY AND LANDSCAPE

The towns are divided into sections for the cleaning and cutting of grass as well as the general maintenance of parks and open spaces. Therefore, the cutting of grass in parks, open spaces and sidewalks is done on a monthly basis. Inadequate staff and equipment remain a challenge leading to some areas not being attended to on time as per the maintenance plan.

T3.16.2

Parks (Open Spaces) Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2019/20		2020/21		2021/22		2022/23		2023/24
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To provide sustainable basic services and sustainable infrastructure										
Maintenance of public parks on a regular basis	Well maintained parks									

T3.16.3

Employees: Parks (Open Spaces)						
Job Level	2019/20	2020/21		Employees No.	Vacancies (fulltime equivalents) No.	% Vacancies (as a % of total posts)
	Employees No.	Posts No.				
Forms part of the cemeteries and crematoriums in section 3.13						

T3.16.4

Financial Performance 2023-24: Bio-Diversity; Landscape and Other					R'000
Details	2022-23	2023-24			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue	0	0	0	0	#DIV/0!
Expenditure:					
Employees	0	0	0	0	#DIV/0!
Repairs and Maintenance	0	0	0	0	#DIV/0!
Other	0	0	0	0	#DIV/0!
Total Operational Expenditure	0	0	0	0	#DIV/0!
Net Operational Expenditure	0	0	0	0	#DIV/0!
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.16.5

Capital Expenditure 2023-24: Bio-Diversity; Landscape and Other					R' 000
Capital Projects	2023-24				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	0	0	0	#DIV/0!	
Project A	0	0	0	#DIV/0!	0
Project B	0	0	0	#DIV/0!	0
Project C	0	0	0	#DIV/0!	0
Project D	0	0	0	#DIV/0!	0
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.16.6

COMPONENT F: HEALTH

This component includes clinics; ambulance services; and health inspections.

3.17. HEALTH SERVICES

This is the function of the Provincial Department of Health.

3.18. CLINICS

This is the function of the Provincial Department of Health. The municipality only renders support services in respect municipal services and services infrastructure.

3.19. AMBULANCE SERVICES

This is the Function of the Department of Health and private ambulance services. The municipality renders emergency support services in respect of rescue and fire services. The services include use of Jaws of Life in case vehicle accidents and rescue services in case fire in buildings and veld fires.

3.20. HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

This is the function of the District Municipality.

COMPONENT G: SECURITY AND SAFETY

This component includes Traffic; fire; disaster management, licensing, control of animals and control of public nuisances, etc.

3.21. TRAFFIC SERVICES

3.21.1. INTRODUCTION TO TRAFFIC SERVICES

The Traffic Department is responsible for traffic-law enforcement and the administration thereof. This function also ensures the technical sustainability of road traffic signs, signals and markings throughout the municipal area. The main focus is to ensure a reduction in the road accidents death rate, compliance to road rules and regulations and free flow of traffic. The following activities are performed to ensure improvement in the municipal traffic services:

- (a) High visibility patrols;
- (b) Effective law enforcement;
- (c) Effective law speed enforcement;
- (d) Attend to accident scenes;
- (e) Escort duties for funerals, abnormal loads and dignitaries;
- (f) Traffic education in schools;
- (g) Road blocks;
- (h) Point duties;
- (i) Scholar patrols; and
- (j) Other related traffic duties.

T3.21.1

Municipal Traffic Service Data						
Details	2021/22	2022/23	2023/24		2024/25	
	Actual No.	Actual No.	Estimates No.	Actual No.	Estimates No.	
1	Number of traffic accidents during the year	1273	1263	0	1103	0
2	Number of by-law infringements attended	17	22	The section was transferred to Disaster	The section was transferred to Disaster	The section was transferred to Disaster
3	Number of traffic officers in the field on an average day	10	10	12	12	12
4	Number of traffic officers on duty on any average day	10	10	11	12	12
						T3.21.2

Traffic Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To provide sustainable basic services and sustainable infrastructure										
Number of road safety awareness campaigns conducted at school	Promoting road safety awareness at schools and public at large	9	0	9	7	12	13	12	15	12
Number of roadblocks conducted	Road safety and Crime prevention	12	20	12	18	12	16	12	18	12
										T3.21.3

Financial Performance 2023-24: Police						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	0	0	0	0	#DIV/0!	
Expenditure:						
Police Officers	0	0	0	0		
Other employees	0	0	0	0	#DIV/0!	
Repairs and Maintenance	0	0	0	0	#DIV/0!	
Other	0	0	0	0	#DIV/0!	
Total Operational Expenditure	0	0	0	0	#DIV/0!	
Net Operational Expenditure	0	0	0	0	#DIV/0!	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						
						T 3.20.5

Capital Expenditure 2023-24: Police						R' 000
Capital Projects	2023-24					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	0	0	0	#DIV/0!		
Project A	0	0	0	#DIV/0!	0	
Project B	0	0	0	#DIV/0!	0	
Project C	0	0	0	#DIV/0!	0	
Project D	0	0	0	#DIV/0!	0	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T 3.20.6	

COMMENT ON THE PERFORMANCE OF TRAFFIC SERVICES OVERALL

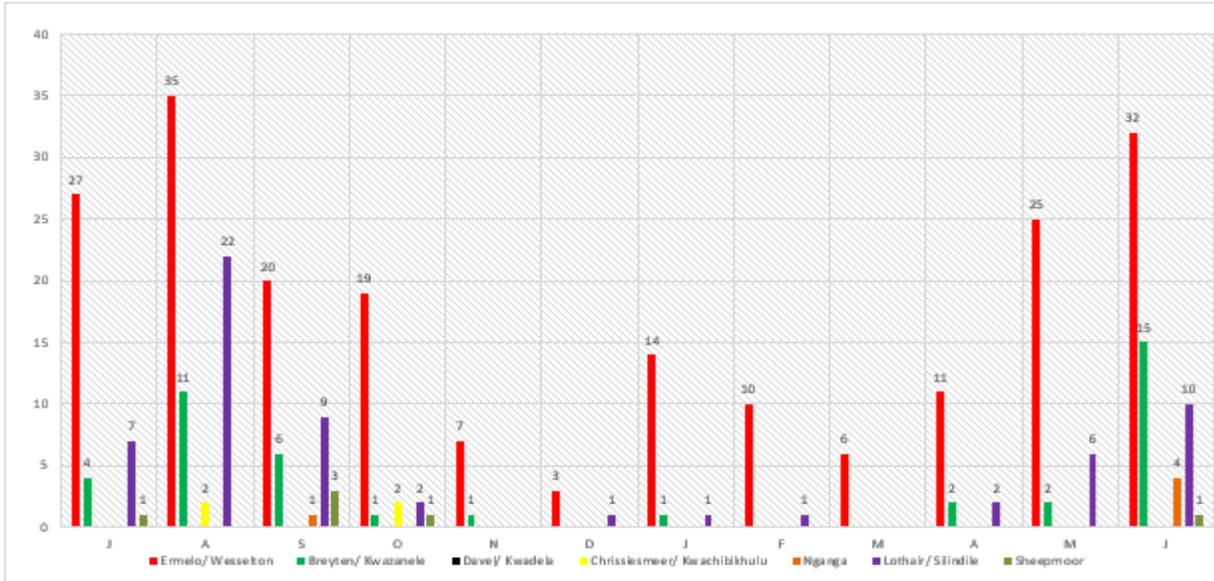
In relation to Traffic control and Safety under the Community and Social Services Department, the municipality has a responsibility for law enforcement and the issuing of traffic fines amongst other related functions. The section is facing a number of challenges ranging from capacity constraints to limited working tools, whereas the municipal area has experienced a steady vehicle population growth over the years. A proper budgetary allocation is an important consideration in order to improve the quality of service delivery from the section.

T3.21.7

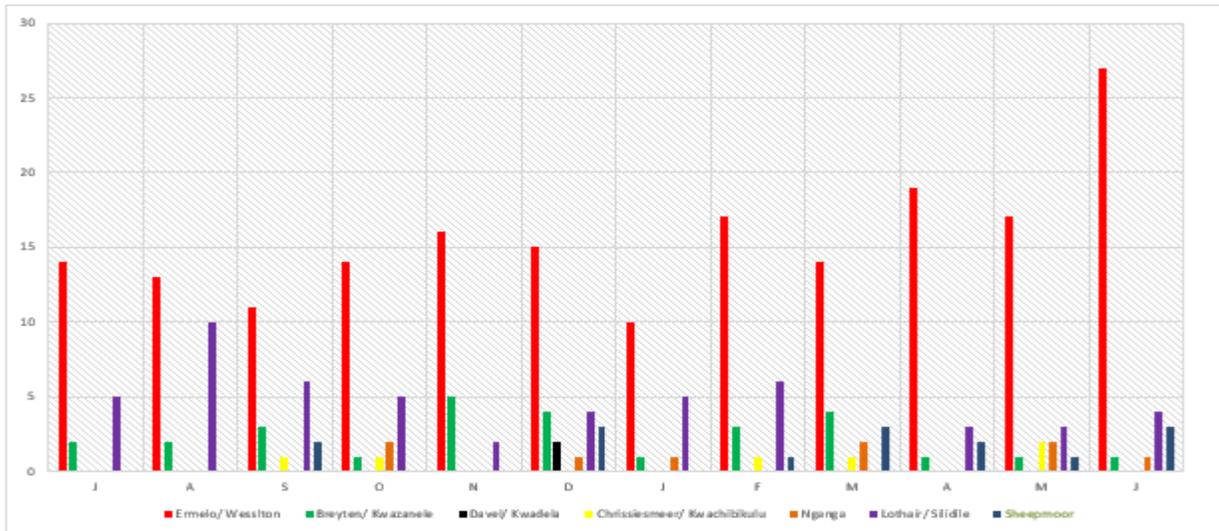
3.22. FIRE AND RESCUE SERVICES

3.22.1. INTRODUCTION TO FIRE SERVICES

Year 2023/2024 – Msukaligwa Fire Calls



Year 2023/2024– Msukaligwa Special Service Calls (Motor vehicle accidents/ rescues/ hazardous material incidents)



T3.22.1

Municipal Fire Service Data						
	Details	2021/22	2022/23	2023/24		2024/25
		Actual No.	Actual No.	Estimate No.	Actual No.	Estimate No
1	Total fires attended in the year	210	249	249	330	330
2	Total of other incidents attended in the year	222	276	276	309	309
3	Average turnout time - urban areas	12	10	10	10	10
4	Average turnout time - rural areas	23	23	23	23	23
5	Fire fighters in post at year end	27	26	46	26	32
6	Total emergency vehicles at year end	8	8	10	10	13
7	Average number of appliances off the road during the year	3	3	0	3	0
						T3.22.2

Fire Services Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure long term planning and provision of sustainable services delivery and maintenance of infrastructure										
Percentage of fire and emergency community safety incidents attended to within pre-determined timeframes in accordance with SANS 10090	Turnaround time compared to National guidelines	70%	77%	78%	83%	82%	84%	85%	78%	85%
Number of fire safety inspections conducted	Fire Safety inspections and risk visits conducted in terms of National guidelines	540	742	700	664	700	763	741	807	740
Number of fire safety awareness campaigns conducted (PIER)	Provide fire safety awareness to communities and schools	9	22	20	42	40	54	52	132	52
										T3.22.3

Financial Performance 2023-24: Fire Services						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	1 821	2 031	5 454	3 384	40%	
Expenditure:						
Fire fighters		-	-			
Other employees	-	15 777	15 777	14 606	-8%	
Repairs and Maintenance	-	484	484	440	-10%	
Other	12 854	3 265	3 265	732	-346%	
Total Operational Expenditure	12 854	19 526	19 526	15 778	-24%	
Net Operational Expenditure	11 033	17 495	14 072	12 394	-41%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						
T 3.21.5						

Capital Expenditure 2023-24: Fire Services						R' 000
Capital Projects	2023-24					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	0	0	0	#DIV/0!		
Project A	0	0	0	#DIV/0!	0	
Project B	0	0	0	#DIV/0!	0	
Project C	0	0	0	#DIV/0!	0	
Project D	0	0	0	#DIV/0!	0	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>						
T 3.21.6						

COMMENT ON THE PERFORMANCE OF FIRE SERVICES OVERALL

- (1) The municipality is providing a fire and rescue service which is intended to be employed for, a) preventing the outbreak or spread of a fire, b) fighting or extinguishing a fire, c) the protection of life or property against a fire or other threatening danger, d) the rescue of life or property from a fire or other danger, e) subject to the provisions of the Health Act, 1977 (Act No. 63 of 1977), the rendering of emergency medical service as an integral part of the fire and rescue service.

The municipality is required to ensure that its service is maintained at 75% or higher. During 2022 - 2023 an overall compliance of 33% was recorded for the provision of fire and rescue services.

Municipal Compliance Towards The Provision of Fire and Rescue Services (SANS 10090)



Section 3 of the Fire Brigade Services Act, Act 99 of 1987 requires that a municipality must maintain its service in accordance with the prescribed requirements (SANS 10090, Community Protection Against Fire) and due to the current financial budget allocations for the provision of a fire service, funding of capital projects is not always possible.

In terms of the minimum requirements as per Section 3 of the FBSA read with SANS 10090, the municipality in terms of its constitutional obligation is classified as a "Category 1" fire services (A fire service as given for category 5(a) as monitored by relevant performance indicators or statistics, or both, and which is able to meet performance criteria as given for category 5(b) more than 75 % of the time, measured annually through, 1) risk profile of area of jurisdiction, 2) weight and speed of response, 3) call receipt and processing requirements, 4) vehicle/equipment availability and maintenance, 5) incident management procedures, 6) pre-fire planning and risk visits, 7) training/personnel, 8) water supplies and 9) fire safety functions.

Although funding is not always available a five (5) year fire service master plan was approved by council to address the identified needs for the next five years.

- (2) Fire Protection Association (National Veld and Forest Fire Act, Act 101 of 1998)
The municipality is a member with both the fire protection associations seated within the municipal area, namely Umpiluzi Fire Protection Association and Msukaligwa Fire Protection Association. The appointed Chief Fire Officer under the Fire Brigade Services Act, is also the appointed Fire Protection Officer for the two Fire Protection Associations and are performing such duties as the Chief Executive Officer for both FPA's.
- (3) Smart Goals Summary
The service will continue to update their legal agreements and by-laws to ensure they are at the most appropriate stage of readiness. Additionally improve upon existing capital funding to ensure a consistent long term stable level of funding has not been achieved. The Fire Services will strive to improve upon their training to enhance the Health and Safety of the Fire Fighters. Additionally, live fire training along with specialty skills training will be started.
- (4) During 2023/2024 a light emergency vehicle was procured for the Breyten Fire Station. This vehicle contributed to a much faster response to emergencies in Breyten/ Kwazanele

The enhancing of the emergency management capabilities of the municipality is an on-going responsibility of the fire service with all its stakeholders.

T3.22.7

3.23. DISASTER MANAGEMENT

3.23.1. INTRODUCTION TO DISASTER MANAGEMENT

The Disaster Management Function manages and controls the key performance areas associated with the disaster management and public safety functionality through inputs to the design, development of policies, alignment of procedures, systems and controls guiding critical interventions. The Unit also has a responsibility to provide advice, information and guidelines on critical initiatives related to legislative imperatives with a view to sustain interventions and support all within the context of the Integrated Development Plan (IDP).

Furthermore, the unit is responsible for rendering an effective and efficient customer care management service and the allocation of adequate resources to address identified security threats and risks.

(1) The function of the Disaster Management Section services is administered as follows and includes:

- (a) To prevent or reduce the severity of hazards
- (b) To ensure the preparedness of the community itself
- (c) To provide an effective response should disaster occur
- (d) To provide recovery after disaster

(2) The strategic objectives of this function are to:

- (a) To reduce or avoid the human, physical and economic losses suffered by individuals, society and community at large.
- (b) To enhance management system or function within the municipal area for the safety of the community and households including the property protection.
- (c) To promote an integrated and co-coordinated approach to disaster management.
- (d) To act as information repository for disaster management related issues.
- (e) To promote research to all aspects of disaster management.
- (f) To disseminate information regarding disaster management in the municipal area.
- (g) To promote the recruitment, training and participation of volunteers in the municipality.
- (h) To establish a disaster management advisory forum consisting of all role-players
- (i) To provide an integrated and coordinated disaster management policy framework that focuses on prevention or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective responses as required by the act

T3.23.1

SERVICE STATISTICS FOR DISASTER MANAGEMENT

(1) Summary of achievements

- (a) The Unit has managed to conduct several disaster management awareness campaigns around the municipal area of jurisdiction.
- (b) Impact assessments were conducted on time to all incidents reported to the function and those families or individuals were provided with necessary assistance from the Disaster Management Centre.
- (c) The approval of the Reviewed Disaster Management Plan Council Resolution: **LM:504/10/2023**

The key issues for 2023/2024 FY were:

- (a) Shortage of staff
- (b) Budget Constraints

T3.23.2

Disaster Management Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To provide sustainable basic services and sustainable infrastructure										
Number of disaster awareness campaigns Conducted	Educating community on possible disasters and mitigation thereof.	9	10	12	13	12	12	12	12	12
Percentage of disaster incidents responded to within 24 hours after the incident has been reported	Providing disaster relief to affected communities	100%	100%	100%	100%	100%	100%	100%	100%	100%
T3.23.3										

Financial Performance 2023-24: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc					
R'000					
Details	2022-23	2023-24			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	5,528	0	0	0	#DIV/0!
Expenditure:					
Employees	37,166	5,159,058	4,741,776	4,,379,595	85%
Repairs and Maintenance	0	0	0	0	#DIV/0!
Other	32,599	29,246,807	27,730,617	39,768,915	103%
Total Operational Expenditure	69,765	34,405,865	32,472,393	44,148,509	128%
Net Operational Expenditure	62,140	34,405,865	32,472,393	44,148,509	128%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.22.5					

Capital Expenditure Year 2023/2024: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc					
R' 000					
Capital Projects	2023-24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	#DIV/0!	
Project A	0	0	0	#DIV/0!	0
Project B	0	0	0	#DIV/0!	0
Project C	0	0	0	#DIV/0!	0
Project D	0	0	0	#DIV/0!	0
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					
T 3.22.6					

3.24. LICENSING

3.24.1. INTRODUCTION TO LICENSING SERVICES

The licensing services had however been transferred to the Provincial Department of Community Safety, Security and Liason at the municipality is no more responsible for the services.

T3.24.1

Municipal Licensing Service Data				
Details	2021/22	2022/23	2023/24	2024/25
	Actual No.	Actual No.	Actual No.	Estimate No.
1 No report as this function is with the provincial government.				
				T3.24.2

Licensing Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2020/21		2021/22		2022/23		2023/24		2024/25
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure long term planning and provision of sustainable services delivery and maintenance of infrastructure										
No report as this function is with the provincial government.										
										T3.24.3

COMMENT ON THE PERFORMANCE OF LICENSING SERVICES OVERALL

The licensing services has been transferred to Provincial Department of Community Safety, Security and Liason and no more with the municipality from the 2023/2024 financial year.

T3.24.5

COMPONENT H: SPORT AND RECREATION

This component includes sports fields; sports halls; stadiums; swimming pools; and sport promotion.

3.25. SPORT AND RECREATION

3.25.1. INTRODUCTION TO SPORT AND RECREATION

The mandate of the section is to provide, maintain and manage sports and recreational facilities. Promotion of sports and assisting athletes who participate at regional, provincial and national level with transport and other logistical arrangements also form part of the municipality's mandate.

The municipality is currently managing and maintaining 19 sports facilities that cut across all sporting codes. Only Ermelo has facilities of reasonable standards while the other six units within the municipality are still having challenges with sub-standard sports facilities.

Due to financial constraints, the municipality could not provide support to sporting activities for the financial year under review

T3.25.0

3.25.2. SERVICE STATISTICS FOR SPORT AND RECREATION

The municipality facilitates and supports the following sporting codes:

Soccer; Rugby; Netball; Tennis; Korfball; Wrestling; Gymnastics; Basketball; Volleyball; Swimming; Karate; Table tennis; Indigenous games, bowling, golf, athletics, pool, squash, pigeon racing club, hockey and Cricket.

T3.25.1

Sports Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	2019/20		2020/21		2021/22		2022/23		2023/24
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators										
Service Objective: To ensure long term planning and provision of sustainable services delivery										
Maintenance of sports facilities on regular basis.	Well maintained sports facilities									

T3.25.2

Financial Performance 2023-24: Sport and Recreation						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	178	214	178	95	-125%	
Expenditure:						
Employees	-	2 981	2 981	2 564	-16%	
Repairs and Maintenance	-	250	250	88	-184%	
Other	22 194	9 236	9 236	3 206	-188%	
Total Operational Expenditure	22 194	12 467	12 467	5 858	-113%	
Net Operational Expenditure	22 016	12 253	12 289	5 763	-113%	

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.23.4

Capital Expenditure 2023-24: Sport and Recreation						R' 000
Capital Projects	2023-24					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	0	0	0	#DIV/0!		

Project A	0	0	0	#DIV/0!	0
Project B	0	0	0	#DIV/0!	0
Project C	0	0	0	#DIV/0!	0
Project D	0	0	0	#DIV/0!	0
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.23.5

COMMENT ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

None.

T3.25.6

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes corporate policy offices, financial services, human resource services, ICT services, property services.

3.26. EXECUTIVE AND COUNCIL

- (1) The Executive Mayor appointed Chairpersons for various Section 80 Committees in terms of Section 79 of the Municipal Structures Act, and referred as Members of the g a Mayoral Committee,
 - (a) MMC for Corporate Services – Cllr. T.J. Madlala
 - (b) MMC for Technical Services- Cllr. T.C. Motha
 - (c) MMC for Planning and Economic Development- Cllr. B.J. Motha
 - (d) MMC for Community and Social Services – Cllr. S.E. Ngovene
 - (e) MMC for Finance – Cllr. E.C. Msezane.

- (2) In terms of Section 79 of the Municipal Structures Act, Council appointed Section 79 Committee Chairpersons.
 - (a) Corporate Services – Cllr. S.P. Khalishwayo
 - (b) Technical Services – Cllr. S.S. Cindi
 - (c) Planning and Economic Development – Cllr. V.J. Maseko
 - (d) Community and Social Services – Cllr. P.H. Sibiyi
 - (e) Finance Committee – Cllr. T.P. Zulu
 - (f) Local Geographic Names Committee – Cllr. M.M. Mkhaliiphi
 - (g) Municipal Public Accounts Committee – Cllr. M.A. Nzimande
 - (h) By-Laws and Policies – Cllr. N.R. Nkosi

Financial Performance 2023-24: The Executive and Council						R'000
Details	2022-23	2023-24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	289 524	255 220	253 709	284 389	10%	
Expenditure:						
Employees	-	28 824	28 824	25 210	-14%	
Repairs and Maintenance	-	98	98	102	4%	
Other	74 195	9 410	9 410	20 253	54%	
Total Operational Expenditure	74 195	38 332	38 332	45 565	16%	
Net Operational Expenditure	-215 329	-216 888	-215 377	-238 824	9%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						T 3.24.5

Capital Expenditure 2023-24: The Executive and Council						R' 000
Capital Projects	2023-24					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	0	0	0	#DIV/0!		
Project A	0	0	0	#DIV/0!	0	
Project B	0	0	0	#DIV/0!	0	
Project C	0	0	0	#DIV/0!	0	
Project D	0	0	0	#DIV/0!	0	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>						T 3.24.6

3.27. FINANCIAL SERVICES

The total staff component for Financial Services is planned at 114 employees and in total 100 employees, 95 permanent positions and 5 interns have been filled.

3.28. HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

The functions of the human resource unit includes:

- Recruitment, selection, appointment and orientation of staff

- Implementation of capacity building programme for Councillors and Officials
- Formulation of Human Resource Strategies

T3.28.1

Chapter 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

INTRODUCTION

Council Resolution **LM 406/05/2023** approved an ideal organogram for the Municipality with a staff compliment **936** positions and **624** positions were filled in the year under review.

T4.0.1

4.1. EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	2022/2023	2024/2024			
	Employees No.	Approved Posts No.	Employees No.	Vacant Variance %	Filled Variance %
Water and Sanitation	80	154	94	39%	61%
Electricity	36	117	36	69%	31%
Waste Management	86	159	81	49%	51%
Human Settlement	8	12	6	50%	50%
Roads and Storm Water Management	39	78	52	33%	67%
Land use and spatial development	7	14	8	43%	57%
Local Economic Development	3	16	9	44%	56%
Libraries	18	7	5	29%	71%
Parks Sports and Cemeteries	53	42	19	55%	45%
Traffic Services	16	90	46	49%	51%
Fire Services	27	54	20	63%	37%
Disaster Management	7	55	26	53%	47%
Law Enforcement and Security Services	0	3	2	33%	67%
Licensing	21	13	4	69%	31%
Executive and Council	8	16	11	31%	69%
Financial Services	96	114	91	20%	80%
Human Resource Services	8	12	9	25%	75%
Totals	513	956	519	46%	54%
Office of the Director Technical Services	2	2	2	0%	100%
Office of the Director Planning and Development	2	2	2	0%	100%
Office of Director community and Social Services	2	2	2	0%	100%
IDP	4	3	3	0%	100%
Office of Director Corporate Services	2	2	2	0%	100%
Corporate Services	50	83	47	43%	57%
Office of CFO	2	2	3	-50%	150%
Office of the Municipal Manager	4	4	4	0%	100%
Internal Audit	3	5	4	20%	80%

Risk	2	4	2		50%
Communications	5	22	12	45%	55%
PMS	0	3	3	0%	100%
Technical Services (PMU)	5	6	6	0%	100%
Tech workshop	9	0	0	0%	0%
Totals	92	140	92	34%	66%
TOTALS					

T4.1.1

Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June 2024.

Vacancy Rate 2023/2024

Designations	Total Approved Post No.	Filled Posts No.	Percentage		Days
			Vacant	Filled	
Municipal Manager	1	1	0%	100%	0
Chief Finance Officer	1	1	0%	100%	0
Director Corporate Services	1	1	0%	100%	0
Director Community Services	1	1	0%	100%	0
Director Technical Services	1	1	0%	100%	0
Director Planning and Economic Development	1	1	0%	100%	0
Municipal Traffic Officer	25	13	48%	52%	0
Fire Fighter	41	26	37%	63%	0
Managers (Excluding Finance)	31	23	26%	74%	0
Finance Managers	08	08	0%	100%	0
Supervisors (Excluding Finance)	02	02	0%	100%	0
Finance Supervisors	00	0	0%	0%	0
Total	113	78	31%	69%	0

Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T4.1.2

Turn-over Rate

Financial Year	Total number of employees as of beginning of Financial Year	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
2019/20	597	83	31	5.2%
2020/21	635	15	30	5%
2021/22	569	29	39	5%
2022/23	605	47	52	7.7%
2023/24	624	19	32	5%

*Divide the number of employees who have left the organization within a year, by total number of employees who occupied posts at the beginning of the year

T4.1.3

COMMENT ON VACANCIES AND TURNOVER

In 2023/2024 financial year, the following senior management positions were filled:

- (a) Municipal Manager – Filled
- (b) Chief Finance Officer – Filled
- (c) Deputy Chief Financial Officer – Filled
- (d) Director Corporate Service – Filled
- (e) Director Planning and Economic Development – Filled
- (f) Director Technical Service – Filled
- (g) Director Community and Social Services – Filled

T4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Msukaligwa Local Municipality has a Human Resources Section whose function is to develop and implement policies, provide guidance to employees on issues of personnel administration, skills development and industrial relations. The municipality adopted the Human Resources Plan and Strategy and is implementing these by prioritising the critical service delivery vacancies to be filled.

T4.2.0

4.2. POLICIES

The following policies were adopted by the municipality and councillors as well as employees were trained on these policies through separate workshops. The policies are being implemented by the municipality.

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Recruitment, Selection Promotion and Retention Policy	100%	100%	Adopted by the Council and implemented
2	Overtime	100%	100%	Adopted by the Council and implemented
3	Incapacity due to ill health	100%	100%	Adopted by the Council and implemented
4	Attendance and punctuality	100%	100%	Adopted by the Council and implemented
5	Remuneration work outside the municipality	100%	100%	Adopted by the Council and implemented
6	Leave policy	100%	100%	Adopted by the Council and implemented
7	Succession planning policy	100%	100%	Adopted by the Council and implemented
8	Scares skills	100%	100%	Adopted by the Council and implemented
9	HR strategy	100%	100%	Adopted by the Council and implemented
10	HR plan	100%	100%	Adopted by the Council and implemented
11	Code of Conduct for employees	100%	100%	The Council implements the Code of Conduct which was agreed at between the parties in the Bargaining Council

12	Delegations, Authorisation & Responsibility	100%	100%	N/A
13	Disciplinary Code and Procedures	100%	100%	Currently using main collective agreement
14	Essential Services	100%	100%	Currently using the Minimum service agreement made and entered into between Msukaligwa and the Unions.
15	Employee Assistance	100%	100%	Adopted by the Council and implemented
16	Grievance Procedures	100%	100%	Currently using the main collective agreement on essential services.
17	Workplace HIV/Aids	100%		Draft
18	Occupational Health and Safety	100%	100%	Adopted by the Council and implemented
19	Sexual Harassment	100%		Adopted by the Council and implemented
20	Skills Development	100%	100%	Adopted by the Council and implemented
				T4.2.1

COMMENT ON WORKFORCE POLICY DEVELOPMENT

Corporate Services department has developed Human Resources policies and has reviewed the critical policies. Other policies are being reviewed as and when there are changes in legislation and regulations.

T4.2.2

4.3. INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Average injury leave taken per employee %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	86	4		Clause 15 paragraph 1.5.1 in the Mpumalanga collective agreement applies	
Temporary total disablement	0	0	0	0	
Permanent disablement	0	0	0	0	
Fatal	0	0	0	0	
Total	181	02	0.50%		
*Average injury leave taken per employee: Calculated by taking Column 3 divide by Column 2 X 100					
Average Injury Leave per employee Days: Calculated by taking Column 2 divide by Column 3					
				T4.3.1	

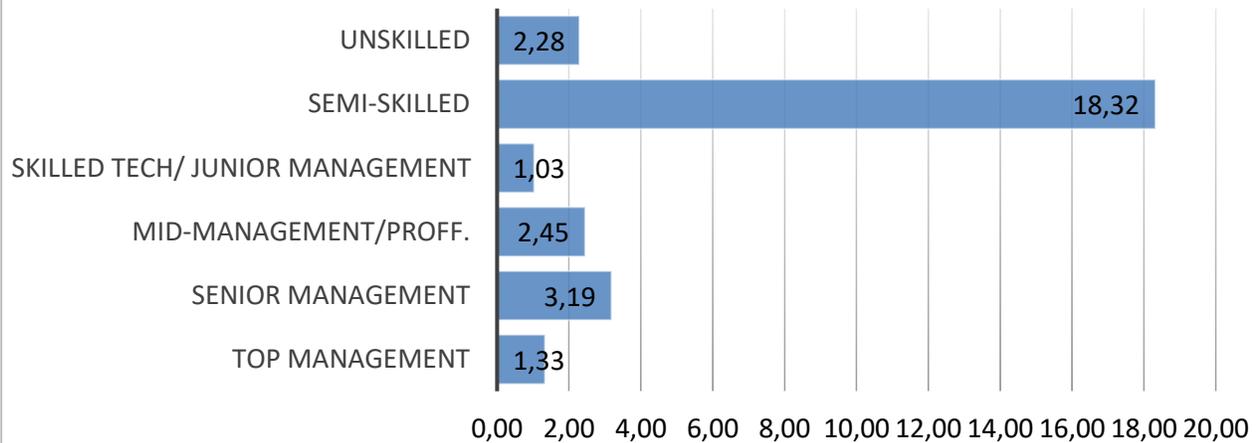
Number of days and Cost of Sick Leave (excluding injuries on duty)						
Occupational Levels	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in occupational level*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Top Management	08	N/A	02	06	0,7	R
Senior Management	102	N/A	11	32	0,3	R
Mid-Management/Prof	230	N/A	33	94	3,3	R
Skilled Tech/ Junior Management	282	N/A	70	273	1,2	R
Semi-Skilled	348	N/A	19	19	2,1	R
Unskilled	450	N/A	69	197	1,6	R
Total	1420	N/A	204	621	1,7	

* - Number of employees in post at the beginning of the year
 *Average calculated by taking sick leave in column 2 divided by total employees in column 5

T4.3.2

For the purpose of this Report that Municipal Manager and Directors are reported on as Top Management.

Average Number of Days Sick Leave (Excl IOD)



T4.3.3

COMMENT ON INJURY AND SICK LEAVE

Sick leave taken by employees did not have a significant impact on the total budget of the Municipality in the year 2021/2022.

T4.3.4

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken, or Status of Case and Reasons why not Finalised	Date Finalised
General Worker	Misconduct of Fighting in a workplace	06 June 2024	Parties applied clause 10 of Collective agreement Disciplinary Code and Procedure: Waiting for the Chairperson to decide upon the Plea agreement that parties entered in to.	In progress
Electrician	Misconduct of Theft council property	27 October 2024	Waiting the determination of the Presiding officer.	Finalized pending the outcome from presiding officer
				T4.3.5

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
None			
			T4.3.6

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.4. SKILLS DEVELOPMENT AND TRAINING

Skills Matrix											
Management level	Gender	Employee s in post as at 30 June 2024	Number of skilled employees required and actual as at 30 June 2024								
			Learnership		Skills programmes & other short courses		Other forms of training		Total		
			Plann ed 30 June 2024	Actual 30 June 2024	Planned 30 June 2024	Actual 30 June 2024	Planned 30 June 2024	Actual 30 June 2024	Planned 30 June 2024	Actual 30 June 2024	
MM and S57	Female	2	1	0	0	0	0	0	0	1	0
	Male	4	1	0	1	1	0	0	0	2	1
Councillors, senior officials, and managers	Female	27	30	9	2	2	0	0	0	32	11
	Male	44	30	12	1	1	0	0	0	31	13
Technicians and associate professionals	Female	16	5	5	5	2	0	0	0	10	7
	Male	59	15	15	5	4	0	0	0	20	19
Professionals	Female	27	5	1	5	4	0	0	0	10	5
	Male	12	5	1	5	0	0	0	0	10	1
Sub total	Female	72	41	15	12	8	0	0	0	53	23
	Male	119	51	28	12	6	0	0	0	63	34
Total		191	92	43	24	14	0	0	0	116	57
										T4.4.1	

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS

Corporate Services Department conducted a skills audit and information gathering sessions with various departments, which informed the Works Skills Plan (WSP) and Annual Training Programme (ATP). The findings of the Skills Audit revealed that there was a significant number of employees that require assistance with the recognition of prior learning, employees whose skills were mismatched to the work they are doing etc. The municipality is incrementally implementing the findings of the skills audit report.

The following training intervention is highlighted:

- a. Minimum Competency Training Programme in partnership with Provincial Treasury.
- b. Various Ad Hoc Training interventions to respond to institutional skills shortage and comprise the following:

Training / Course	No. of Officials Attended	No. Councillors Attended
Municipal Financial Management Programme	19	0
Project Management for Councillors	0	2
Municipal Governance for Councillors	0	2
Water and Wastewater Treatment & Supervision Process Controllers	20	0
Financial for Non-Financial Managers Training	1	0
Pay Day Training	4	0
SCM Training	2	0
RPL Trade Electrical	1	0
Peace Officers Training	9	0
OHS Training	2	0
Total	58	4

The actual expenditure on Minimum Competency Training programme was **R500 198.00** and the other Ad Hoc Training intervention was **R489 000.00**

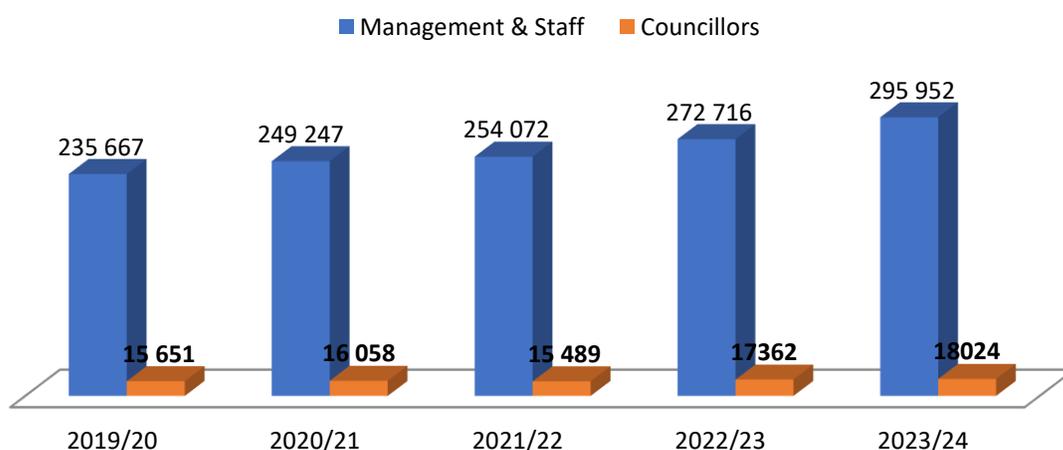
T4.4.2

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.5. EMPLOYEE EXPENDITURE

	2019/20	2020/21	2021/22	2022/23	2023/2024
Management & Staff	235667	249247	254072	272716	295 952
Councillors	15 651	16 058	15489	17362	18 024

Workforce Expenditure Trends



T4.5.1

Number of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Top Management	Female	None
	Male	None
Tactical	Female	10
	Male	28
Specialised	Female	42
	Male	94
Discretionary	Female	51
	Male	80
Basic	Female	24
	Male	57
Total		386

Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right-hand side of the column (as illustrated above).

T4.5.2

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
GA	116	TG3	118 716.27	The municipality was using the old structure pay system in the year 2023 the municipality migrated to a new pay structure (TASK)
Meter reader	23	TG4	121 562.93	The municipality migrated to a new pay structure (TASK)
Cashier	19	TG6	164 058.60	The municipality migrated to a new pay structure (TASK)
Special workman	08	TG6	164 058.60	The municipality migrated to a new pay structure (TASK)

PA EM and Speaker	2	TG9	240 604.94	The municipality migrated to a new pay structure (TASK)
Ward committee coordinator	2	TG9	304 991. 81	The municipality migrated to a new pay structure (TASK)
Admin clerk	4	TG6	156 993.81	The municipality migrated to a new pay structure (TASK)
Driver to EM & Speaker	2	TG5	133 661.24	The municipality migrated to a new pay structure (TASK)
Graphic designer	1	TG7	189 803.57	The municipality migrated to a new pay structure (TASK)
Admin officer	1	TG10	270 896.93	The municipality migrated to a new pay structure (TASK)
Senior accounting clerk	19	TG8	213 696.22	The municipality migrated to a new pay structure (TASK)
Secretary	6	TG7	189 803.57	The municipality migrated to a new pay structure (TASK)
Senior facility officer	1	TG10	270 896.93	The municipality migrated to a new pay structure (TASK)
Senior process controller	1	TG7	189 803.57	The municipality migrated to a new pay structure (TASK)
Senior Housing officer	1	TG11	319 809.97	The municipality migrated to a new pay structure (TASK)
LED OFFICERS	3	TG11	319 809.97	The municipality migrated to a new pay structure (TASK)
SENIOR CARETAKER	2	TG8	213 696.22	The municipality migrated to a new pay structure (TASK)
The municipality migrated to a new pay structure (TASK)				T4.5.3

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
None				
				T4.5.4

DISCLOSURES OF FINANCIAL INTERESTS

Disclosure forms were issued to all employees and Councillors and were returned to be kept in employee files.

T4.5.5

Chapter 5

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- (a) Component A: Statement of Financial Performance
- (b) Component B: Spending Against Capital Budget
- (c) Component C: Financial Position

T5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

5.1. STATEMENTS OF FINANCIAL PERFORMANCE

MP302 Msukaligwa - Table B1 Adjustments Budget Summary - 23/02/2024

Description	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 2025/26
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts	Total Adjusts	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
Financial Performance											
Property rates	242 332	242 332	-	-	-	-	(36 000)	(36 000)	206 332	254 206	266 153
Service charges	494 951	494 951	-	-	-	-	15 363	15 363	510 314	519 203	543 606
Investment revenue	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	260 523	260 523	-	-	-	-	13 012	13 012	273 535	273 289	286 133
Other own revenue	72 272	72 272	-	-	-	-	32 757	32 757	105 029	37 086	38 829
Total Revenue (excluding capital transfers and contributions)	1 070 078	1 070 078	-	-	-	-	25 132	25 132	1 095 210	1 083 784	1 134 722
Employee costs	301 679	301 679	-	-	-	-	1	1	301 680	316 461	331 335
Remuneration of councillors	19 494	19 494	-	-	-	-	-	-	19 494	20 450	21 411
Depreciation & asset impairment	252 632	252 632	-	-	-	-	-	-	252 632	264 459	276 889
Finance charges	8 484	8 484	-	-	-	-	19 200	19 200	27 684	8 900	9 318
Inventory consumed and bulk purchases	423 851	423 851	-	-	-	-	-	-	423 851	444 620	465 517
Transfers and subsidies	-	-	-	-	-	-	12 450	12 450	12 450	-	-
Other expenditure	154 906	154 906	-	-	-	-	93 184	93 184	248 091	162 497	170 134
Total Expenditure	1 161 047	1 161 047	-	-	-	-	124 836	124 836	1 285 883	1 217 386	1 274 604
Surplus/(Deficit)	(90 969)	(90 969)	-	-	-	-	(99 704)	(99 704)	(190 673)	(133 602)	(139 882)

Transfers and subsidies - capital (monetary allocations)	146 349	146 349	-	-	-	-	-	-	146 349	161 114	160 735
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	55 380	55 380	-	-	-	-	(99 704)	(99 704)	(44 324)	27 512	20 854
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	55 380	55 380	-	-	-	-	(99 704)	(99 704)	(44 324)	27 512	20 854
Capital expenditure & funds sources											
Capital expenditure	166 448	166 448	-	-	-	-	1 299	1 299	167 747	161 114	210 893
Transfers recognised - capital	146 348	146 348	-	-	-	-	(8 737)	(8 737)	137 611	161 114	210 893
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	20 100	20 100	-	-	-	-	10 036	10 036	30 136	-	-
Total sources of capital funds	166 448	166 448	-	-	-	-	1 299	1 299	167 747	161 114	210 893
Financial position											
Total current assets	512 724	512 724	-	-	-	-	(130 243)	(130 243)	382 481	631 767	661 287
Total non current assets	2 849 706	2 849 706	-	-	-	-	1 299	1 299	2 851 005	2 745 679	2 917 980
Total current liabilities	1 372 290	1 372 290	-	-	-	-	4 949	4 949	1 377 239	1 488 425	1 499 749
Total non current liabilities	155 178	155 178	-	-	-	-	-	-	155 178	162 781	170 432
Community wealth/Equity	1 834 962	1 834 962	-	-	-	-	(51 782)	(51 782)	1 783 181	1 726 240	1 909 087
Cash flows											
Net cash from (used) operating	169 663	169 663	-	-	-	-	86 398	86 398	256 061	141 023	189 748
Net cash from (used) investing	(166 448)	(166 448)	-	-	-	-	2 371	2 371	(164 078)	(161 114)	(210 893)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	4 415	4 415	-	-	-	-	165 922	165 922	170 337	(18 833)	(19 827)
Cash backing/surplus reconciliation											
Cash and investments available	129 941	129 941	-	-	-	-	(137 901)	(137 901)	(7 960)	136 237	142 468
Application of cash and investments	954 218	954 218	-	-	-	-	37 917	37 917	992 135	988 521	1 045 084
Balance - surplus (shortfall)	(824 277)	(824 277)	-	-	-	-	(175 818)	(175 818)	(1 000 095)	(852 284)	(902 616)
Asset Management											
Asset register summary (WDV)	2 474 942	2 474 942	-	-	-	-	1 299	1 299	2 476 241	2 352 553	2 506 376
Depreciation	138 589	138 589	-	-	-	-	-	-	138 589	145 379	152 212
Renewal and Upgrading of Existing Assets	91 963	91 963	-	-	-	-	(18 933)	(18 933)	73 029	85 436	85 432
Repairs and Maintenance	41 563	41 563	-	-	-	-	39 090	39 090	80 653	43 599	45 648
Free services											

Cost of Free Basic Services provided	18 073	18 073	-	-	-	-	(9 555)	(9 555)	8 518	18 959	19 850
Revenue cost of free services provided	9 232	9 232	-	-	-	-	30 000	30 000	39 232	9 685	10 140
<u>Households below minimum service level</u>											
Water:	4	-	-	-	-	-	-	-	4	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	0	-	-	-	-	-	-	-	0	-	-

Financial Performance of Operational Services							R '000
Description	2021/2022	2022/2023			2023/2024		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
Operating Cost							
Water	26,485	23,572	28,075	23,042	-2.30%	-21.84%	
Waste Water (Sanitation)	8,541	8,285	9,054	8,456	2.02%	-7.07%	
Electricity	12,355	10,254	12,478	13,219	22.43%	5.61%	
Waste Management	14,232	13,235	13,662	12,097	-9.41%	-12.94%	
Housing	6,542	5,496	5,954	6,346	13.40%	6.19%	
Component A: sub-total	68,155	60,842	69,222	63,161	3.67%	-9.60%	
Waste Water (Stormwater Drainage)	5,643	5,530	5,925	5,304	-4.26%	-11.70%	
Roads	5,643	5,530	5,925	5,304	-4.26%	-11.70%	
Transport	5,322	4,470	5,747	4,630	3.45%	-24.14%	
Component B: sub-total	16,607	8,455	8,624	9,554	11.50%	9.73%	
Planning	1,254	1,003	1,191	1,354	25.93%	12.04%	
Local Economic Development	2,516	2,063	2,264	2,340	11.83%	3.23%	
Component B: sub-total	3,769	3,066	3,455	3,693	17.00%	6.46%	
Planning (Strategic & Regulatory)	12,546	10,413	11,793	11,542	9.78%	-2.17%	
Local Economic Development	2,355	2,190	2,425	2,402	8.82%	-0.98%	
Component C: sub-total	14,900	12,603	14,218	13,944	9.62%	-1.97%	
Community & Social Services	4,565	3,698	4,337	4,291	13.83%	-1.06%	
Environmental Protection	5,649	4,971	6,157	4,971	0.00%	-23.86%	
Health	5,649	4,971	6,157	4,971	0.00%	-23.86%	
Security and Safety	5,649	4,971	6,157	4,971	0.00%	-23.86%	
Sport and Recreation	5,649	4,971	6,157	4,971	0.00%	-23.86%	
Corporate Policy Offices and Other	5,649	4,971	6,157	4,971	0.00%	-23.86%	
Component D: sub-total	32,808	28,552	35,122	29,145	2.04%	-20.51%	
Total Expenditure	136,240	113,518	130,642	119,497	5.00%	-9.33%	
In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T 5.1.2	

COMMENT ON FINANCIAL PERFORMANCE

The procurement of goods and services is done in line with the Supply Chain Management regulations, PPPFA of 2011 and in line with the approved budget and Integrated Development Plan (IDP) of the Council, which strives for a procurement process that is to be fair, equitable, cost effective and competitive.

T5.1.2

5.2. GRANTS

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES

The municipality received the following grants:

Grant Performance							R' 000
Description	2022-23	2023-24		Year 0 Variance			
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)	
Operating Transfers and Grants							
National Government:	235 289	260 523	260 524	260 523			
Equitable Share	227 520	252 878	252 878	252 878	100%	100%	
Expanded Public Works Programme Integrated Grant	1 766	1 511	1 511	1 511	100%	100%	
Local Government Financial Management Grant	3 000	3 000	3 000	3 000	100%	100%	
Municipal Disaster Relief Grant	–	–	–	–	#DIV/0!	#DIV/0!	
Municipal Infrastructure Grant	3 003	3 134	3 135	3 134	100%	100%	
Other transfers and grants [insert description]					#DIV/0!	#DIV/0!	
Provincial Government:	700	700	700	–			
Health subsidy	–	–	–	–	#DIV/0!	#DIV/0!	
Housing	–	–	–	–	#DIV/0!	#DIV/0!	
Ambulance subsidy	–	–	–	–	#DIV/0!	#DIV/0!	
Sports and Recreation	700	700	700	–	0,00%	0	
	–	–	–	–	#DIV/0!	#DIV/0!	
District Municipality:	6 787	–	10 000	–			
<i>Gert Subande District Municipality (Water Pipeline)</i>	6 787	–	10 000	–	#DIV/0!	0	
					#DIV/0!	#DIV/0!	
Other grant providers:	311	10 000	13 011	10 448			
<i>Education Training and Development Practices SETA</i>	311	–	3 011	2 028	#DIV/0!	67%	
<i>PT Support Grant</i>	–	10 000	10 000	8 420	84%	84%	
Total Operating Transfers and Grants	243 086	271 223	284 235	270 971			

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.

T 5.2.1

T5.2.1

5.3. ASSETS MANAGEMENT

ASSETS MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The Goal of asset management is to achieve the required level of service in the most effective manner, which is achieved through management of asset's life cycle. The utilisation and management of property, plant and equipment is the prime mechanism by which a Municipality can fulfil its constitutional mandates for the Delivery of sustainable services, Social and economic development, Promoting a safe and healthy environment and Providing the basic needs to the community. The Municipal Manager is accountable for the management of the assets of the Municipality, including the safeguarding and the maintenance of those assets. The staff involved in assets management is as follows and reports to the Chief Financial Officer: Manager Assets; Accountant Assets Management and Assets clerks.

T 5.3.1

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2021/22

Asset 1				
Name	INFRASTRUCTURE ASSET			
Description	MV SUBSTATION			
Asset Type	SWITCHGEAR			
Key Staff Involved	YES			
Staff Responsibilities	ELECTRICAL SECTION			
Asset Value	Year -3	Year -2	Year -1	Year 0
	2 753 322.95	2 818 878.26	2 884 433.57	2 949 988.88
Capital Implications	CONDITIONAL CAPITAL FUNDING			
Future Purpose of Asset	ELECTRICITY DISTRIBUTION			
Describe Key Issues	ELECTRICITY DISTRIBUTION			
Policies in Place to Manage Asset	ASSETS MANAGEMENT POLICY			
Asset 2				
Name	INFRASTRUCTURE ASSET			
Description	WATER RESERVOIR			
Asset Type	RESERVOIR			
Key Staff Involved	YES			
Staff Responsibilities	WATER SECTION			
Asset Value	Year -3	Year -2	Year -1	Year 0
	2 074 176.82	2 118 308.24	2 162 439.66	2 206 571.08
Capital Implications	CONDITIONAL CAPITAL FUNDING			
Future Purpose of Asset	WATER DISTRIBUTION			
Describe Key Issues	WATER DISTRIBUTION			
Policies in Place to Manage Asset	ASSETS MANAGEMENT POLICY			
Asset 3				
Name	TRANSPORT ASSET			

Description	UD Trucks			
Asset Type	COMPACTOR TRUCKS			
Key Staff Involved	YES			
Staff Responsibilities	WASTE MANAGEMENT UNIT			
Asset Value	Year -3	Year -2	Year -1	Year 0
	1 717 600.00	1 860 733.33	2 003 866.67	2 147 000.00
Capital Implications	CONDITIONAL CAPITAL FUNDING			
Future Purpose of Asset	WASTE COLLECTION			
Describe Key Issues	WASTE COLLECTION			
Policies in Place to Manage Asset	ASSETS MANAGEMENT AND FLEET POLICY			
T 5.3.2				

COMMENT ON ASSET MANAGEMENT:

Before a Municipality can spend funds on a project the Municipal Council must consider the project costs covering all the financial years until the project is operational, as well as all future operational costs and revenue for the project. The Council of Msukaligwa Local Municipality has considered all the above in terms of the projects and the projects were approved for implementation. The above projects were funded from Conditional Grants and all supporting documents are available on file for audit inspection.

T 5.3.3

Repair and Maintenance Expenditure: Year 2023/2024				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	87812	100262	100505	-14%
T 5.3.4				

5.4. FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

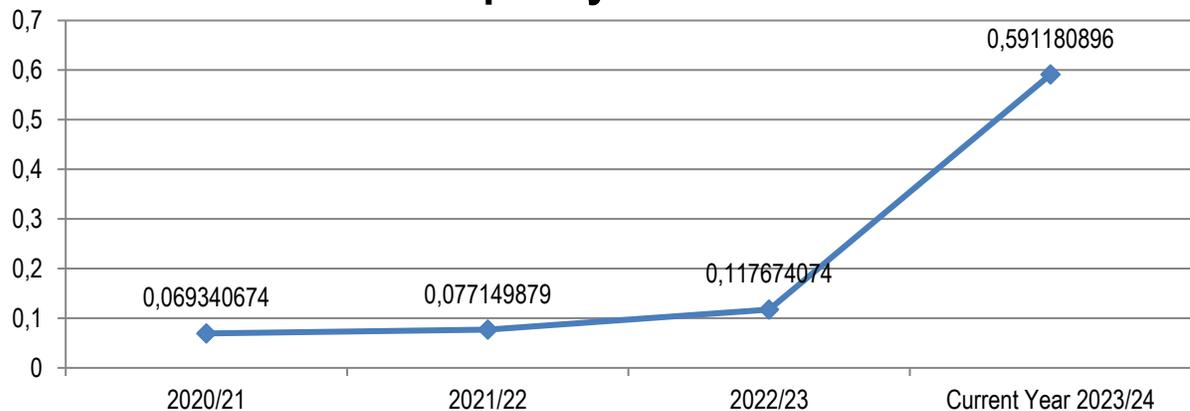
Expenditure management			
1.1	Creditor-payment period	1005 Days	1001 Days
1.2	Deficit was realised for the year (total expenditure exceeded total revenue)	No	No
	Amount of surplus / (deficit) for the year	R44 137 395	R16 362 248
Revenue management			
2.1	Debt-collection period (after impairment)	181 Days	168 Days
	• Amount of debtor's impairment provision	R903 260 425	R748 003 763
	• Amount of accounts receivable	R231 917 030	R203 856 316
2.2	Debt-impairment provision as a percentage of accounts receivable	80%	79%
	• Amount of debt-impairment provision	R903 260 425	R748 003 763
	• Amount of accounts receivable (before impairment)	R1 135 177 455	R951 860 079
2.3	Percentage distribution losses – electricity	60%	60%
	• Amount of units generated / purchased	193 793 818	222 003 278
	• Amount of units sold to consumers	77 412 400	88 762 868
2.4	Percentage distribution losses – water	76%	76%
	• Amount of units generated / purchased	9 815 960	8 275 789
	• Amount of units sold to consumers	2 318 818	1 989 225
Asset maintenance and renewal			
3.1	Percentage spending on repairs and maintenance	2%	1%
	• Amount of expenditure on repairs and maintenance	R50 243 216	R 29 955 437
	• Amount of property, plant and equipment (carrying value)	R2 651 634 315	R2 555 795 186
3.2	Total capital expenditure as percentage of total expenditure	26%	33%
	• Amount of capital expenditure	R241 341 000	R314 942 000
	• Amount of total expenditure (operating + capital)	R950 184 000	R965 876 000
3.3	Asset renewal / rehabilitation expenditure as a percentage of total capital expenditure	33%	10%
	• Amount of asset renewal / rehabilitation expenditure	R50 243 216	R 29 955 437

3.4	Asset renewal / rehabilitation expenditure as a percentage of total depreciation and impairment	167%	200%
	<ul style="list-style-type: none"> Amount of depreciation and impairment 	R139 284 236	R142 480 537
Asset and liability management			
4.1	Total debt / borrowings vs total revenue for the year	140%	142%
	<ul style="list-style-type: none"> Amount of debt / borrowings Amount of revenue for the year 	R1 805 437 028 R1 291 741 687	R1 617 697 241 R1 143 169 040
4.2	Current liabilities as a percentage of next year's budgeted resources	353,4%	245,3%
	<ul style="list-style-type: none"> Amount of current liabilities Total budgeted income for the next year, excluding employee costs and remuneration of councillors 	R1 641 186 651 R918 787 000	R 1 467 567 709 R982 436 000
4.3	Net current liability position was realised (total current liabilities exceeded total current assets)	Yes	Yes
	<ul style="list-style-type: none"> Amount of net current asset / (liability) position 	(R1 174 444 154)	(R1 134 147 852)
4.4	Net non-current liability position was realised (total non-current liabilities exceeded total non-current assets)	No	No
	<ul style="list-style-type: none"> Amount of net non-current asset / (liability) position 	R2 668 717 672	R2 584 283 973
4.5	Net liability position was realised (total liabilities exceeded total assets)	No	No
	<ul style="list-style-type: none"> Amount of net asset / (liability) position 	R1 494 273 518	R1 617 697 241
4.6	Liquid assets as a percentage of total current liabilities (acid test percentage)	27%	22%
	<ul style="list-style-type: none"> Amount of liquid assets 	R23 589 169	R13 003 712
4.7	Current ratio	0,28	0,23
	<ul style="list-style-type: none"> Amount of current assets 	R466 742 497	R333 419 857
4.8	Total debt to total assets ratio	0,55	0,53
	<ul style="list-style-type: none"> Amount of debts Amount of assets 	R1 805 437 028 R3 299 710 546	R1 617 697 241 R3 067 833 262
Cash management			
4.9	Year-end bank balance was in overdraft	No	No

	<ul style="list-style-type: none"> Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft) 	R78 704 967	R9 673 827
4.10	Cash plus investments less applications	R78 704 967	R9 673 827
	<ul style="list-style-type: none"> Amount of year-end bank balance (cash and cash equivalents) Amount of total investments (short and long term) Less: amount of cash applications/ commitments 	R78 704 967 - -	R9 673 827 - -
4.11	Cash coverage	0,7 months	0,1 months
	<ul style="list-style-type: none"> Amount of monthly expenditure 	R105 166 000	R98 586 000

These amounts have not been adjusted for uncorrected misstatements that resulted in the modification of the audit opinion

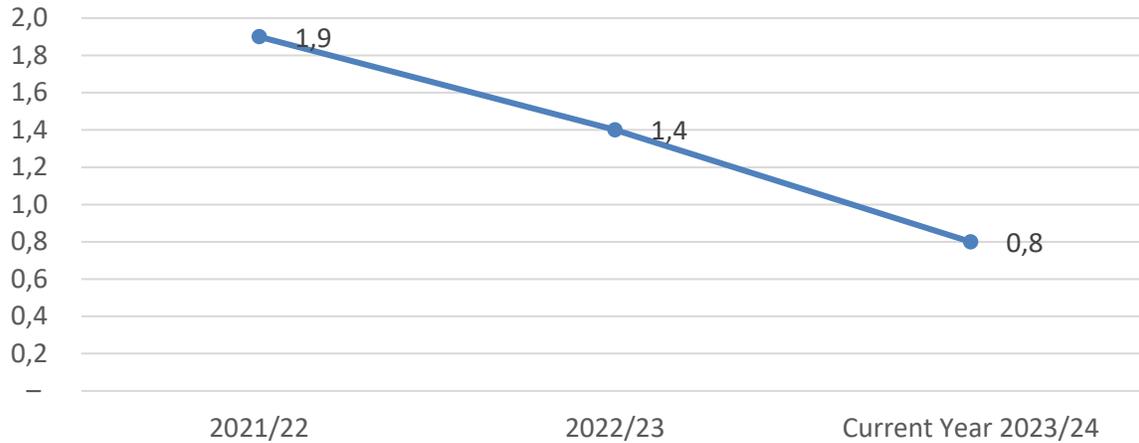
Liquidity Ratio



Liquidity Ratio – Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better.

Data used from MBRR SA8

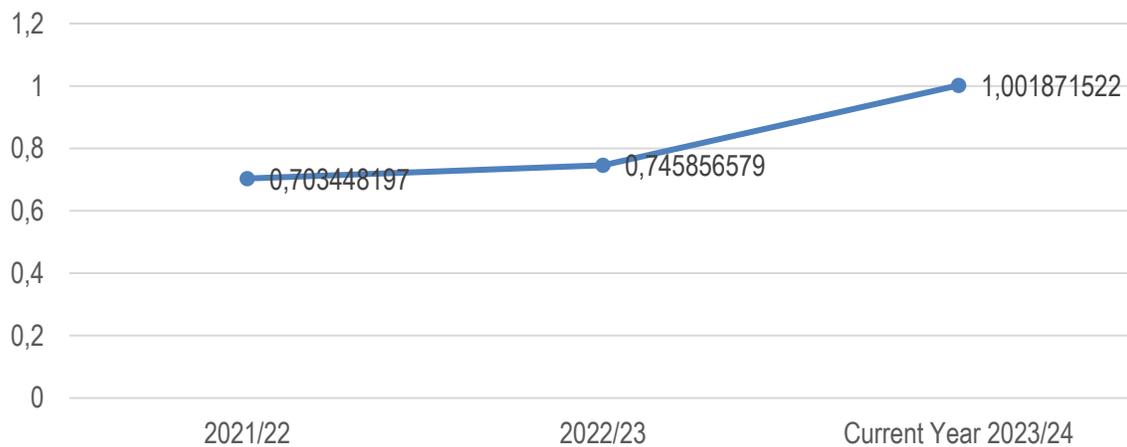
Cost Coverage



Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

Total Outstanding Service Debtors

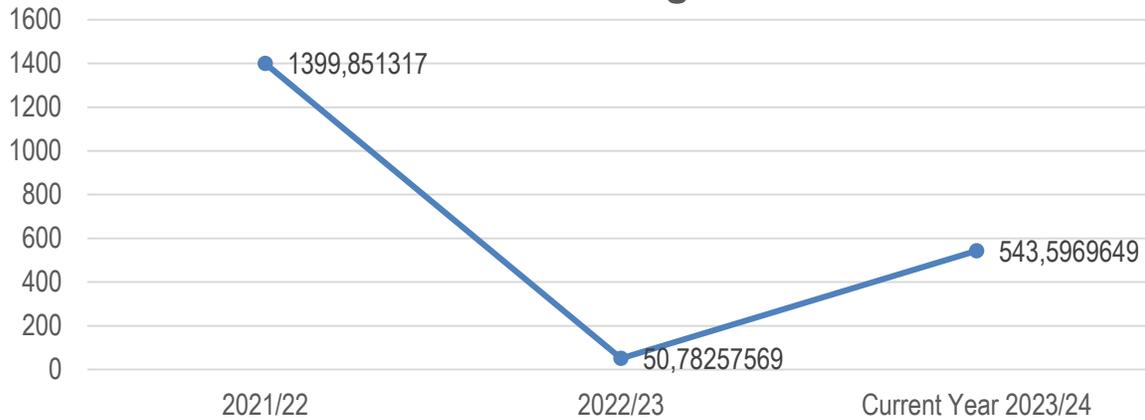


Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue.

A lower score is better.

—●— Outstanding Debtors to Revenue

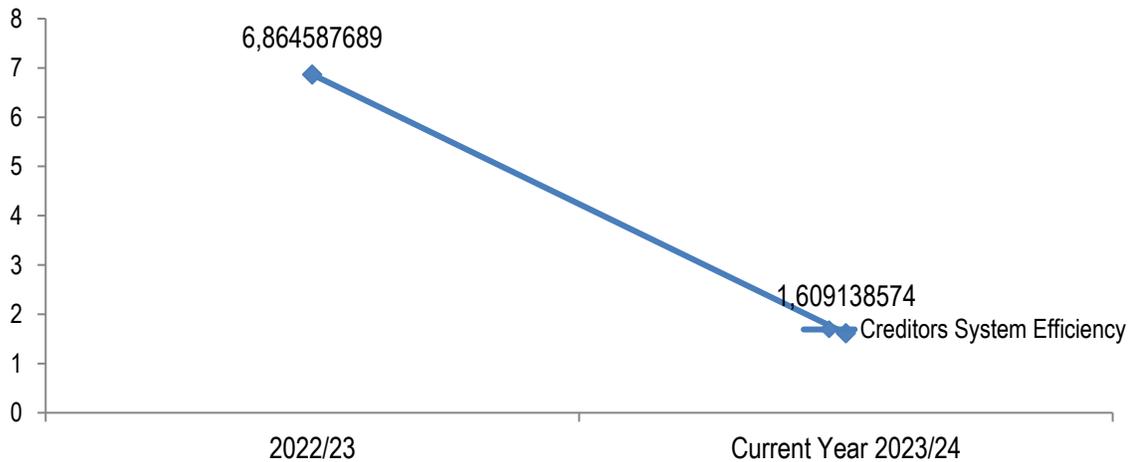
Debt Coverage



Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality

—●— i. Debt coverage

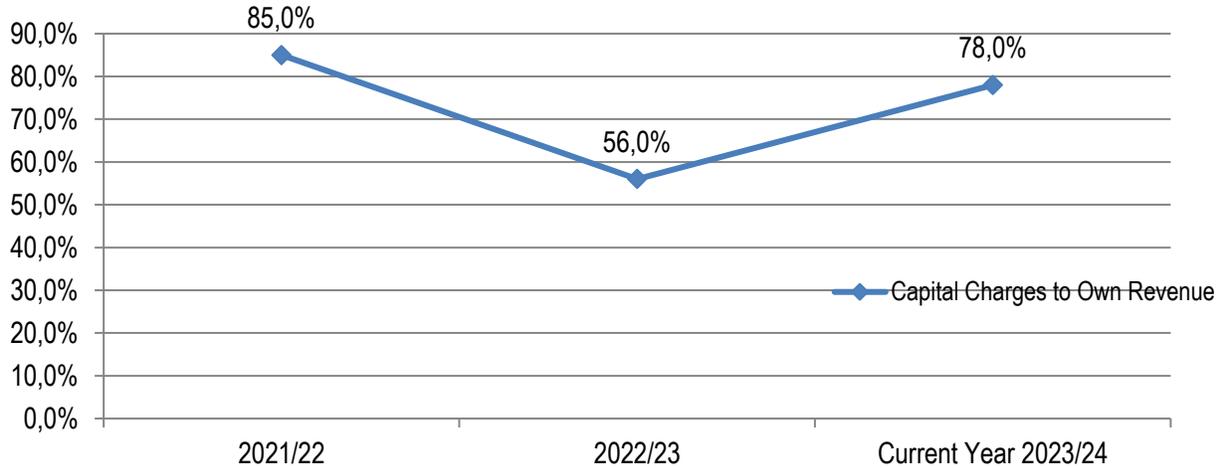
Creditors System Efficiency



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

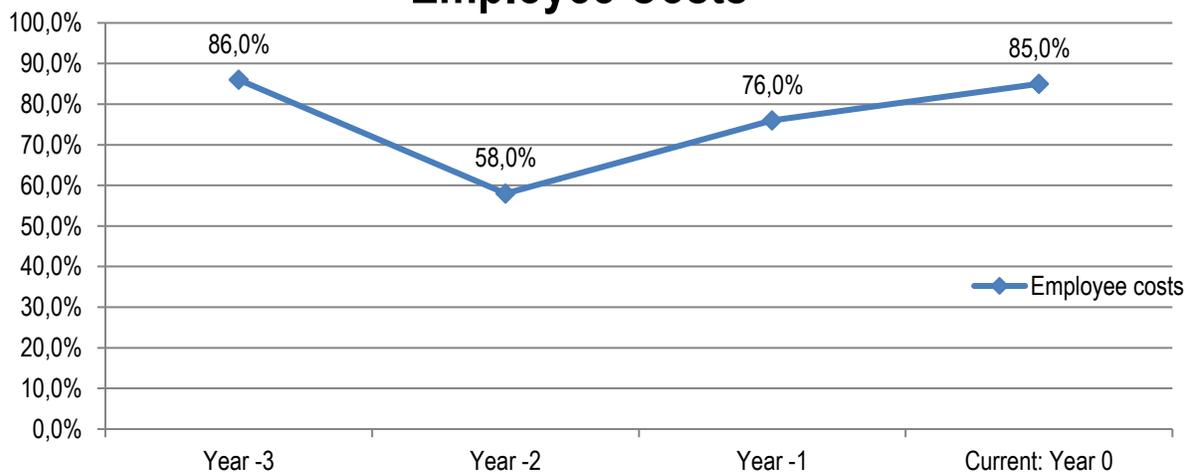
Capital Charges to Operating Expenditure



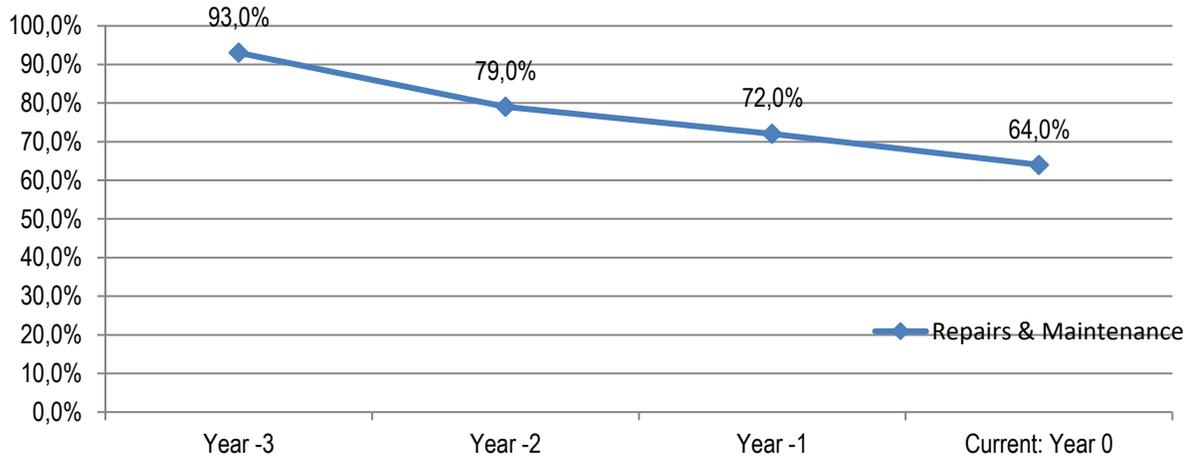
Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

Employee Costs



Repairs & Maintenance



COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION: SPENDING AGAINST CAPITAL BUDGET

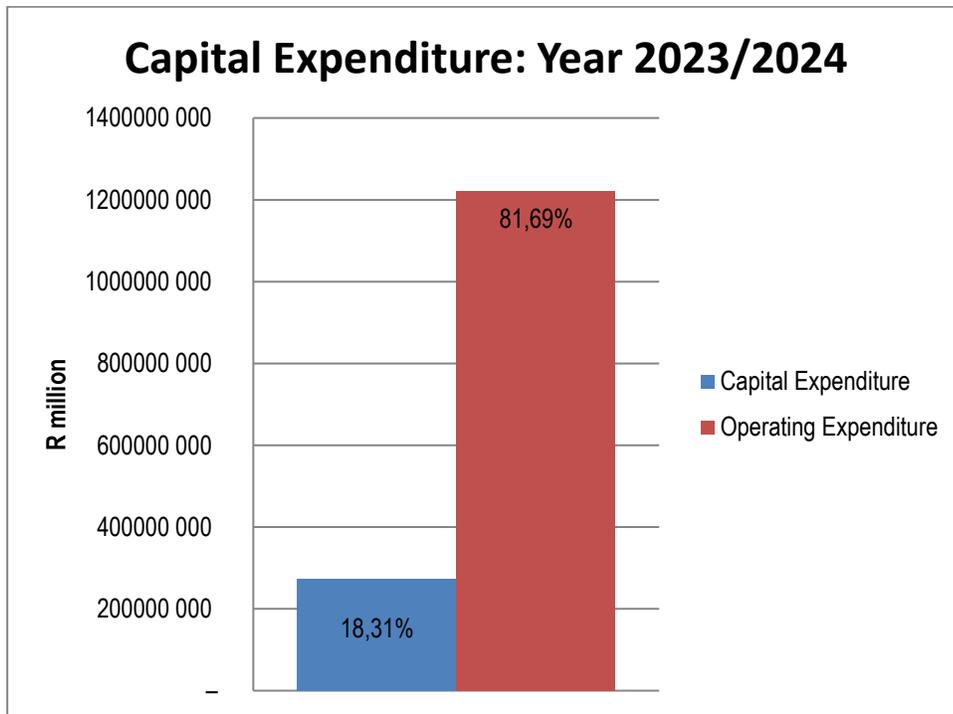
The capital spending in the municipality is mainly financed by means of external grants received from the National Treasury.

The municipality has improved in terms of capital expenditure as compared to the previous financial year with a 100% expenditure recorded in the year being reported. Projects were planned and implemented on time hence the improvement on expenditure.

T5.5.1

T5.5.0

5.5. CAPITAL EXPENDITURE

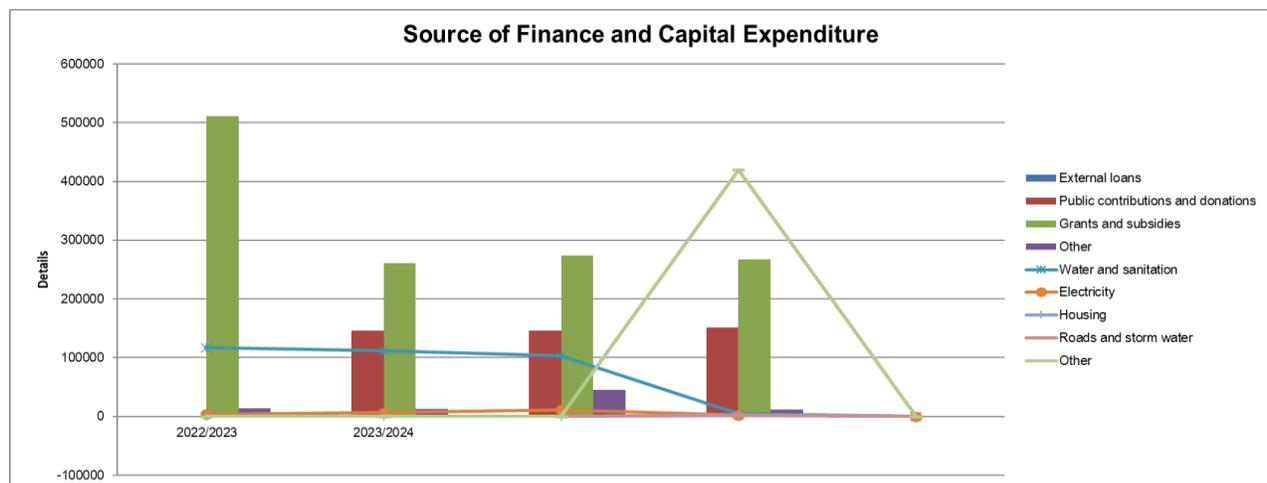


R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	261	274	133	49,0%	51,5%
	261	274	133	49,0%	51,5%
Operating Expenditure	1 161	1 221	987	15,0%	19,2%
	1 161	1 221	987	15,0%	19,2%
Total expenditure	1 422	1 494	1 119	21,3%	25,1%
Water and sanitation	140	101	128	8,1%	-26,3%
Electricity	30	21	14	54,0%	35,5%
Housing	-	-	-		
Roads, Pavements, Bridges and storm water	-	-	-		
Other	-	-	-		
	138	135	133	4,0%	1,5%
External Loans	-	-	-		
Internal contributions	-	-	-		
Grants and subsidies	261	274	133	49,0%	51,5%
Other	-	-	-		
	138	141	141	-1,8%	0,0%
External Loans	-	-	-		
Grants and subsidies	261	274	274	-5,0%	0,0%
Investments Redeemed	-	-	-		
Statutory Receipts (including VAT)	84	84	88	-5,3%	-5,3%
Other Receipts	13	45	858	-6556,1%	-1794,1%
	1 182	1 189	1 192	-0,8%	-0,2%
Salaries, wages and allowances	313	311	311	0,8%	0,0%
Cash and creditor payments	550	527	532	3,4%	-0,8%
Capital payments	102	142	141	-38,1%	0,7%
Investments made	-	54	43		20,8%
External loans repaid	56	64	64	-14,6%	0,2%
Statutory Payments (including VAT)	93	92	92	1,7%	0,1%
Other payments	-	8	1		89,9%
	1 115	1 198	1 183	-6,1%	1,3%
	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Property rates	242	206	204	15,9%	1,2%
Service charges	495	510	443	10,4%	13,1%
Other own revenue	479	525	539	-12,4%	-2,7%
	1 216	1 241	1 186	2,5%	4,5%
Employee related costs	321	321	314	2,2%	2,2%
Provision for working capital	-	-	-		
Repairs and maintenance	88	100	103	-16,7%	-2,2%
Bulk purchases	336	336	403	-19,8%	-19,8%
Other expenditure	416	463	614	-47,7%	-32,7%
	1 161	1 221	1 433	-23,5%	-17,4%
Service charges: Electricity	534	465	262	50,9%	43,6%
Grants & subsidies: Electricity	7	7	14	-105,9%	-100,0%
Other revenue: Electricity	0	-	0	51,9%	
	541	472	276	48,9%	41,4%
Employee related costs: Electricity	22	-	28	-24,7%	
Provision for working capital: Electricity	-	-	-		
Repairs and maintenance: Electricity	1	(1)	-	100,0%	100,0%
Bulk purchases: Electricity	336	-	403	-19,8%	
Other expenditure: Electricity	34	50	51	-51,7%	-2,7%
	393	49	481	-22,5%	-890,9%
Service charges: Water	80	3	73	8,1%	-2120,6%
Grants & subsidies: Water	110	(8)	99	9,7%	1327,8%
Other revenue: Water	11	2	11	5,6%	-525,8%
	201	(3)	183	8,8%	6128,8%
Employee related costs: Water	18	-	21	-13,2%	
Provision for working capital: Water	-	-	-		
Repairs and maintenance: Water	4	4	7	-69,1%	-61,1%
Bulk purchases: Water	45	212	74	-64,1%	65,1%
Other expenditure: Water	4	-	5	-29,0%	
	71	216	107	-49,4%	50,5%
					T5,5,1

5.6. SOURCES OF FINANCE

Capital Expenditure - Funding Sources: Year 2022/2023 to Year 2023/2024							R' 000
Details	2022/2023	2023/2024					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
Source of finance							
External loans	0	0	0	0	#DIV/0!	#DIV/0!	
Public contributions and donations	0	146349	146349	151588	0.00%	3.58%	
Grants and subsidies	511096	260523	273535	267837	4.99%	2.81%	
Other	13957	12896	45316	11421	251.40%	-11.44%	
Total	525053	419768	465200	430846	#DIV/0!	#DIV/0!	
Percentage of finance							
External loans	0.0%	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!	
Public contributions and donations	0.0%	34.9%	31.5%	35.2%	#DIV/0!	#DIV/0!	
Grants and subsidies	97.3%	62.1%	58.8%	62.2%	#DIV/0!	#DIV/0!	
Other	2.7%	3.1%	9.7%	2.7%	#DIV/0!	#DIV/0!	
Capital expenditure							
Water and sanitation	117052	111886	103246	4256	-7.72%	-96.20%	
Electricity	4000	6800	11667	2453	71.57%	-63.93%	
Housing	0	0	0	2685	#DIV/0!	#DIV/0!	
Roads and storm water	0	0	0	1486	#DIV/0!	#DIV/0!	
Other	0	0	0	419966	#DIV/0!	#DIV/0!	
Total	121052	118686	114913	430846	#DIV/0!	#DIV/0!	
Percentage of expenditure							
Water and sanitation	96.7%	94.3%	89.8%	1.0%	#DIV/0!	#DIV/0!	
Electricity	3.3%	5.7%	10.2%	0.6%	#DIV/0!	#DIV/0!	
Housing	0.0%	0.0%	0.0%	0.6%	#DIV/0!	#DIV/0!	
Roads and storm water	0.0%	0.0%	0.0%	0.3%	#DIV/0!	#DIV/0!	
Other	0.0%	0.0%	0.0%	97.5%	#DIV/0!	#DIV/0!	

T 5.6.1



5.7. CAPITAL SPENDING ON 5 LARGEST PROJECTS IN 2023/2024 FY

Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	Current Year			Variance Current Year	
	Original Budget (R 000)	Adjustment Budget (R 000)	Actual Expenditure (R 000)	Original Variance (%)	Adjustment variance (%)
Regional Bulk Water Scheme for Breyten Cluster 2 Work in progress	R83 073 171		R42 876 166.91	0	0
Installation of 1Ml steel elevated tank and construction of booster pump station at Extension 34 Ermelo	R 7,500,000	R13,628,044.60	R13,628,044.60		
The Refurbishment of the Chrissiesmeer Oxidation Ponds	R 13,496,153.36	R 13,340,335.61	R 13,340,335.61	0	0
Construction of the roads at Wesselton Msheveni Street	R 7,618,164.09	R 9,647,489.20	R 9,647,489.20	0	0
The Upgrade of Phumula Outfall Sewer Pipeline Work in progress	R 7,001,122.76	R 9,180,506.66	R 9,180,506.66	0	0
Capital Expenditure of 5 largest projects*					

Name of Project - A	Regional Bulk Water Supply Scheme for Breyten Cluster 2
Objective of Project	Provide Bulk Water Supply
Delays	None
Future Challenges	None
Name of Project - A	Regional Bulk Water Supply Scheme for Breyten Cluster 2

Name of Project - B	The Refurbishment of the Chrissiesmeer Oxidation Ponds
Objective of Project	Provide Sanitation Supply
Delays	None
Future Challenges	None
Name of Project - B	The Refurbishment of the Chrissiesmeer Oxidation Ponds

Name of Project - C	Installation of 1MI steel elevated tank and construction of booster pump station at Extension 34 Ermelo
Objective of Project	Provide Bulk Water Supply
Delays	None
Future Challenges	None
Name of Project - C	Installation of 1MI steel elevated tank and construction of booster pump station at Extension 34 Ermelo (Work in Progress)

Name of Project - D	Construction of 2km paved roads in Wesselton - Mabilisa and Magwaza street, Taxi Collector (Work in Progress)
Objective of Project	Construction of the roads
Delays	None
Future Challenges	None
Name of Project - D	Construction of 2km paved roads in Wesselton - Mabilisa and Magwaza street, Taxi Collector (Work in Progress)

Name of Project - E	The Refurbishment of Lothair Oxidation Ponds
Objective of Project	Provide Sanitation Supply
Delays	None
Future Challenges	None
Name of Project - E	The Refurbishment of Lothair Oxidation Ponds
T5.7.1	

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2023/24	
Asset 1	
Name	Regional Bulk Water Supply Scheme for Breyten Cluster 2
Description	The project entails the provision of the bulk infrastructure at Breyten, KwaZanele, Chrissiesmeer, Warburton and Lothair
Asset Type	Bulk water infrastructure
Key Staff Involved	PMU, Water and Sanitation Section, GSDM
Staff Responsibilities	Monitoring and evaluating the project implementation.
Capital Implications	
Future Purpose of Asset	Provision of the bulk water infrastructure
Describe Key Issues	
Policies in Place to Manage Asset	Asset Management Policy
T5.7.2	

Asset 2	
Name	The Refurbishment of Chrissiesmeer Oxidation Ponds
Description	The project entails the provision of the bulk sewer infrastructure. It also ensures the adherence to the green drop rating.
Asset Type	Sewer bulk infrastructure
Key Staff Involved	PMU, Water and Sanitation
Staff Responsibilities	Monitoring and evaluating the project implementation.
Capital Implications	

Future Purpose of Asset	Provision of sewer infrastructure
Describe Key Issues	
Policies in Place to Manage Asset	Asset Management Policy

Asset 3	
Name	Installation of 1Ml steel elevated tank and construction of booster pump station at Extension 34 Ermelo
Description	The project entails the water supply in the high lying areas in Ermelo Ext 34
Asset Type	Bulk water infrastructure
Key Staff Involved	PMU, Water & Sanitation Section
Staff Responsibilities	Monitoring and evaluating the project implementation.
Capital Implications	
Future Purpose of Asset	Provision of access to hygienic sanitation services.
Describe Key Issues	
Policies in Place to Manage Asset	Asset Management Policy

5.8. BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

Service Backlogs as of 30 June 2024				
Households (HHs)	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	63,736	94%	4,091	6%
Sanitation	62,595	92%	5,232	8%
Electricity	59,230	87%	8,597	13%
Waste management	51,908	76%	15,919	24%
Housing	0	0	0	0

% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to * formal and ** informal settlements.

T5.8.1

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.9. CASH FLOW

Cash Flow Outcomes				
Description	2022/23	2023/24		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	473,715	614,136	623,992	473,715
Government - operating	282,513	225,906	243,353	282,513
Government - capital	258,869	297,835	296,394	258,869
Interest	4,854	932	3,133	4,854
Dividends	–			–
Payments				
Suppliers and employees	(708,844)	(838,995)	(803,410)	(708,844)
Finance charges				
Transfers and Grants				
NET CASH FROM/(USED) OPERATING ACTIVITIES	311,109	299,814	363,462	311,109
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	443		1,441	443
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital assets	(241,341)	(297,835)	(297,835)	(241,341)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(240,898)	(297,835)	(296,394)	(240,898)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
Payments				
Repayment of borrowing	(1,180)		–	(1,180)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,180)	–	–	(1,180)
NET INCREASE/ (DECREASE) IN CASH HELD	69,031	1,979	67,068	69,031
Cash/cash equivalents at the year begin:	9,674	1,020	8,662	9,674
Cash/cash equivalents at the year end:	78,705	2,999	75,730	78,705

Source: MBRR A7

T 5.9.1

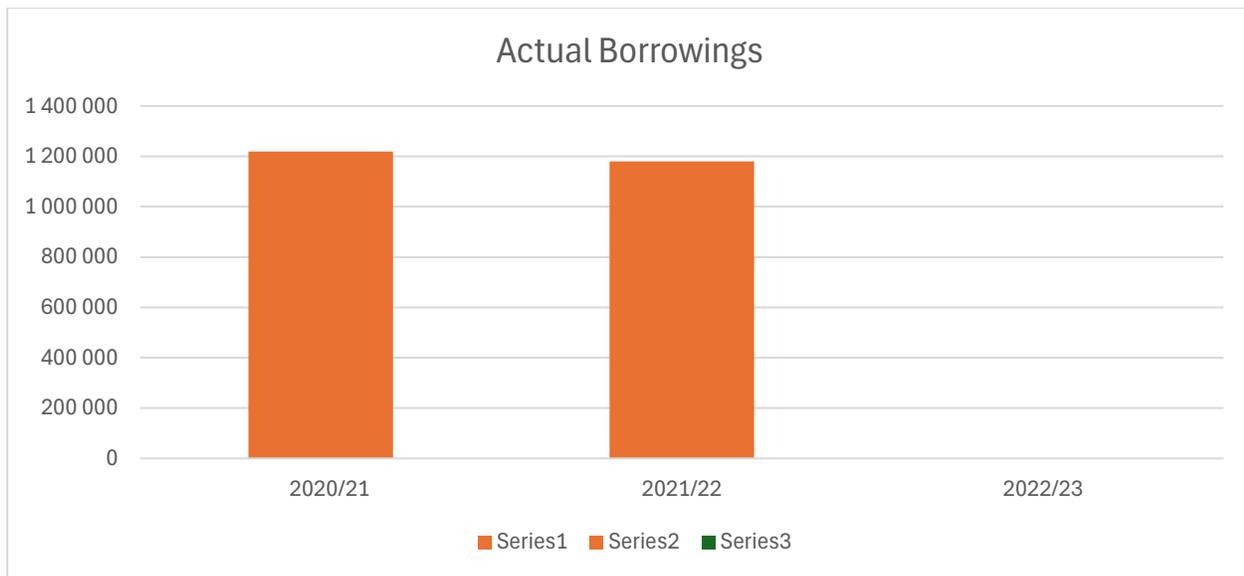
COMMENT ON CASH FLOW OUTCOMES

The average payment rate for the year is **78%**. Actions to improve the collection rate are underway as the ideal ratio of 95% needs to be achieved.

T 5.9.1

5.10. BORROWING AND INVESTMENTS

Actual Borrowings 2020/21 – 2022/23			
Instrument	2020/21	2021/22	2022/23
	R	R	R
Municipality	Nil	Nil	Nil
Long-Term Loans (annuity/reducing balance)	Nil	Nil	Nil
Long-Term Loans (non-annuity)	Nil	Nil	Nil
Local registered stock	Nil	Nil	Nil
Instalment Credit	Nil	Nil	Nil
Financial Leases	1 219 090	1 179 875	Nil
Finance Granted By Cap Equipment Supplier	Nil	Nil	Nil
Marketable Bonds	Nil	Nil	
			T5.10.1



T 5.10.3

COMMENT ON BORROWINGS

The financial lease for 1 x Fire vehicle were finalised in 2018/2019./ A three year finance leases were taken up in 2019/2023 for photocopier and printing, telephphone system as well as ITC equipment for operational puposes

T5.10.2

Municipal Investments					
Investment* type	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual (R 000)	Actual (R 000)	Actual (R 000)	Actual (R 000)	Actual (R 000)
Securities - National Government	Nil	Nil	Nil	Nil	0
Listed Corporate Bonds	Nil	Nil	Nil	Nil	0
Deposits - Bank	20 721 971	2 876 927	5 593 397	56 413 720	0
Deposits - Public Investment Commissioners	Nil	Nil	Nil	Nil	0
Deposits - Corporation for Public Deposits	Nil	Nil	0	Nil	0
Bankers' Acceptance Certificates	Nil	Nil	0	Nil	0
Negotiable Certificates of Deposit - Banks	Nil	Nil	0	Nil	0
Guaranteed Endowment Policies (sinking)	Nil	Nil	0	Nil	0
Repurchase Agreements - Banks	Nil	Nil	0	Nil	0
Municipal Bonds	Nil	Nil	0	Nil	0
Other	Nil	Nil	0	Nil	0
Municipality Total	20 721 971	2 876 927	5 593 397	56 413 720	0
					T5.10.4

5.11. PUBLIC PRIVATE PARTNERSHIPS

None.

COMPONENT D: OTHER FINANCIAL MATTERS

5.12. SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Municipality implemented a supply chain management policy in line with the provisions of Supply Chain Management Regulation.

T5.12.1

5.13. GRAP COMPLIANCE

GRAP COMPLIANCE

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention. The annual financial statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

As far as it has been practicable, applicable standards have been adopted retrospectively and prior-year figures have been restated to achieve comparability requirements.

It should be noted that these Annual Financial Statements have been audited in line with the Minister of Finance in terms of General Notice 991 and 992 of 2005 to comply with Section 126 of the MFMA from the normal submission date of 31 August each year.

T5.13.1

Chapter 6

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2022/2023

6.

6.1. AUDITOR GENERAL REPORTS 2022/2023

The Auditor General report for 2022/2023 is presented as an annexure after the municipal AFS and the municipality has received a Qualified Audit Opinion as detailed in the attached report.

6.2. MFMA COMPLIANCE

All MFMA and DORA returns are submitted by the municipality as required monthly, quarterly and annually.

Name of return	Submitted to
MONTHLY	
Financial Management Grant	PT and NT
Age Analysis Debtors (AD) and Creditors (AC), Cash Flow, Operating Statement Actual (OSB)	PT and NT
Section 71 Budget Statements	PT and NT
Supply Chain Management	NT/PT
MIG returns	PT and NT
Equitable Share	COGTA
QUARTERLY	
MFMA Implementation and monitoring checklist	NT
Municipal entities	N/A
Public Private Partnerships	N/A
Long-term contracts	NT
Borrowing	NT
ANNUALLY	
Appendix A	NT
Operating Statement Budget (OSB)	PT and NT
New Budget Regulations 1 April 2009	NT / PT

SIGNED BY CFO _____

DATE _____

GLOSSARY

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	Service delivery & infrastructure Economic development Municipal transformation and institutional development Financial viability and management Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution’s strategic goals and objectives set out in its plans. Outcomes are “what we wish to achieve”.
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as “what we produce or deliver”. An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to

GLOSSARY

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

APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Cllr. M. P. Nkosi	FT	<ul style="list-style-type: none"> • Council • Mayoral Committee • Finance Committee 	Executive Mayor	100%	0%
Cllr. S. N. Xaba	FT	<ul style="list-style-type: none"> • Council • Rules and Ethics • By-Laws and Policies 	Speaker	100%	0%
Cllr, B.G. Motha	FT	<ul style="list-style-type: none"> • Council • Mayoral Committee • Planning and Economic Development 	Ward 8 - ANC	92%	8%
Cllr T.C. Motha	FT	<ul style="list-style-type: none"> • Council • Mayoral Committee • Technical Services 	PR - ANC	77%	23%
Cllr E.C. Msezane	FT	<ul style="list-style-type: none"> • Council • Mayoral Committee • Finance Committee 	PR - ANC	92%	8%
Cllr S. E. Ngovene	FT	<ul style="list-style-type: none"> • Council • Mayoral Committee • Community & Social Services 	PR Ward 11 - ANC	100%	0%
Cllr. T.J. Madlala	FT	<ul style="list-style-type: none"> • Council • Mayoral Committee • Corporate Services 	Ward 3- ANC	92%	8%
Cllr P.T Sibeko	FT	<ul style="list-style-type: none"> • Council • Whip of Council 	PR - ANC	100%	0%
Cllr S.S. Buthelezi	PT	<ul style="list-style-type: none"> • Council 	Ward 1 - ANC	100%	0%
Cllr S.M. Mabuza	PT	<ul style="list-style-type: none"> • Council 	Ward 2 - ANC	100%	0%
Cllr T. J. Maduna	PT	<ul style="list-style-type: none"> • Council • Women Caucus 	Ward 4 - ANC	100%	0%
Cllr. B.L. Ndlazi	PT	<ul style="list-style-type: none"> • Council 	Ward 6 - ANC	100%	0%
Cllr. V.C.N. Madini	PT	<ul style="list-style-type: none"> • Council 	Ward 5 - ANC	100%	0%
Cllr. B.A. Mahlalela	PT	<ul style="list-style-type: none"> • Council 	PR - ANC	100%	0%

APPENDICES

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
				%	%
Cllr. T.P. Zulu	PT	<ul style="list-style-type: none"> • Council • Finance Committee • Corporate Services • Community & Social Services • Municipal Public Accounts Committee • Women Caucus 	Ward 9 - ANC	100%	0%
Cllr S. P. Khalishwako	PT	<ul style="list-style-type: none"> • Council • Corporate Services • Technical Services • Municipal Public Accounts Committee • Finance Committee 	Ward 10 - ANC	62%	8%
Cllr M.M. Mkhaliphi	PT	<ul style="list-style-type: none"> • Council • Local Geographical Name • Corporate Services • Planning & Economic Development • Municipal Public Accounts Committee • By-Laws & Policies • Rules & Ethics 	Ward 12 - ANC	92%	8%
Cllr. N.R. Nkosi	PT	<ul style="list-style-type: none"> • Council • By-Laws and Policies 	Ward 13 - ANC	85%	0%
Cllr. Z. E. Zulu	PT	<ul style="list-style-type: none"> • Council 	Ward 14 - ANC	77%	15%
Cllr V.J. Maseko	PT	<ul style="list-style-type: none"> • Council • Planning & Economic Development • Municipal Public Accounts Committee 	Ward 15 - ANC	92%	0%
Cllr. P. H. Sibiya	PT	<ul style="list-style-type: none"> • Council • Community and Social Services • Finance Committee • Technical Services 	Ward 16 - ANC	92%	0%
Cllr. S.S. Cindi	PT	<ul style="list-style-type: none"> • Council • Technical Services 	Ward 17 - ANC	100%	0%

APPENDICES

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
				%	%
		<ul style="list-style-type: none"> Local Geographical Name Municipal Public Accounts Committee 			
Cllr. B. J. Nkosi	PT	<ul style="list-style-type: none"> Council 	Ward 18 - ANC	100%	0%
Cllr M.A. Nzimande	PT	<ul style="list-style-type: none"> Council Municipal Public Accounts Committee 	Ward 19 - ANC	85%	15%
Cllr M.R. Yende	PT	<ul style="list-style-type: none"> Council Municipal Public Accounts Committee Planning & Economic Development 	PR - EFF	100%	15%
Cllr A.M Mahlangu	PT	<ul style="list-style-type: none"> Council 	PR – EFF	92%	8%
Cllr M.Z. Nkosi	PT	<ul style="list-style-type: none"> Council 	PR - EFF	100%	0%
Cllr M.F.J. Ndlovu	PT	<ul style="list-style-type: none"> Council 	PR – EFF	100%	0%
Cllr S.F. Ngwenya	PT	<ul style="list-style-type: none"> Council Women Caucus Local Geographical Name 	PR – EFF	85%	8%
Cllr R.T. Nzimande	PT	<ul style="list-style-type: none"> Council 	PR – EFF	92%	0%
Cllr Z. Breydenbach	PT	<ul style="list-style-type: none"> Council Women Caucus By-Laws & Policies Municipal Public Accounts Committee 	Ward 7 - DA	100%	0%
Cllr S. C. Mathebula	PT	<ul style="list-style-type: none"> Council By-Laws & Policies Local Geographical Name 	PR – DA	92%	8%
Cllr B.I. Mabuza	PT	<ul style="list-style-type: none"> Council Rules & Ethics Community & Social Services 	PR – DA	85%	8%
Cllr	PT	<ul style="list-style-type: none"> Council 	PR - EFF	92%	8%
Cllr M. Z. Nkosi	PT	<ul style="list-style-type: none"> Council 	PR - EFF	100%	0%
Cllr D. F. Arnoldi	PT	<ul style="list-style-type: none"> Council Finance Committee 	PR -	100%	0%
Cllr J.D.A. Blignaut	PT	<ul style="list-style-type: none"> Council 	PR – FF+	92%	0%

APPENDICES

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
				%	%
		<ul style="list-style-type: none"> • Rules & Ethics • Municipal Public Accounts Committee • Technical Services • Community & Social Services 			
Cllr J.J. Scholtz	PT	<ul style="list-style-type: none"> • Council • Finance Committee • By-Laws & Policies 	PR -	100%	0%
Cllr M. S. Malaza	PT	<ul style="list-style-type: none"> • Council • Planning & Economic Development 	PR – DA	100%	0%
Note: * Councillors appointed on a proportional basis do not have wards allocated to them					T A

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APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Corporate Services Committee	To exercise oversight on corporate services matters.
Public Safety Committee	To exercise oversight on Public Safety matters.
Technical Services Committee	To exercise oversight on Technical Services matters.
Community Services Committee	To exercise oversight on Community Services matters.
Finance Committee	To exercise oversight on Financial matters.
Rules and Ethics Committee	Oversight role on the code of conduct of Councillors.
By- Law and Policies Committee	Policy formulation, development and implementation.
Local Geographical Names Committee	Standardization and renaming of identified features and public facilities.
Led and Tourism Committee	Promotion of viable economic environment for sustainable growth.
Budget Evaluation committee	Evaluate the income and expenditure activities of the municipality and make recommendations to section 80 committees for oversight.
Local Aids Forum Council	Creating awareness on the scourge of HIV and AIDS pandemic including coordination HIV awareness programmes in various workplaces
Local labour Forum Committee	Advice on issues of mutual interest involving management and the workforce.
Moral Regeneration Movement Committee	Promotion of moral values within the society.
Municipal Public Account Committee	<ul style="list-style-type: none"> To promote good governance, transparency and accountability on the use of public funds and perform any tasks delegated by Council in terms of relevant applicable legislations, To conduct investigation in the recovery of unauthorized, irregular and fruitless expenditure in terms of section 32 of the Municipal Finance Management Act (MFMA), To review the Municipality and its entities Annual Report and to develop an oversight report on the Annual Report.
Gender Youth and People with disabilities Committee	Playing an advocacy role in the protection of the rights and interests of the vulnerable groups comprising women, youth and people with disability.

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APPENDICES

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Corporate Services	Mr. P. S. Mabuza – Director Corporate Services
Finance	Mr. P. J. Nhlabathi – Chief Financial Officer
Technical Services	Ms. P Z Duma – Director Technical Services
Planning & Economic Development	Ms. H. Maganya - Director Planning and Economic Development
Community & Social Services	Mr. M. S. Lukhele – Director Community and Social Services
Office of the Municipal Manager	Mr. M. Kunene – Municipal Manager
Use as a spill-over schedule if top 3 tiers cannot be accommodated in chapter 2	
(T2.2.2).	

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	No	No
Building regulations	Yes	No
Child care facilities	No	Yes
Electricity and gas reticulation	Yes	Yes
Fire fighting services	Yes	No
Local tourism	No	Yes
Municipal airports	Yes	No
Municipal planning	Yes	No
Municipal health services	No	Yes
Municipal public transport	No	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	N/A	N/A
Storm water management systems in built-up areas	Yes	No
Trading regulations	Yes	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes	No
Beaches and amusement facilities	N/A	N/A
Billboards and the display of advertisements in public places	Yes	No
Cemeteries, funeral parlours and crematoria	Yes	No

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Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Cleansing	Yes	No
Control of public nuisances	Yes	No
Control of undertakings that sell liquor to the public	No	Yes
Facilities for the accommodation, care and burial of animals	No	Yes
Fencing and fences	Yes	No
Licensing of dogs	N/A	N/A
Licensing and control of undertakings that sell food to the public	No	Yes
Local amenities	Yes	No
Local sport facilities	Yes	No
Markets	No	Yes
Municipal abattoirs	No	Yes
Municipal parks and recreation	Yes	No
Municipal roads	Yes	No
Noise pollution	No	Yes
Pounds	No	Yes
Public places	Yes	No
Refuse removal, refuse dumps and solid waste disposal	Yes	No
Street trading	Yes	No
Street lighting	Yes	No
Traffic and parking	Yes	No
* If municipality: indicate (yes or No); * If entity: Provide name of entity		T D

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APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
One	Cllr S.S Buthelezi Zinhle Ngomane Surprise Nkosi Sphamandla Nkosi David Sangweni Sfiso Zwane Sanele Manana Ayanda Mthethwa Innocent Mabuza Daniel Mavuso Nomalungelo Maseko	Yes	12	12	07
Two	Cllr S.M Mabuza Ward committee disbanded.				
Three	Cllr T.J Madlala Mbali Carol Myanga Thandiwe Zwane Nkululeko Ignatious Vilakazi Elijah Makhahlela Ngcongwane Sikhona Mkomo Nkululeko Mkhonza Nueem Ismail Ahmed Vally Ivan Thamsanqa Zulu Vusumuzi James Mavimbela	Yes	12	12	09
Four	Cllr T.J Maduna Fonono Dumisani Ntshangase Mxolisi Phineus Masilela Sibusiso A. Hlophe Prudence Ngwenya Innocent Sanele Mbendane Ntombi Zwane Dumisani Mahlangu	Yes	12	12	05

APPENDICES

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Nosipho Fezile Vilakazi Simangele Godness Mashigo Gift Ndlangamandla				
Five	Cllr V.C Madini Sizakele Mavis Ndlangamandla Eunice Godness Mtshali Thembi Gracious Zwane Sabetha Hazel Selepe Nqobile Lindokuhle Sibiya Samkelisiwe Nkambule Thembelihle Gama Zanele Magagula Habofande Ignatius Mokholane Patrick Richard Nkosi	Yes	12	12	11
Six	Cllr B.L Ndlazi Thandiwe Mkhwanazi Alvina Masimula Nonjabulo Jele Busisiwe Shongwe Nonsikelelo Portia Cindi Bagezile Masango Lumkile Jagger Skhumbuzo Phakathi Anastacia Mpatho Shongwe Ayanda Nkambule	Yes	12	12	06
Seven	Cllr Z Breydenbach Given Rendani Matamele Nkosinatho Robert Mabasa Lucky Simphiwe Mpungose Veli Mokoena Samuel Ragedi Masilo Malusi Ngcobo Maria Myburg Michael Philip Dos Reis	Yes	12	12	02

APPENDICES

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Gerrit Christiaan Breydenbach				
Eight	Cllr B.G Motha Phathekile Maureen Magagula Makhehla J. Nkosi Linah Ntombane Nkosi Lolo Busi Ngwenya Delisile Ester Mtsheweni Sandile Desmond Nkosi Siyabonga Herbet Shabalala Walter Msibi Sfiso Ngwenya	Yes	12	12	04
Nine	Cllr T.P Zulu / Cllr K.J Makhubu Sibonelo Mhlanga Mildred Dudu Mayisela Jaybie Sibanyoni Marry-Jane Nomcebo Myeza Sibusiso Msibi Stanley Trust Nomakhosi Hlophe Simangele J Nkosi Lungile Angel Maseko	Yes	12	12	07
Ten	Cllr S. Ngovene Nurse Jabulile Nkosi Nurse Irene Mkhonto Sammy Mohlape Thabile Getrude Dlamini Nomacala Sophie Mofokeng B'ntombizodwa Shabangu Vusi Willie Zitha Thembinkosi Derick Zwane	Yes	11	11	08

APPENDICES

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Lovers December Mahlangu Sizwe Bafana Nkosi				
Eleven	Clir S. Khalishwayo Sibusiso Nqutheni Sifiso Thabiso Hadebe Thapelo Bongani Mshayisa Nompumelelo Mtshali Deliwe Alice Dhladhla Mandla Maseko Mthokozisi Mthethwa Ntompela Ellie Mndawe Mpostoli Zulu Ntingile Nkosi	Yes	12	12	05
Twelve	Clir Mkhaliphi Phindile Maseko Cynthia Nkosi Deli Nkosi Sinethemba Nkosi Sunday Mdluli Nhlanhla Nkosi Mveleni D.Zulu Nkosinathi Magwagwa Jacob Dumisani Dlamini Thandeka Mayisela	Yes	12	12	10
Thirteen	Clir N.R Nkosi / Clir S Ngwenya Sbongile Nhlabathi Esther .Rosa . Shabangu Thabo Sidwell Masina Doctor William Mnisi Sonto Mdladla Jacob Dumisani Dlamini Joseph Mahlangu Zanele Mlangeni Betty Mdluli Sibusiso Xaba Senzo J . Sibeko	Yes	12	12	04

APPENDICES

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Fourteen	Cllr Z.E Zulu Kenneth Malatjie Thembi Nkosi Thulani Malang Bheki Richard Motsweni Mbali G. Zulu Sonto M. Maseko Fikile Ester Nzima Dumsani Joseph Mthembu	Yes	12	12	03
Fifteen	Cllr V.J Maseko Mkhethiwe Dladla Nkosingiphile Simelane Nhlakanipho Mdluli Mthokozisi Mathebula Bonginkosi Gininda Sizwe Blessing Khaba Sanele Ndlovu Nomkhosi Lucia Shiba Richard Manana Lungelwa G. Mkhonza	Yes	12	12	05
Sixteen	Cllr P.H Sibiya Mbongelwa Milton Mtungwa Nomusa Makwakwa Gugu Nkosi Nolthando Zwane Vuyile Tshabalala Thomas Makangane Siphesihle Mnisi Sibongile Nkosi Jabhi Makhanye Nontobeko Nkosi	Yes	12	12	05
Seventeen	Cllr S. Cindi Phindile Mafuna Thamsanqa Mokoena Phethile Zodwa Mkhathswa Mfanimpela Maseko	Yes	12	12	03

APPENDICES

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Jeremia Gwende Nkosi Thandukwazi Mavin Magagula Busisiwe Ngubeni Hansen Xolani Lindokuhle Kutu Mlungisi Nkosinathi Mkhwanazi				
Eighteen	Cllr B.J Nkosi Doctor Phakathi Thembisile Prudence Mndebele Duduzile Nkosi Ntombifuthi Mathebula Makhosonke Nsibande Winnie Zwane Bongane Methula Delisile Nkosi Sicolile Mkhonza	Yes	12	12	20
Nineteen	Cllr M.A Nzimande Manqoba Ntuli Sindiso T . Mokoena Thulile Elsie Nkosi Sydney A .Ndlovu Zanele Zulu Siphelile Masuku Tshepo Mabizela Mondli Henry Ngomane Danile Christina Mahlangu Nkululeko Sithole	Yes	12	12	04

APPENDICES

APPENDIX F – WARD INFORMATION

Ward Title: Ward 12,13,14,15,19				
Capital Projects: Seven Largest in 2023/24FY (Full List at Appendix M)				
				R' 000
No.	Project Name and detail	Start Date	End Date	Total Value (23/24FY)
1.	Regional bulk water supply scheme for Breyten cluster 2 in Msukaligwa Local Municipality	14-Apr-2018	30-Sept-2024	R134 926 809.00
T F.1				

Ward Title: Ward 19				
Capital Projects: Seven Largest in 2023/224 FY (Full List at Appendix M)				
				R' 000
No.	Project Name and detail	Start Date	End Date	Total Value (23/24FY)
2.	The Refurbishment of the Chrissiesmeer Oxidation Ponds	8-Sept-22	14-Jun-24	R 31,216,074.68
T F.1				

Ward Title: Ward 16				
Capital Projects: Seven Largest in 2023/24 FY (Full List at Appendix M)				
				R' 000
No.	Project Name and detail	Start Date	End Date	Total Value (23/24FY)
3.	Installation of 1MI steel elevated tank and construction of booster pump station at Extension 34 Ermelo	26-Jun-23	30-Sept-2024	R 29,916,081.31
T F.1				

Ward Title: Ward 3,4,6				
Capital Projects: Seven Largest in 2023/224 FY (Full List at Appendix M)				
				R' 000
No.	Project Name and detail	Start Date	End Date	Total Value (23/24FY)
4.	Construction of 2km paved roads in Wesselton - Mabilisa and Magwaza street, Taxi Collector	26-Jun-23	Multi-year	R 27,430,579.71
T F.1				

APPENDICES

Ward Title: Ward 12,15				
Capital Projects: Seven Largest in 2023/224 FY (Full List at Appendix M)				
				R' 000
No.	Project Name and detail	Start Date	End Date	Total Value (23/24FY)
5.	The Refurbishment of the Lothair Oxidation Ponds	7-September-22	30-Jan-24	R 23,698,604.62
T F.1				

Ward Title: Ward 16				
Capital Projects: Seven Largest in 2023/224 FY (Full List at Appendix M)				
				R' 000
No.	Project Name and detail	Start Date	End Date	Total Value (23/24FY)
6.	The Rehabilitation of Extension 32, 33, 34 Taxi Collector Street (Ring Road)	15-Mar-23	Multi-year	R 22,778,165.42
T F.1				

Ward Title: Ward 17				
Capital Projects: Seven Largest in 2023/24FY (Full List at Appendix M)				
				R' 000
No.	Project Name and detail	Start Date	End Date	Total Value (23/24FY)
7.	Construction of the roads at Wesselton Msheveni Street	3-Oct-2022	22-May-24	R 18,332,174.69
T F.1				

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	63,736	62,595	59,230	51,908	X
Households without minimum service delivery	4,091	5,232	8,597	15,919	
Total Households*	67,827	67,827	67,827	67,827	
Houses completed in year	X				
Shortfall in Housing units					
*Including informal settlements					T F.2

APPENDICES

Top Four Service Delivery Priorities for the Municipality (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2023/2024
1	Provision of adequate water supply.	<p>All the water projects that were implemented during the Financial Year only one (1) completed and are as follows:</p> <ul style="list-style-type: none"> • Water reticulation at Breyten Ext 2: Ward 13 • Installation of 1Ml steel elevated tank and construction of booster pump station at Extension 34 Ermelo • Regional bulk water supply scheme for Breyten cluster 2 in Msukaligwa Local Municipality • Regional Bulk Water Supply for Msukaligwa LM: Cluster 1 Ermelo WSS
2	Provision of hygienic sanitation services.	<p>All the sanitation projects that were implemented and completed during the Financial Year and are as follows:</p> <ul style="list-style-type: none"> • Installation Of Sewer Reticulation in Wesselton Extension 11 Phase 1 and Phase 2 • VIP Toilets in Msukaligwa Farm areas • Electro-Mechanical Upgrades to Extension 32, 33 and 34 Pumpstations in Ermelo • Sewer reticulation at Breyten Ext 2: Ward 13
3	Provision roads and storm water management	<p>The following projects were implemented and completed 2 projects:</p> <ul style="list-style-type: none"> • Construction of the roads at Wesselton Msheveni Street • The Rehabilitation of Extension 32, 33, 34 Taxi Collector Street (Ring Road) • Construction of 2km paved roads in Wesselton - Mabilisa and Magwaza street, Taxi Collector • The rehabilitation of 1,05km Silindile main street in Lothair Ward 15 • Upgrade culvert bridge with 3x 1500x1000mm box culverts – Mofokeng Street • Construction of Access Bridge – Khayelisha and Emadamini in Wesselton Ext 11 • Construction of Mabuza Access Bridge in Wesselton Ext 2 • Resurfacing of Gwebu Street in Wesselton Ext 2
4	Electricity	<p>The Municipality implemented a projects:</p> <ul style="list-style-type: none"> • Electrification of KwaZanele Ext 6 • EEDSM (Retrofitting of the highmast lights and streetlights)
T F.3		

APPENDICES

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2023/2024

Municipal Audit Committee Recommendations			
Date of Committee	Audit Committee recommendations during 2023/2024	Action Taken	Recommendations adopted (enter Yes); not adopted (provide explanation)
18 September 2023	A detailed report on the update of meter installation, to be presented on the next Audit sitting.	Meters installed and report provided	Yes
23 August 2023	Audit Committee further indicated that on the next meeting when dealing with DCSSL matters, management must disclose on how the SLA will be concluded so that as the Audit Committee knows the details of the agreement.	DCSSL function was transferred back to the department with effect from 1 st July 2023	Yes
10 November 2023	The Committee recommended that management needs to ensure that it reviews its TID's and address the concern raised by internal audit through the PMS office.	TIDs have been developed and are part of the SDBIP	Yes
11 March 2024	The Audit Committee requested the Chief Internal Auditor to collapse resolutions that similar in nature.	Similar resolutions have been combined into one column as per the updated AC Resolution Register.	Yes

APPENDICES

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Medium/ Long Term Contracts (Largest Contracts Entered into 2023/2024 R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
Makey Building Construction	Refurbishment of Chrissiesmeer Oxidation Ponds	23-Jan-23	14-Jun-24	Technical department	R28,966,866.45
TM & S Construction	Installation of 1Ml steel elevated tank and construction of booster pump station at Extension 34 Ermelo	7-Dec-23	Multi-year	Technical department	R26 790 260.28
Impecto Trading & Projects and Ndhlabili Construction & Projects JV	Construction of 2km paved roads in Wesselton - Mabilisa and Magwaza street, Taxi Collector	22-Nov-23	Multi-year	Technical department	R25,064,459.26
A1 Glass Aluminium	Refurbishment of Lothair Oxidation Ponds	23-Jan-23	11-Apr-24	Technical department	R21,746,331.69
ASGINC (PTY) LTD	The Rehabilitation of Extension 32, 33, 34 Taxi Collector Street (Ring Road)	1-Nov-23	Multi-year	Technical department	R20,637,989.48
Ndhlabili Construction and Projects	Construction of Road at Wesselton, Msheveni Street	30-Jan-23	22-May-24	Technical department	R 17,195,158.27
					T H.1

Public Private Partnerships Entered into					
				2021/22	R' 000
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value
No PPPs entered with the municipality	-	-	-	-	-
					T H.2

APPENDICES

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

Municipal Entity/Service Provider Performance Schedule								
Service Objectives	Outline Service Targets	2017/18		2018/19		2019/20		2020/21
		Target	Actual	Target	Actual	Target	Actual	Future
Service Indicators	Service Targets							
Service Objective: To provide sustainable basic services and sustainable infrastructure								
None – Contained in Appendix M								
								T I

APPENDICES

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2022 to 30 June 2023		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	MP Nkosi	Nil
Speaker	NS Xaba	Nil
Council Whip	PT Sibeko	Nil
Member of the Mayco	ZE Zulu	Nil
Member of the Mayco	EC Msezane	Nil
Member of the Mayco	SE Ngovene	Nil
Member of the Mayco		
Councillor	LL Nhlapho	Nil
Councillor	JDA Blignaut	Nil
Councillor	TC Motha	Nil
Councillor	BL Ndlazi	Nil
Councillor	BG Motha	Nil
Councillor	MS Malaza	Nil
Councillor	BI Mabuza	Nil
Councillor	TP Zulu	Nil
Councillor	MR Yende	Nil
Councillor	PH Sibiya	Nil
Councillor	JJ Scholtz	Ermelo Sand CC, Pro Fire Ermelo, Pro Engineering Bolts and Nuts
Councillor	MA Nzimande	Nil
Councillor	T Nkosi	Nil
Councillor	NR Nkosi	Nil
Councillor	MZ Nkosi	Nil
Councillor	BI Nkosi	Nil
Councillor	SF Ngwenya	Nil
Councillor	SE Ngovene	Nil
Councillor	MFJ Ndlovu	ICT Logistics, Palmsco Group
Councillor	VCN Madini	Nil
Councillor	SM Mabuza	Nil
Councillor	TJ Maduna	Nil
Councillor	BA Mahlalela	Nil
Councillor	VJ Maseko	Nil
Councillor	SC Mathebula	Nil
Councillor	MM Mkhaliphi	Nil

APPENDICES

Disclosures of Financial Interests		
Period 1 July 2022 to 30 June 2023		
Position	Name	Description of Financial interests* (Nil / Or details)
Councillor	DVF Arnoldi	Ecological Services
Councillor	Z Breytenbach	Ermelo Properties
Councillor	SSS Buthelezi	Nil
Councillor	SS Cindi	Nil
Councillor	SP Khalishwako	Sasol Inzalo shares, Amabuzi , Siyasho Ngani CC, Commercial Farm
Councillor	TJ Madlala	Nil
Councillor	AM Mahlangu	Nil
Councillor	RT Nzimande	Nil
Municipal Manager	M Kunene	Nil
Chief Financial Officer	PJ Nhlabathi	Nil
Deputy Chief Financial Officer	S M Phiri	Nil
Directors	PS Mabuza	Nil
	M S Lukhele	Nil
	P Z Duma	Nil
	H. Maganya	Nil
Other S57 Officials	None	

* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A
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APPENDICES

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

MP302 Msukaligwa - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M12 June

Description	Ref	2021/22	Budget Year 2022/23							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		181,646	207,037	230,134	17,180	202,863	230,134	(27,271)	-12%	230,134
Service charges - electricity revenue		240,824	246,323	254,046	19,283	226,614	254,046	(27,432)	-11%	254,046
Service charges - water revenue		64,326	67,192	75,529	7,330	74,243	75,529	(1,286)	-2%	75,529
Service charges - sanitation revenue		48,774	52,787	58,547	4,742	57,677	58,547	(871)	-1%	58,547
Service charges - refuse revenue		40,181	45,048	50,142	4,009	49,300	50,142	(842)	-2%	50,142
Rental of facilities and equipment		2,720	2,700	2,851	248	2,920	2,851	69	2%	2,851
Interest earned - external investments		1,098	932	3,133	600	4,854	3,133	1,722	55%	3,133
Interest earned - outstanding debtors		29,709	31,001	35,060	3,462	37,111	35,060	2,051	6%	35,060
Dividends received								-		
Fines, penalties and forfeits		4,771	5,177	5,174	13	177	5,174	(4,997)	-97%	5,174
Licences and permits		3,666	3,636	3,636	4,902	4,925	3,636	1,289	35%	3,636
Agency services		8,001	8,490	8,490	2,396	2,396	8,490	(6,094)	-72%	8,490
Transfers and subsidies		207,661	231,689	243,694	(8,000)	228,404	243,694	(15,291)	-6%	243,694
Other revenue		6,113	8,633	11,999	541	6,966	11,999	(5,033)	-42%	11,999
Gains		67,088	-	-	3,964	4,843	-	4,843	#DIV/0!	-
Total Revenue (excluding capital transfers and contributions)		906,577	910,645	982,436	60,669	903,294	982,436	(79,142)	-8%	982,436

APPENDICES

APPENDIX K (I): REVENUE AND EXPENDITURE PERFORMANCE BY FUNCTIONAL CLASSIFICATION

MP302 Msukaligwa - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M12 June

Description	Ref	2022/23		Budget Year 2023/24						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Functional										
Governance and administration		515,139	517,403	534,531	-	467,809	534,531	(66,722)	-12%	534,531
Executive and council		289,524	255,220	269,721	-	252,878	269,721	(16,842)	-6%	269,721
Finance and administration		225,615	262,183	264,810	-	214,931	264,810	(49,880)	-19%	264,810
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		18,135	12,633	25,428	-	6,768	25,428	(18,660)	-73%	25,428
Community and social services		929	1,017	1,112	-	532	1,112	(580)	-52%	1,112
Sport and recreation		178	214	314	-	130	314	(184)	-58%	314
Public safety		7,644	8,223	10,722	-	3,304	10,722	(7,418)	-69%	10,722
Housing		2,597	2,847	2,949	-	2,802	2,949	(146)	-5%	2,949
Health		6,787	332	10,332	-	-	10,332	(10,332)	-100%	10,332
Economic and environmental services		123,315	18,451	6,199	-	1,982	6,199	(4,217)	-68%	6,199
Planning and development		5,033	5,714	5,788	-	1,856	5,788	(3,933)	-68%	5,788
Road transport		118,281	12,736	411	-	127	411	(284)	-69%	411
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		637,576	667,940	688,338	-	447,811	688,338	(240,527)	-35%	688,338
Energy sources		236,782	323,045	342,381	-	250,671	342,381	(91,710)	-27%	342,381
Water management		277,336	200,561	197,527	-	80,237	197,527	(117,291)	-59%	197,527
Waste water management		63,857	76,305	78,149	-	62,647	78,149	(15,501)	-20%	78,149
Waste management		59,601	68,029	70,281	-	54,256	70,281	(16,025)	-23%	70,281
Other	4	151	-	158	-	147	158	(10)	-6%	158
Total Revenue - Functional	2	1,294,315	1,216,427	1,254,654	-	924,518	1,254,654	(330,136)	-26%	1,254,654
Expenditure - Functional										
Governance and administration		302,324	185,380	230,473	-	179,431	230,473	(51,042)	-22%	230,473
Executive and council		74,192	56,495	71,929	-	62,120	71,929	(9,809)	-14%	71,929
Finance and administration		228,132	128,885	158,543	-	117,311	158,543	(41,233)	-26%	158,543
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		121,471	128,197	138,126	-	96,019	138,126	(42,107)	-30%	138,126
Community and social services		66,615	70,027	77,658	-	58,607	77,658	(19,050)	-25%	77,658
Sport and recreation		22,194	21,187	21,730	-	10,048	21,730	(11,683)	-54%	21,730
Public safety		28,490	29,944	30,646	-	22,704	30,646	(7,942)	-26%	30,646
Housing		4,142	6,675	7,728	-	4,660	7,728	(3,068)	-40%	7,728
Health		30	364	364	-	0	364	(364)	-100%	364
Economic and environmental services		99,267	113,835	118,927	-	42,334	118,927	(76,594)	-64%	118,927
Planning and development		18,304	22,219	18,998	-	17,481	18,998	(1,517)	-8%	18,998
Road transport		80,962	91,616	99,929	-	24,853	99,929	(75,077)	-75%	99,929
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		724,789	733,526	812,780	-	426,752	812,780	(386,028)	-47%	812,780
Energy sources		409,963	422,841	441,676	-	319,057	441,676	(122,619)	-28%	441,676
Water management		178,519	122,125	168,094	-	59,395	168,094	(108,699)	-65%	168,094
Waste water management		78,321	150,834	153,234	-	20,870	153,234	(132,364)	-86%	153,234
Waste management		57,986	37,726	49,776	-	27,429	49,776	(22,346)	-45%	49,776
Other		75	110	110	-	80	110	(30)	-27%	110
Total Expenditure - Functional	3	1,247,925	1,161,047	1,300,417	-	744,616	1,300,417	(555,801)	-43%	1,300,417
Surplus/ (Deficit) for the year		46,390	55,379	(45,763)	-	179,902	(45,763)	225,665	-493%	(45,763)

APPENDICES

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						
R						
Details	Budget	Adjustment Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Original Budget	Adjustment Budget	
Audited AFS Note 23	R	R	R	%	%	
Municipal Systems Improvement Grant	0	0	0	0%	0%	
Finance Management Grant	3 000 000	3 000 000	3 000 000	0%	0%	
EPWP	2 062 310	2 062 310	2 062 310	0%	0%	
SETA Grants	303 131	300 131	303 131	0%	0%	
PMU	3 134 150	3 134 150	3 134 150	0%	0%	
Municipal Disaster Relief Fund Grant	16 000 000	16 000 000	6 494 811	0%	0%	
GSDM Contribution COVID-19	0	0	0	0%	0%	
Total	7 983 741	7 983 741	7 983 741	0%	0%	
<p>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</p>						

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COMMENT ON CONDITIONAL GRANTS EXCLUDING MIG

The Financial management grant were spent according to the FMG support plan. Funds were utilized to employ interns, assist with the compiling of the Annual Financial Statements. The EPWP grant were utilised to appoint and ensure payment of contract workers.

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APPENDICES

APPENDIX M – CAPITAL PROGRAMME BY PROJECT 2022/2023

Project Name	Ward No.	2023/2024 FY Budget	Expenditure	Project Status
Water reticulation at Breyten Ext 2: Ward 13	13	R 850,389.52	R 850,389.52	Project completed
The Refurbishment of Lothair Water Treatment Works.	15	R 1,225,087.95	R 1,225,087.95	Designs completed
Installation of 1MI steel elevated tank and construction of booster pump station at Everest Park	1	R 957,003.98	R 957,003.98	Designs Completed
Installation of 1MI steel elevated tank and construction of booster pump station at Extension 34 Ermelo	16	R 13,628,044.60	R 13,628,044.60	53% Construction
Installation Of Sewer Reticulation in Wesselton Extension 11 Phase 1 and Phase 2	9	R 846,651.63	R 846,651.63	Project completed
VIP Toilets in Msukaligwa Farm areas	10,11,18 & 19	R 6,771,886.02	R 6,771,886.02	Project completed
Electro-Mechanical Upgrades to Extension 32, 33 and 34 Pumpstations in Ermelo	16	R 585,905.44	R 585,905.44	Project practically completed
Sewer reticulation at Breyten Ext 2: Ward 13	13	R 2,809,701.41	R 2,809,701.41	Project completed
The Construction of Ermelo Ext 50 Outfall Sewer Pipeline	5	R 949,188.40	R 949,188.40	Design Stage (design only)
Refurbishment of Warburton Wastewater Treatment Works	12	R 511,958.68	R 511,958.68	Design completed (design only)
Installation of sewer reticulation at Warburton (house connections and top structure) 999 HH	14	R 709,693.01	R 709,693.01	Design completed (design only)
Construction of the roads at Wesselton Msheveni Street	17	R 9,647,489.20	R 9,647,489.20	Project completed
The Rehabilitation of Extension 32, 33, 34 Taxi Collector Street (Ring Road)	16	R 6,157,656.76	R 6,157,656.76	Design completed (design only)
Construction of 2km paved roads in Wesselton - Mabilisa and Magwaza street, Taxi Collector	3,4 & 6	R 4,325,347.81	R 4,325,347.81	19% Construction
The rehabilitation of 1,05km Silindile main street in Lothair Ward 15	15	R 5,382,683.09	R 5,382,683.09	58% Construction
Upgrading of Ermelo Ext 32, 33 and 34 outfall sewer pipeline	16	R 3,726,363.02	R3,726,363.02	99% Construction

APPENDICES

The Refurbishment of the Chrissiesmeer Oxidation Ponds	19	R13,340,335.61	R13,340,335.61	Project Practically Completed
The Refurbishment of the Lothair Oxidation Ponds	15	R 3,752,794.71	R 3,752,794.71	Project completed
The Upgrade of Phumula Outfall Sewer Pipeline		R9,180,506.66	R9,180,506.66	80% Construction
Msukaligwa Regional Bulk Water Supply Scheme (RBIG – Cluster 2)	12,13,14,15,19	R 36 448 253.89	R 36 448 253.89	99% Construction
Regional Bulk Water Supply for Msukaligwa LM: Cluster 1 Ermelo WSS		R6 427 913.02	R6 427 913.02	Planning in progress
The Upgrading of Culvert Bridge of Mofokeng Street		R 1,496,283.74	R 1,496,283.74	Project Completed
Reconstruction Khayelihle-EMadamini Access Bridge		R 4,505,188.47	R 129,370.00	Design Stage
Reconstruction Mabuza Access Bridge in Wesselton		R 5,000,000.00	R 0.00	Design Stage
Resurfacing of Gwebu Street in Wesselton Ext 2		R 4,998,527.79	R 4,998,527.79	Project Completed
Electrification of 150 Households in Kwazanele Ext 6 -Phase 2		R 1,572,673.24	R 1,572,673.24	Project Completed
Design and Refurbishment of the Breyten Switching Station and Installation of 3KM MV Line		R 1,698,105.50	R 1,698,105.50	Project Practically Completed
Design and Construction of 20MVA, 88/11KV Transformer in Ermelo KV Substation	8	R 3,529,221.26	R3,529,221.26	Project Completed
Construction of Access Control Infrastructure at Msukaligwa Local Municipality Offices in Ermelo	7	R 2,717,428.09	R2,476,612.92	Project Practically Completed
Maintenance of the Civic centre Townhall Roof	7	R3,000,000.00	R2,915,738.38	75% Construction

APPENDICES

APPENDIX N – CAPITAL PROGRAMME BY PROJECT BY WARD 2020/2021

See Appendix M

APPENDIX O – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)				
Schools are provided with all municipal services except solid waste collections at farm schools.				
Clinics (NAMES, LOCATIONS)				
Clinics are provided with all municipal services.				
Names and locations of schools and clinics lacking one or more services. Use 'x' to mark lack of service at appropriate level for the number of people attending the school/clinic, allowing for the proper functioning of the establishment concerned.				TP

APPENDICES

APPENDIX P – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
<u>Clinics:</u>		
Farm areas	High	Mobile clinics not doing regular visits. Communities have to travel to towns to access health services and some do not afford transport fares. The elderly are the most affected.
<u>Housing:</u>		
Ermelo extension 32, 34, Nganga, Wesselton ext.3 and other areas.	Medium	There is a complaint about houses that are taking too long to be built or completed and those that were not built at all while beneficiaries are approved as beneficiaries on the Dept. of Human Settlement database.
<u>Schools (Primary and High):</u>		
Khayelisha settlement at Ward 9	Medium	The settlement has grown and due to the population growth and urban migration. So, there is a need for a primary school. The current Wesselton Primary school is too far for small kids and often parents struggle to pay transport fees for the kids.

APPENDIX Q – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

No grants were made by the municipality.

APPENDIX R – DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

There were no returns made in accordance with Section 71 of the MFMA.

VOLUME II

ANNUAL FINANCIAL STATEMENTS

**Audited
By**
2023 -11- 3 0
**Auditor General South Africa
Mpumalanga Business Unit**



**Msukaligwa Local Municipality
Annual Financial Statements
for the year ended 30 June 2023**

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

Local Municipality

Mayoral committee

Executive Mayor

Cllr. M.P. Nkosi

Speaker

Cllr. N.S Xaba

Chief Whip

Cllr. P.T Sibeko

MMC - Corporate Services

Cllr. T.J Madlala

MMC - Technical Services

Cllr. T.C Motha

MMC - Community and Social Services

Cllr. S.E Ngovene

MMC - Finance

Cllr. E.C Msezane

MMC - Planning Economic Development

Cllr. B.G Motha

Councillors

Cllr. D.V.F Arnoldi

Cllr. J.D.A Blignaut

Cllr. Z Breydenbach

Cllr. S.S.S Buthelezi

Cllr. S.S Cindi

Cllr. S.P Khalishwayo

Cllr. B.I Mabuza

Cllr. S.M Mabuza

Cllr. V.C.N Madini

Cllr. T.J Maduna

Cllr. B.A Mahlalela

Cllr. M.S Malaza

Cllr. V.J Maseko

Cllr. S.C Mathebula

Cllr. M.M Mkhaliphi

Cllr. B.L Ndlazi

Cllr. M.F.J Ndlovu

Cllr. S.F Ngwenya

Cllr. L.L Nhlapho

Cllr. B.J Nkosi

Cllr. M.Z Nkosi

Cllr. N.R Nkosi

Cllr. T Nkosi

Cllr. M.A Nzimande

Cllr. R.T Nzimande

Cllr. J.J Scholtz

Cllr. P.H Sibiya

Cllr. M.R Yende

Cllr. T.P Zulu

Cllr. Z.E Zulu



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

General Information

Grading of local authority	4
Accounting Officer	Mr. M. Kunene (Appointed 12 August 2022)
Chief Financial Officer (CFO)	Mr P.J.Nhlabathi (Appointed 01 December 2022)
Registered office	Civic Centre C/o Kerk and Taute Street Ermelo 2350
Business address	Civic Centre C/o Kerk and Taute Street Ermelo 2350
Postal address	PO Box 48 Ermelo 2350
Bankers	First National Bank Limited
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	Julie Mahommed Attorneys Maphanga Attorneys Mhlongo Khumalo Attorneys Mohlala Attorneys Motimele Attorneys Sefalafala Attorneys Sibeko Incorporated TMN Kgomo and Associates
Rounding	All amounts have been rounded to the nearest R1
Website	www.msukaligwa.gov.za
Contact number	Tel: 017 8611 Msuka (086 116 7852) Fax: 017 801 3851



Msukaligwa Local Municipality

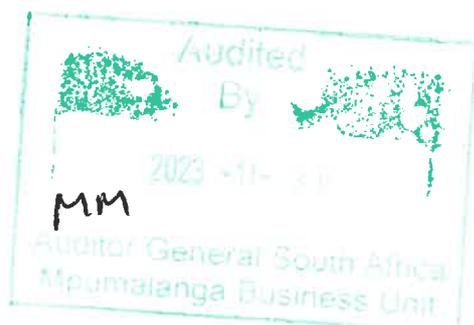
(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Index

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

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Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Abbreviations

ACFO	Acting Chief Financial Officer
AGSA	Auditor-General of South Africa
CFO	Chief Financial Officer
COID	Compensation for Occupational Injuries and Diseases
COVID 19	Corona Virus 2019
DCSSL	Department of Community Safety, Security And Liaison
GRAP	Generally Recognised Accounting Practice
GSDM	Gert Sibande District Municipality
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Government Sectoral and Training Authority
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
PPP	Public Private Partnership
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

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 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7 - 7 .

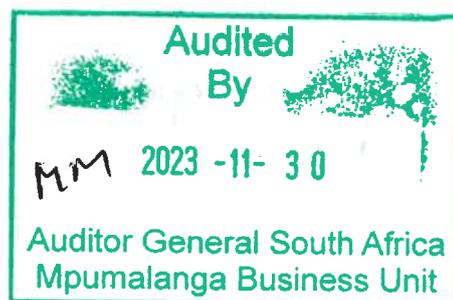
The annual financial statements set out on page 10 - 132, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed.



Mr. M. Kunene
Accounting Officer

Ermelo

31 August 2023



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

1. Audit committee members and attendance

The Audit committee consists of the members listed hereunder and should meet four times a year, as per its approved terms of reference. During the current year 07 meetings were held.

Name of member	Number of meetings attended
F. Mudau	7
N. Maseko	6
P. Mangoma	7
M. Mmapheto	7
P.B Mosomane (Resigned)	1

2. Audit committee responsibility

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

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

3. The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient, and transparent. In line with the MFMA and the King IV report on Corporate Governance requirements, Internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective, and further provides recommendations where deficiencies are identified. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal audit, the Audit report on the annual financial statements and the implementation of the action plan in addressing issues raised in the AG report, it was noted there were matters reported that indicate material deficiencies in the system of internal control or any deviation therefrom. Accordingly, the Audit Committee has made recommendations to these deficiencies and we can report that the system of internal controls over financial reporting for the period under review was fairly efficient and effective.

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

The Audit committee is fairly satisfied with the content and quality of monthly and quarterly report prepared and issued by the Accounting Officer of the municipality during the year under review.

4. Internal audit

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



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Accounting Office's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Operations

Net surplus of the municipality was R29,962,001 (2022: surplus R16,196,616).

2. 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 Provincial Executive of the Mpumalanga Provincial Government intervened in the municipality in terms of section 139(1)(b) of the Constitution and Section 139(5) of the Constitution read with Section 139 of the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003).

As part of the intervention by the Provincial Executive, the Municipal Financial Recovery Services unit within the Provincial Treasury has been requested to assist with the development of a financial recovery plan for Msukaligwa Local Municipality. The financial recovery plan was developed, approved and implemented in the current financial year under review and has been monitored on a monthly basis.

The primary responsibility to avoid, identify and resolve financial problems rests with the Msukaligwa Council and the Plan must be monitored by Council, the Executive Mayor and the Municipal Manager to ensure successful implementation, and places significant implementation responsibility on the Municipal Manager, Chief Financial Officer and other senior managers.

The Municipality should move away from short term and reactionary planning to a long term stable and sustainable framework, hence the Municipality must prioritise the development of a long term spatial and financial plan that is realistic and achievable and based on sound socio-economic analysis. The financial indicators issued in MFMA Circular 71 should also be used as a basis for such a long-term financial plan.

3. Subsequent events

The municipality reviewed historical Unauthorised, Irregular and Fruitless and Wasteful Expenditure, conducted such investigated as were necessary or viable and determined that substantially all of this should be written off. No matters were referred to the disciplinary board.

The Licensing function that the municipality performed on behalf the the Department of Safety, Security and Liaison (DCSSL) was transferred back to DCSSL, and the municipality will no longer be involved in these activities.

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The accounting officer does not have any direct or indirect interest's in contracts.

5. Accounting policies

The annual financial statements prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

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

Name
Mr. M. Kunene
Mr. C.J. Lisa



Changes
Appointed 12 August 2022
Appointed 28 February 2022 - 11 August 2022

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Accounting Office's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibilities in lieu of the MFMA, MSA and related Regulations as issued from time to time by National Treasury. We further note responsibilities with regards to the requirements of King IV. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Audit and risk committee

In the year under review, the Audit committee was established, and the Audit Committee members appointed, as well as the Chairperson of the Risk Committee are as follows:

Audit Committee members:

Position	Name	Date appointed
Chairperson	Ms F. Mudau	02 August 2021
Members:	Ms P.B Mosomane	02 August 2021
	Ms. N Maseko	02 August 2021
	Ms P. Mangoma	02 August 2021
	Mr M. Mmapheto	02 August 2021

Risk Committee member:

Position	Name	Date appointed
Chairperson	Mr L.A.T. Gafane	02 August 2021

In terms of Section 166 of the Municipal Finance Management Act, (Act 56 of 2003), the municipality, must appoint members of the Audit Committee. Notwithstanding that councillors appointed by the parent municipality constituted the municipal Audit Committees, National Treasury policy requires that municipalities should appoint further members of the entity's audit committees who are not councillors of the municipality onto the audit committee.

Internal audit

The municipality has a fully functional Internal Audit Unit. This is in compliance with the Municipal Finance Management Act, 2003.

The Internal Audit Function must apply to IIA Standards during the course of implementation of their work. Reports are submitted quarterly to the ARC for consideration and approval.

8. Bankers

The bankers of the municipality are First National Bank Limited which is used for daily operations as well as investing of grant funding.

9. Auditors

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



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Accounting Office's Report

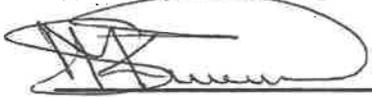
10. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commencement.

The municipality has no PPP agreements.

The annual financial statements set out from page 10 - 132, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023.



Mr. M. Kunene
Accounting Officer



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	7	23,589,169	13,003,712
Receivables from exchange transactions	8&10	165,017,303	145,467,135
Receivables from non-exchange transactions	9&10	59,479,145	59,846,831
VAT receivable	11	131,040,711	105,428,352
Cash and cash equivalents	12	78,704,967	9,673,827
		457,831,295	333,419,857
Non-Current Assets			
Investment property	3	181,143,053	178,381,508
Property, plant and equipment	4	2,646,809,304	2,555,795,184
Intangible assets	5	15,786	61,916
Heritage assets	6	174,895	174,895
		2,828,143,038	2,734,413,503
Total Assets		3,285,974,333	3,067,833,360
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	1,179,875
Payables from exchange transactions	14	1,572,219,991	1,439,577,601
Consumer deposits	15	20,450,245	19,243,836
Employee benefit obligation	16	3,864,000	5,605,000
Unspent conditional grants and receipts	17	44,723,686	1,593,484
		1,641,257,922	1,467,199,796
Non-Current Liabilities			
Employee benefit obligation	16	68,931,001	68,197,000
Provisions	19	95,319,376	81,932,532
		164,250,377	150,129,532
Total Liabilities		1,805,508,299	1,617,329,328
Net Assets		1,480,466,034	1,450,504,032
Accumulated surplus		1,480,466,034	1,450,504,032
Total Net Assets		1,480,466,034	1,450,504,032



* See Note 55

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	406,533,731	384,621,407
Rental of facilities and equipment	21	2,921,300	2,721,920
Agency services		6,885,735	8,000,655
Other income	22	11,710,800	17,580,750
Interest earned	23	41,965,472	30,807,680
Total revenue from exchange transactions		470,017,038	443,732,412
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	205,140,723	183,825,668
Transfer revenue			
Government grants & subsidies	17	498,252,576	510,840,268
Fines	25	5,703,614	4,770,692
Debt forgiven	26	110,686,413	-
Donations received	27	2,451,356	-
Total revenue from non-exchange transactions		822,234,682	699,436,628
Total revenue		1,292,251,720	1,143,169,040
Expenditure			
Employee related costs	28	(272,438,556)	(254,316,321)
Remuneration of councillors	29	(17,362,089)	(15,492,684)
Debt Impairment	30	(158,399,257)	(121,120,243)
Depreciation and amortisation	31	(135,027,979)	(138,304,410)
Impairment loss	32	(8,561,635)	(4,176,127)
Losses on disposal of assets	33	(14,061,750)	(28,170,062)
Finance costs	35	(99,008,949)	(96,415,445)
Bulk purchases	36	(389,261,449)	(398,819,858)
Contracted services	37	(61,884,869)	(46,556,464)
Repairs and Maintenance	34	(50,243,216)	(29,955,437)
General Expenses	38	(70,427,586)	(49,873,463)
Total expenditure		(1,276,677,335)	(1,183,200,514)
Operating surplus (deficit)		15,574,385	(40,031,474)
Fair value adjustments	3&39	3,377,545	66,567,036
Actuarial gain	16	7,440,524	5,856,510
Inventories (losses)/gains		3,569,547	(16,195,456)
		14,387,616	56,228,090
Surplus for the year		29,962,001	16,196,616



* See Note 55

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated Opening Balance	1,260,793,732	1,260,793,732
Adjustments		
Prior year adjustments	173,513,684	173,513,684
Balance at 01 July 2021 as restated*	1,434,307,416	1,434,307,416
Changes in net assets		
Surplus/(Deficit) for the year	16,196,616	16,196,616
Total changes	16,196,616	16,196,616
Opening balance as previously reported	1,310,124,818	1,310,124,818
Adjustments		
Prior year adjustments	140,379,215	140,379,215
Restated* Balance at 01 July 2022 as restated*	1,450,504,033	1,450,504,033
Changes in net assets		
Surplus / (Deficit) for the year	29,962,001	29,962,001
Total changes	29,962,001	29,962,001
Balance at 30 June 2023	1,480,466,034	1,480,466,034



* See Note 55

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates and Traffic fines		164,079,438	132,423,893
Services		309,831,249	323,652,489
Grants		541,382,778	510,692,848
Interest income		4,854,425	1,099,056
		<u>1,020,147,890</u>	<u>967,868,286</u>
Payments			
Employee costs		(295,617,426)	(263,188,126)
Suppliers		(413,941,046)	(387,746,291)
		<u>(709,558,472)</u>	<u>(650,934,417)</u>
Net cash flows from operating activities	40	<u>310,589,418</u>	<u>316,933,869</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(240,821,524)	(314,942,273)
Proceeds from sale of investment property	3	443,121	1,174,126
Net cash flows from investing activities		<u>(240,378,403)</u>	<u>(313,768,147)</u>
Cash flows from financing activities			
Finance lease payments		(1,179,875)	(1,337,564)
Net increase/(decrease) in cash and cash equivalents		<u>69,031,140</u>	<u>1,828,158</u>
Cash and cash equivalents at the beginning of the year		9,673,827	7,845,669
Cash and cash equivalents at the end of the year	12	<u>78,704,967</u>	<u>9,673,827</u>



* See Note 55

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	(17,000)	-	(17,000)	23,589,169	23,606,169	
Receivables from exchange transactions	-	-	-	165,017,303	165,017,303	
Receivables from non-exchange transactions	-	-	-	59,479,145	59,479,145	
Consumer Debtors	554,684,000	12,503,000	567,187,000	-	(567,187,000)	58 1.15
VAT receivable	-	-	-	644,248,832	644,248,832	
Call investment deposits	-	6,602,000	6,602,000	-	(6,602,000)	
Cash and cash equivalents	252,685,000	(13,341,000)	239,344,000	78,704,967	(160,639,033)	
	807,352,000	5,764,000	813,116,000	971,039,416	157,923,416	

Non-Current Assets

Investment property	120,037,000	300,264,000	420,301,000	181,143,053	(239,157,947)	
Property, plant and equipment	2,660,807,000	2,886,486,000	5,547,293,000	2,646,809,304	(2,900,483,696)	
Intangible assets	-	62,000	62,000	15,786	(46,214)	
Heritage assets	202,000	121,000	323,000	174,895	(148,105)	
	2,781,046,000	3,186,933,000	5,967,979,000	2,828,143,038	(3,139,835,962)	

Total Assets

3,588,398,000 3,192,697,000 6,781,095,000 3,799,182,454 (2,981,912,546)

Liabilities

Current Liabilities

Payables from exchange transactions	1,648,508,000	1,634,606,000	3,283,114,000	1,572,219,990	(1,710,894,010)	
VAT payable	-	-	-	513,208,121	513,208,121	
Consumer deposits	3,511,000	12,222,000	15,733,000	20,450,245	4,717,245	
Employee benefit obligation	-	-	-	3,864,000	3,864,000	
Unspent conditional grants and receipts	-	-	-	44,723,686	44,723,686	
Provisions	22,161,000	61,458,000	83,619,000	-	(83,619,000)	
	1,674,180,000	1,708,286,000	3,382,466,000	2,154,466,042	(1,227,999,958)	

Non-Current Liabilities

Finance lease obligation	2,643,000	(4,063,000)	(1,420,000)	-	1,420,000	
Employee benefit obligation	-	-	-	68,931,001	68,931,001	
Provisions	80,331,000	(116,785,000)	(36,454,000)	95,319,376	131,773,376	
	82,974,000	(120,848,000)	(37,874,000)	164,250,377	202,124,377	

Total Liabilities

1,757,154,000 1,587,438,000 3,344,592,000 2,318,716,419 (1,025,875,581)

Net Assets 1,831,244,000 1,605,259,000 3,436,503,000 1,480,466,035 (1,956,036,965)

Net Assets

Reserves

Accumulated surplus 1,831,244,000 1,605,259,000 3,436,503,000 1,480,466,035 (1,956,036,965)

Audited
By
2023-11-30
MM
Auditor General South Africa
Mpumalanga Business Unit

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	133,248,000	17,323,000	150,571,000	132,423,893	(18,147,107)	
Services	385,213,000	20,998,000	406,211,000	322,561,210	(83,649,790)	
Grants	523,741,000	16,006,000	539,747,000	510,692,848	(29,054,152)	
Interest income	932,000	2,201,000	3,133,000	-	(3,133,000)	
Other receipts	95,675,000	(28,465,000)	67,210,000	-	(67,210,000)	
	1,138,809,000	28,063,000	1,166,872,000	965,677,951	(201,194,049)	
Payments						
Suppliers and Employee costs	(838,995,000)	35,585,000	(803,410,000)	(652,655,582)	150,754,418	
Net cash flows from operating activities	299,814,000	63,648,000	363,462,000	313,022,369	(50,439,631)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(297,835,000)	-	(297,835,000)	-	297,835,000	
Proceeds from sale of property, plant and equipment	-	1,441,000	1,441,000	-	(1,441,000)	
Net cash flows from investing activities	(297,835,000)	1,441,000	(296,394,000)	-	296,394,000	
Cash flows from financing activities						
Net increase/(decrease) in cash and cash equivalents	1,979,000	65,089,000	67,068,000	313,022,369	245,954,369	
Cash and cash equivalents at the beginning of the year	1,020,000	7,642,000	8,662,000	-	(8,662,000)	
Cash and cash equivalents at the end of the year	2,999,000	72,731,000	75,730,000	313,022,369	237,292,369	

For reasons, please refer to note 58. Explanations are generally not given for variances under 10%, or where the value of the balance is under R1 million. The variance on accumulated surplus is the result of all other variances, therefore this is not discussed.



Msukaigwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

Reported unauthorised expenditure

Expenditure authorised in terms of section 32 of MFMA

Balance to be restated audited outcome



Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	207,036,964	23,097,448	230,134,412	-	-	230,134,412	205,140,723		(24,993,689)	89 %	99 %
Service charges	411,350,023	26,914,838	438,264,861	-	-	438,264,861	406,533,731		(31,731,130)	93 %	98 %
Investment revenue	931,901	2,200,661	3,132,562	-	-	3,132,562	41,965,472		38,832,910	1,340 %	4,503 %
Transfers recognised - operational	231,688,750	12,005,565	243,694,315	-	-	243,694,315	239,383,267		(4,311,048)	98 %	103 %
Other own revenue	59,637,287	7,572,687	67,209,974	-	-	67,209,974	154,746,834		87,536,860	230 %	259 %
Total revenue (excluding capital transfers and contributions)	910,644,925	71,791,199	982,436,124	-	-	982,436,124	1,047,770,027		65,333,903	107 %	115 %
Employee costs	(276,107,422)	(1,431,158)	(277,538,580)	-	-	(277,538,580)	(272,438,556)		5,100,024	98 %	99 %
Remuneration of councillors	(18,513,108)	18,513,108	-	-	-	-	(17,362,089)		(17,362,089)	DIV/0 %	94 %
Debt impairment	(156,536,098)	48,232,470	(108,303,628)			(108,303,628)	(158,399,257)		(50,095,629)	146 %	101 %
Depreciation and asset impairment	(140,615,541)	9,002,398	(131,613,143)			(131,613,143)	(135,027,979)		(3,414,836)	103 %	96 %
Finance charges	-	(28,000,000)	(28,000,000)	-	-	(28,000,000)	(99,008,949)		(71,008,949)	354 %	DIV/0 %
Materials and bulk purchases	(319,125,639)	-	(319,125,639)	-	-	(319,125,639)	(389,261,449)		(70,135,810)	122 %	122 %

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Other expenditure	(214,466,163)	(38,210,318)	(252,676,481)	(205,179,056)	-	47,497,425	81 %	96 %
Total expenditure	(1,125,363,971)	8,106,500	(1,117,257,471)	(1,117,257,471)	(1,117,257,471)	(159,419,864)	114 %	113 %
Surplus/(Deficit)	(214,719,046)	79,897,699	(134,821,347)	(134,821,347)	(134,821,347)	(94,065,961)	170 %	107 %
Transfers recognised - capital	292,052,250	4,000,000	296,052,250	258,869,309	-	(37,182,941)	87 %	89 %
Surplus (Deficit) after capital transfers and contributions	77,333,204	83,897,699	161,230,903	29,962,001	161,230,903	(131,268,902)	19 %	39 %
Surplus/(Deficit) for the year	77,333,204	83,897,699	161,230,903	29,962,001	161,230,903	(131,268,902)	19 %	39 %
Capital expenditure and funds sources								
Total capital expenditure	297,835,249	129,344,795	427,180,044	595,537,808	-	168,357,764	139 %	200 %
Cash flows								
Net cash from (used) operating	299,814,785	498,756,309	798,571,094	310,589,418	-	(487,981,676)	39 %	104 %
Net cash from (used) investing	(297,835,249)	(129,344,795)	(427,180,044)	(240,378,403)	-	186,801,641	56 %	81 %
Net cash from (used) financing	-	-	-	(1,179,875)	-	(1,179,875)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	1,979,536	369,411,514	371,391,050	69,031,140	371,391,050	(302,359,910)	19 %	3,487 %
Cash and cash equivalents at the beginning of the year	1,020,000	8,642,000	9,662,000	9,673,827	-	11,827	100 %	948 %
Cash and cash equivalents at year end	2,999,536	378,053,514	381,053,050	78,704,967	381,053,050	302,348,083	21 %	2,624 %

 Audited
 By
 2023 -11- 30 -
 Auditor General South Africa
 Mpumalanga Business I

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

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

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

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

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

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

Trade receivables and/or loans and receivables

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

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



Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

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



Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Allowance for doubtful debts

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

Other

All assets and liabilities have been grossed up (i.e. not offset against each other), except where offsetting is required or permitted by a Standard of GRAP or where offsetting reflects the substance of the transaction or event.

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.

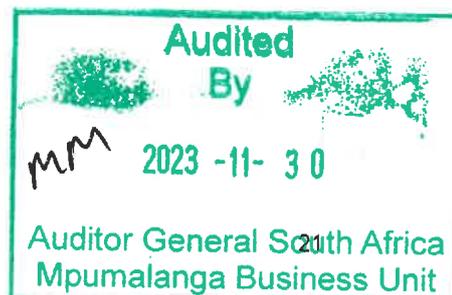
Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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.

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.



Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Investment property (continued)

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 3).



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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

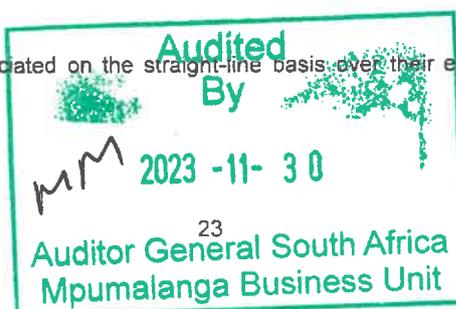
Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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



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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Range of values used
Buildings	Straight-line	25 - 50 Years
Land - Landfill	Straight-line	Per expert report
Plant and machinery	Straight-line	4 - 15 Years
Furniture and fixtures	Straight-line	4 - 15 Years
Motor vehicles	Straight-line	5 - 15 Years
IT equipment	Straight-line	2 - 5 Years
Infrastructure - Mechanical equipment	Straight-line	10 - 20 Years
Civil structures	Straight-line	15 - 50 Years
Electricity - Distribution cables	Straight-line	40 - 50 Years
Electricity - Equipment	Straight-line	15 - 45 Years
Electricity - Public lighting	Straight-line	30 - 40 years
External facilities	Straight-line	7 - 30 Years
Roads - Bridges	Straight-line	30 - 80 Years
Roads - Furniture	Straight-line	8 - 80 Years
Roads - S structure	Straight-line	10 - 50 Years
Roads - Traffic Management	Straight-line	10 - 15 Years
Sewerage - Pipe line	Straight-line	40 - 50 Years
Sewerage - Pump station	Straight-line	10 - 55 Years
Sports and playground	Straight-line	10 - 40 Years
Stormwater - Drainage construction	Straight-line	50 - 70 Years
Stormwater - Drainage unlined	Straight-line	10 - 15 Years
Water - Dams and reservoirs	Straight-line	50 - 80 Years
Water - Other	Straight-line	15 - 20 Years
Water - Pipes and grid	Straight-line	50 - 90 Years
Water - Pumps and tanks	Straight-line	15 - 20 Years
Intangible assets - Computer software	Straight-line	3 - 5 Years
Library books	Straight-line	5-10 Years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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.

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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



Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies



1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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



Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.8 Heritage assets

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

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

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

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

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

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

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

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

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



Accounting Policies

1.8 Heritage assets (continued)

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

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

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

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

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

1.9 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or



Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

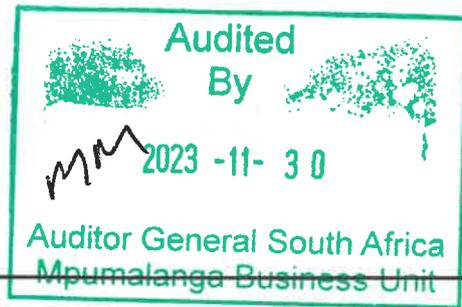
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

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Accounting Policies



1.9 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade receivables from non exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Vat Payable	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Employee benefit provisions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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1.9 Financial instruments (continued)

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).

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.

Dividends or similar distributions 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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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1.10 Statutory receivables (continued)

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- 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.



Accounting Policies

1.10 Statutory receivables (continued)

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.

1.11 Leases

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

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

Finance leases - 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 interest rate implicit in the lease.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

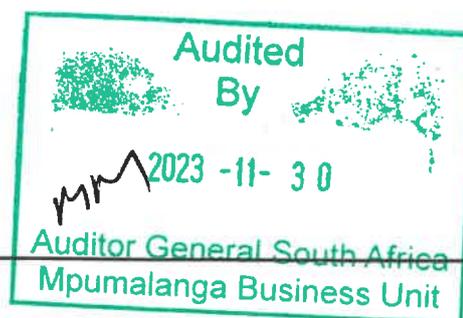
1.12 Inventories

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

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1.12 Inventories (continued)

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

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

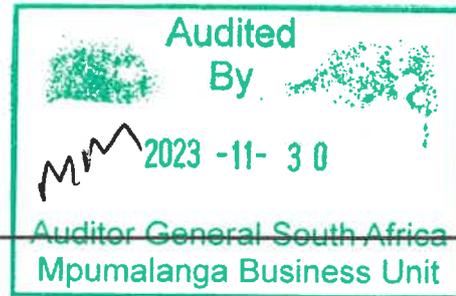
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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1.13 Impairment of cash-generating assets (continued)

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.

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.

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1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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.

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.14 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.

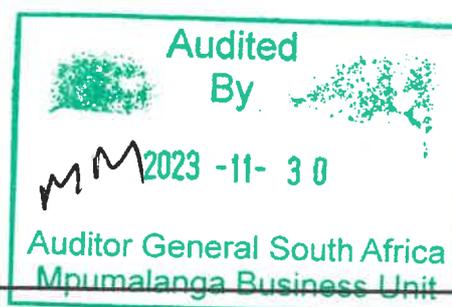
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

Useful life is either:

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

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

Assets that are used for administrative purposes and are otherwise interchangeable are classified as non-cash-generating assets.

Infrastructure and community assets are to provide services and are classified as non-cash generating assets.

Investment properties rented at market related rates are classified as cash-generating assets.

Identification

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

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

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

Value in use

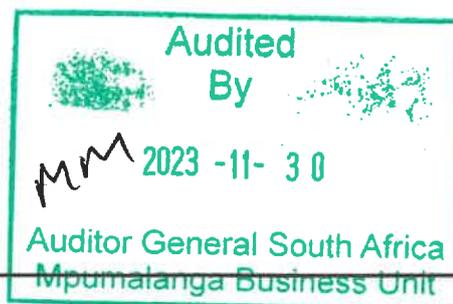
Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

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

Depreciated replacement cost approach

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

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



Accounting Policies

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

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.

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

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

Redesignation

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

1.15 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.

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1.15 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

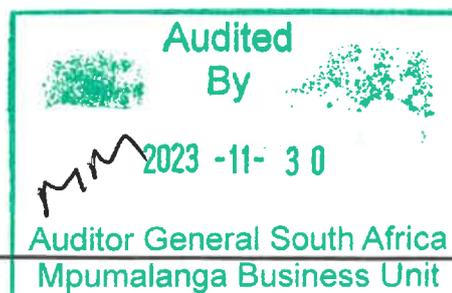
Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

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1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

The municipality provides post-retirement medical aid benefits on retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

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

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

The expense or income shall include the following:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

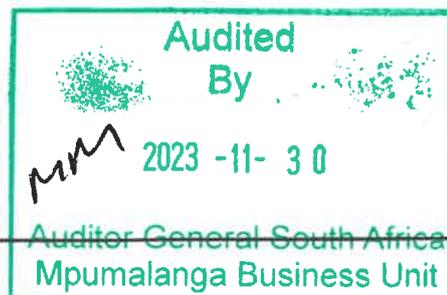
Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial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

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1.15 Employee benefits (continued)

Defined benefit plans

Defined benefit plans are benefit plans other than defined contribution plans.

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

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

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

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

The present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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

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

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

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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1.15 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

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.

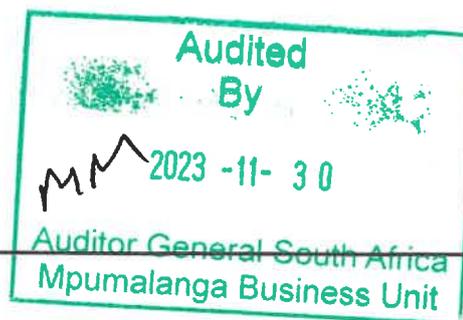
Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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.

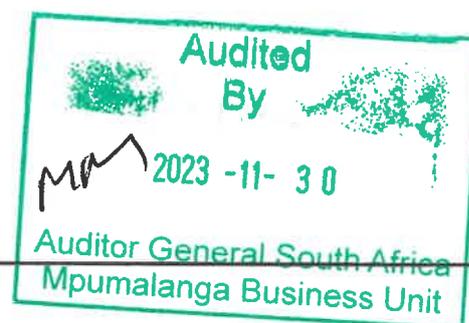
Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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1.16 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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.

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1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, contracts should relate to something other than the business of the municipality.

1.18 Revenue from exchange transactions

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

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

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

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1.18 Revenue from exchange transactions (continued)

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 services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

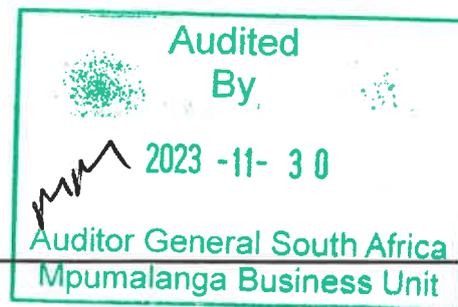
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised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

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1.19 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

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

Fines

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

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

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

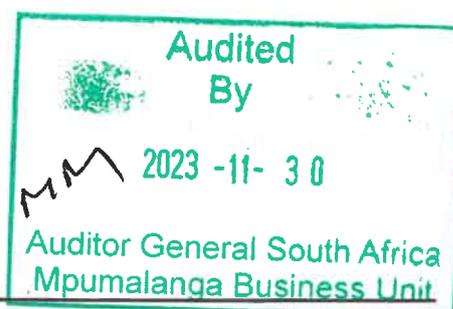
Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.



Accounting Policies

1.20 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.21 Investment income

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

1.22 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.

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

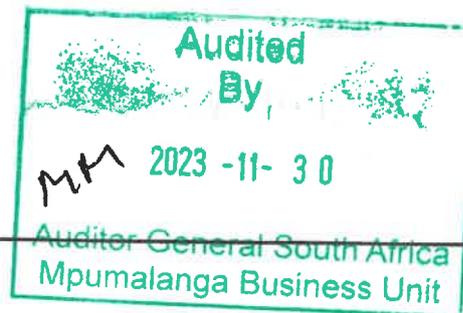
Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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Accounting Policies



1.23 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance 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.

1.26 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.

1.27 Irregular expenditure

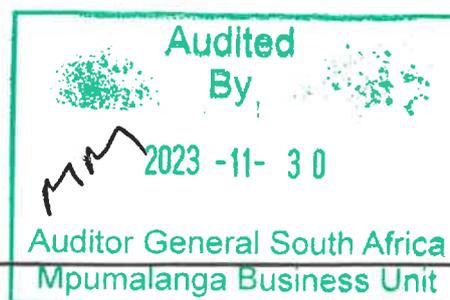
Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

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1.28 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met. Refer to note 57.

1.29 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 approved budget covers the fiscal period from 01/07/2022 to 30/06/2023.

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.

1.30 Related parties

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

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

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

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

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

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

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

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

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

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1.31 Events after reporting date

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

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

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

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

1.32 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

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

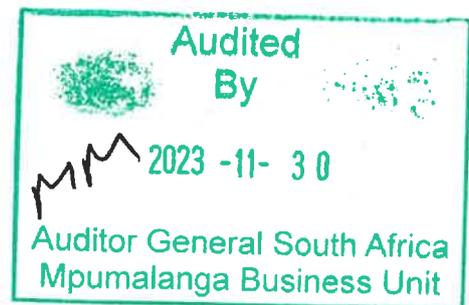
Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.



Accounting Policies

1.32 Living and non-living resources (continued)

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

1.33 Value added tax

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

1.34 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the entity.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for.

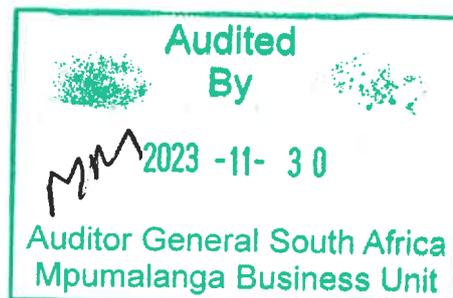
The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

No new standards or interpretations were adopted in the current year. Directive 14 Application of Standards of GRAP by Public Entities became effective, but is not applicable to the municipality.

2.2 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• IGRAP 21 The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• IGRAP 7 (Revised) Limit on a Defined Benefit Asset Min Fund Requirement and Interact	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (Revised) Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (Revised) Financial Instruments	01 April 2025	Unlikely there will be a material impact, however this is still being assessed

The ASB indicates that the Guideline on The Application of Materiality to Financial Statements is not authoritative, but application is recommended; this is being reviewed to determine the impact on the financial statements and if these would be desirable.

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3. Investment property

	2023	2022
Cost / Valuation	181,143,053	178,381,508
Carrying value	-	-
Accumulated depreciation and accumulated impairment	-	-
Carrying value	181,143,053	178,381,508

Investment property

Reconciliation of investment property - 2023

Opening balance	Disposals	Fair value adjustments	Total
178,381,508	(616,000)	3,377,545	181,143,053

Investment property

Reconciliation of investment property - 2022

Opening balance	Disposals	Fair value adjustments	Total
114,595,362	(2,780,890)	66,567,036	178,381,508

Investment property

Investment Property

The Municipality is recognising Investment Property using the Fair Value model (reflecting market conditions at the reporting date).

During the financial year the Municipality adjusted the fair values of its investment properties on 30 June 2023 using the First National Bank Property Barometer which indicated that the Monthly FNB House Price index grew by 1,9% year on year.

The previous year's (2021/2022 financial year) gains were due to the gains resulting from the implementation of a new Municipal Valuation Roll, as determined by an independent professional valuer.



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3. Investment property (continued)

The outcome of the fair value adjustment is indicated below:

	2023	2022
Fair Value Adjustment: Gains	3,377,544	66 567 036

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.



Msukaligwa Local Municipality

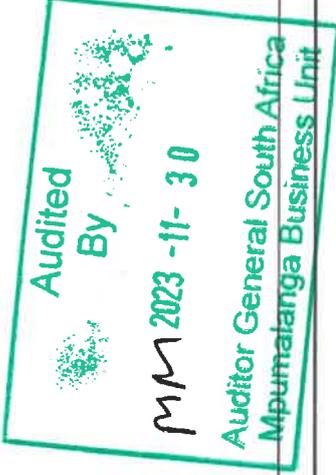
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4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	146,021,836	-	146,021,836	146,021,836	-	146,021,836
Plant and machinery	6,585,129	(4,119,390)	2,465,739	6,445,130	(3,515,675)	2,929,455
Furniture, fixtures and Office equipment	10,385,699	(7,558,617)	2,827,082	14,259,378	(11,120,146)	3,139,232
Motor vehicles	55,084,596	(14,684,329)	40,400,267	50,595,082	(11,725,007)	38,870,075
IT equipment	9,586,720	(5,589,006)	3,997,714	7,711,976	(4,673,953)	3,038,023
Community	488,407,712	(299,402,286)	189,005,426	503,432,801	(302,446,630)	200,986,171
Library books	10,295,562	(4,730,113)	5,565,449	10,295,562	(3,711,428)	6,584,134
Electrical	706,471,395	(401,707,931)	304,763,464	708,884,265	(390,365,761)	318,518,504
Roads	1,587,850,200	(1,054,332,299)	533,517,901	1,572,516,312	(1,017,833,023)	554,683,289
Lease assets	2,447,837	(2,447,837)	-	2,447,837	(1,335,517)	1,112,320
Sanitation	864,214,469	(357,126,533)	507,087,936	810,593,132	(332,502,700)	478,090,432
Water supply	1,513,838,842	(609,464,902)	904,373,940	1,398,599,645	(602,615,465)	795,984,180
Solid waste	33,292,751	(26,510,201)	6,782,550	28,157,622	(22,320,089)	5,837,533
Total	5,434,482,748	(2,787,673,444)	2,646,809,304	5,259,960,578	(2,704,165,394)	2,555,795,184



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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Work in Progress	Disposals	Depreciation	Impairment loss	Total
Land	146,021,836	-	-	-	-	-	146,021,836
Community and operational buildings	200,986,171	1,208,860	-	(377,158)	(12,658,118)	(154,329)	189,005,426
Electrical infrastructure	318,518,504	11,918,744	(3,804,542)	(3,545,936)	(18,242,597)	(80,709)	304,763,464
Roads and storm water	554,683,289	32,832,929	(3,503,365)	(3,209,117)	(46,547,031)	(738,804)	533,517,901
Sanitation	478,090,432	6,586,817	52,598,762	(3,730,273)	(19,192,990)	(7,264,812)	507,087,936
Solid waste	5,837,533	5,173,597	-	(12,208)	(4,216,372)	-	6,782,550
Water supply	795,984,180	32,465,170	105,234,311	(2,632,094)	(26,367,013)	(310,614)	904,373,940
Furniture, fixtures and Office equipment	3,139,232	237,689	-	(8,563)	(535,600)	(5,676)	2,827,082
Computer equipment	3,038,023	1,969,006	-	(6,563)	(999,898)	(2,854)	3,997,714
Leased assets	1,112,320	-	-	-	(1,112,320)	-	-
Library books	6,584,134	-	-	-	(1,018,685)	-	5,565,449
Motor vehicles	38,870,075	5,833,101	-	(821,556)	(3,480,200)	(1,153)	40,400,267
Plant and machinery	2,929,455	150,000	-	-	(611,033)	(2,683)	2,465,739
	2,555,795,184	98,375,913	150,525,166	(14,343,468)	(134,981,857)	(8,561,634)	2,646,809,304



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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Work in Progress	Disposals	Depreciation	Impairment loss	Total
Land	151,898,276	-	-	(5,876,440)	-	-	146,021,836
Community and operational buildings	222,910,704	30,000	-	(8,636,585)	(13,195,378)	(122,570)	200,986,171
Electrical infrastructure	315,519,625	5,773,056	16,078,474	(460,277)	(17,864,630)	(527,744)	318,518,504
Roads and stormwater	587,100,533	7,667,862	11,945,677	(280,253)	(49,942,511)	(1,808,019)	554,683,289
Sanitation	458,410,874	36,952,749	4,007,437	(1,685,579)	(19,256,228)	(338,821)	478,090,432
Solid waste	6,648,948	1,786,836	-	(235)	(2,596,304)	(1,712)	5,837,533
Water supply	602,822,321	38,605,031	188,486,089	(5,660,698)	(27,015,331)	(1,253,232)	795,984,180
Computer equipment	3,184,638	759,479	-	(108,879)	(791,605)	(5,610)	3,038,023
Furniture and fixtures & Office equipment	4,101,423	139,710	-	(350,324)	(739,723)	(11,854)	3,139,232
Leased assets	2,447,837	-	-	-	(1,335,517)	-	1,112,320
Library books	7,472,495	130,324	-	-	(1,018,685)	-	6,584,134
Motor vehicles	42,456,782	3,444,516	-	(3,361,566)	(3,658,716)	(10,941)	38,870,075
Plant and machinery	3,072,026	908,867	-	(199,668)	(843,653)	(8,117)	2,929,455
	2,408,046,482	96,198,430	220,517,677	(26,620,504)	(138,256,281)	(4,088,620)	2,555,795,184



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4. Property, plant and equipment (continued)

Reconciliation of work in progress

[Where the entity holds heritage assets, but has not accounted for such assets using GRAP 17 or using an accounting policy based on GRAP 103, consider whether disclosure, including a description of the nature and extent, of these assets is useful to the users of the annual financial statements.]

	2023	Opening	Additions	Impairment	Expense	Completion	Total
Community and Operational Buildings		1,961,265	1,063,860	-	-	(1,063,860)	1,961,265
Electrical		16,215,293	7,709,604	-	-	(11,514,146)	12,410,751
Roads		17,050,099	29,844,735	-	(519,630)	(32,828,470)	13,546,734
Sanitation		36,824,998	65,787,869	(7,713,924)	(6,602,289)	(6,586,817)	81,709,837
Water supply		284,260,265	138,253,538	-	-	(33,019,227)	389,494,576
Subtotal		356,311,920	242,659,606	(7,713,924)	(7,121,919)	(85,012,520)	499,123,163
		356,311,920	242,659,606	(7,713,924)	(7,121,919)	(85,012,520)	499,123,163
		Opening	Additions	Impairment	Expense	Completion	Total
Community and Operational Buildings		1,961,265	43,000	-	(13,000)	(30,000)	1,961,265
Electrical		136,819	21,851,531	-	-	(5,773,056)	16,215,294
Roads		5,104,422	19,613,539	-	-	(7,667,862)	17,050,099
32817561		32,817,561	42,083,648	-	-	(38,076,211)	36,824,998
Water supply		95,774,176	225,967,658	-	-	(37,481,569)	284,260,265
Subtotal		135,794,243	309,559,376	-	(13,000)	(89,028,698)	356,311,921
		135,794,243	309,559,376	-	(13,000)	(89,028,698)	356,311,921

Project impaired

The decision was taken by Council to impair an incomplete Work-in-Progress project (Internal Sewer Network in Breyten Ext 5) that were never finalised and could not effectively be unbundled due to lack of proper documentation after the contractor was dismissed. This project has been reported as slow-moving ever since the 2019 financial year, without any movement.



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4. Property, plant and equipment (continued)

Projects expensed

Two projects were expensed that did not meet the definition of Property, Plant and Equipment for capitalisation purposes, as defined by GRAP 17. The contract on a road project was terminated and the expenses could not be capitalised. The completion of a sanitation project, Construction of VIP toilets on Private Farms was expensed, as the toilets were erected on private land and not municipal property.

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.





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4. Property, plant and equipment (continued)

Disposals

Gain on Disposal: Total R 454 600

A gain was realised on a vehicle that was written down to a carrying value of zero, when it was traded in as partial settlement of the purchase of a new vehicle.

Loss on Disposal: Total R 14 343 471

During the financial year the municipality incurred disposals/write-offs on its Property, Plant and Equipment due to various factors.

These included, amongst others, infrastructure that were upgraded (for example, roads that have been replaced by new brick paved roads, including upgrades to its storm water drainage systems) or infrastructure that were downgraded and written off due to theft, vandalism, fire damage, lightning damage, normal breakage or building demolition.

The majority of these involuntarily write-offs were due to acts of vandalism and thefts and reclassification from Land to Property, Plant and Equipment infrastructure.

Infrastructure Assets:

- Community and operational buildings: R 377 159

Write-off of various assets at public open spaces, sports and recreations facilities, as well as damage to municipal offices.

- Electrical: R 3 545 936

Various pole mounted transformers were written off due to lightning damage. Several streetlights were also derecognised, as well as damaged distribution kiosks.

- Roads and Storm Water drainage: R 3 209 118

Various dilapidated road signs, road structures, kerbing and storm water drainage collection points were written off due to being upgraded and rebuilt or being damaged.

- Sanitation: R 3 730 273

The sewerage treatment works in Breyten West, Kwazanele East and Davel were upgraded, and various submersible pumps, electrical motors, pipes, and valves were written off and replaced.

- Solid waste: R 12 209

Dilapidated waste bins were written off, as well as the perimeter fencing at the Breyten Landfill site.

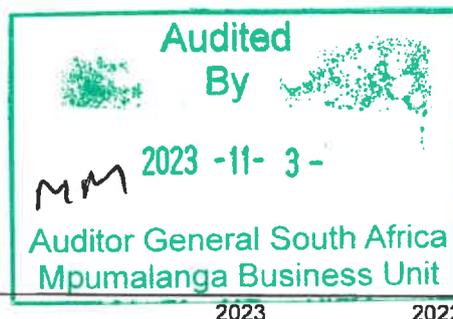
- Water Supply: R 2 632 094

Various boreholes and handpumps were written off due to disrepair. Various water pumps and other mechanical equipment were written off and replaced at the Kwazanele and Davel water treatment works.

Movable Assets:

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4. Property, plant and equipment (continued)

- Computer Equipment: R6 563
- Motor Vehicles: R821 556
- Furniture, Fixtures and Fittings: R 8 563

Detailed descriptions, component types and Rand values assigned to each of the above written off assets can be found in the Fixed Asset Register of the municipality.

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5. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	139,149	(123,363)	15,786	139,149	(77,233)	61,916

Reconciliation of intangible assets - 2023

Computer software, other

Opening balance	61,916
Amortisation	(46,130)
Total	15,786

Reconciliation of intangible assets - 2022

Computer software, other

Opening balance	108,045
Amortisation	(46,129)
Total	61,916

Other information

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.



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6. Heritage assets

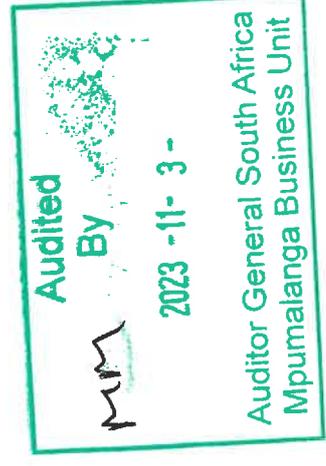
	2023		2022			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	174,895	-	174,895	174,895	-	174,895

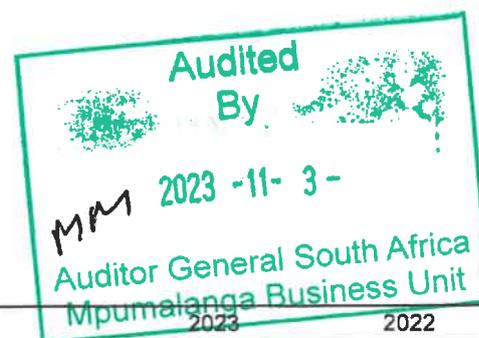
Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits	Opening balance	Total
	174,895	174,895

Reconciliation of heritage assets 2022

Art Collections, antiquities and exhibits	Opening balance	Disposals	Total
	192,195	(17,300)	174,895





Notes to the Annual Financial Statements

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7. Inventories

Consumables	23,054,154	12,930,043
Water	535,015	73,669
	23,589,169	13,003,712

8. Receivables from exchange transactions

Consumer debtors - Electricity	51,222,126	47,324,146
Consumer debtors - Water	51,597,240	45,033,283
Consumer debtors - Sewerage	24,853,265	21,215,276
Consumer debtors - Refuse	24,944,025	19,696,933
Consumer debtors - Services	10,007,970	9,864,660
Consumer debtors - Rentals	1,857,256	1,924,366
Consumer debtors - Land sales	6,985	6,498
Fleet card	527,479	401,016
Refunds and prepayments	957	957
	165,017,303	145,467,135

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:

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9. Receivables from non-exchange transactions

Fines	578,105	1,055,677
Consumer debtors - Rates	58,901,040	58,791,154
	<u>59,479,145</u>	<u>59,846,831</u>

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10. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	233,373,842	192,031,864
Consumer debtors - Electricity	200,976,077	170,288,310
Consumer debtors - Water	276,941,150	235,810,790
Consumer debtors - Sewerage	183,333,366	149,823,663
Consumer debtors - Refuse	181,360,356	146,964,944
Consumer debtors - Service debtors	51,666,706	49,674,098
Consumer debtors - Rentals	8,731,968	7,223,755
Consumer debtors - Land sale	44,117	42,655
	1,136,427,582	951,860,079

Less: Allowance for impairment

Consumer debtors - Rates	(174,472,802)	(133,240,710)
Consumer debtors - Electricity	(149,753,951)	(122,964,164)
Consumer debtors - Water	(225,343,910)	(190,777,507)
Consumer debtors - Sewerage	(158,480,101)	(128,608,387)
Consumer debtors - Refuse	(156,416,331)	(127,268,011)
Consumer debtors - Service debtors	(41,658,736)	(39,809,438)
Consumer debtors - Rentals	(6,874,712)	(5,299,389)
Consumer debtors - Land sale	(37,132)	(36,157)
	(913,037,675)	(748,003,763)

Net balance

Consumer debtors - Rates	58,901,040	58,791,154
Consumer debtors - Electricity	51,222,126	47,324,146
Consumer debtors - Water	51,597,240	45,033,283
Consumer debtors - Sewerage	24,853,265	21,215,276
Consumer debtors - Refuse	24,944,025	19,696,933
Consumer debtors - Service debtors	10,007,970	9,864,660
Consumer debtors - Rentals	1,857,256	1,924,366
Consumer debtors - Land sale	6,985	6,498
	223,389,907	203,856,316

Rates

Current (0 -30 days)	11,789,491	11,945,717
31 - 180 days	14,228,574	17,647,178
181 - 360 days	10,187,454	8,956,659
361 - 720 days	10,039,935	8,275,153
720+ days	12,655,586	11,930,444
	58,901,040	58,755,151

Electricity

Current (0 -30 days)	13,109,635	14,728,224
31 - 180 days	11,809,839	11,472,194
181 - 360 days	6,498,719	4,603,470
361 - 720 days	5,342,818	4,786,594
720+ days	14,461,115	11,733,664
	51,222,126	47,324,146

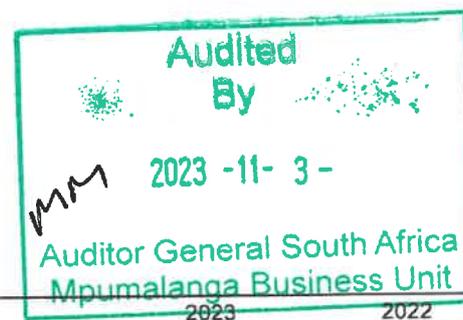
Msukaligwa Local Municipality

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10. Consumer debtors disclosure (continued)

Water

Current (0 -30 days)	6,715,955	4,500,339
31 - 180 days	7,087,995	8,510,516
181 - 360 days	6,293,927	5,084,834
361 - 720 days	7,156,280	7,165,805
720+ days	24,343,083	19,771,789
	51,597,240	45,033,283

Sewerage

Current (0 -30 days)	2,877,488	2,802,223
31 - 180 days	5,144,141	4,824,797
181 - 360 days	4,563,252	3,264,932
361 - 720 days	4,024,063	4,080,063
720+ days	8,244,321	6,243,261
	24,853,265	21,215,276

Refuse

Current (0 -30 days)	2,527,689	2,282,420
31 - 180 days	5,083,796	3,933,075
181 - 360 days	4,577,069	2,929,079
361 - 720 days	3,817,850	4,006,446
720+ days	8,937,621	6,545,913
	24,944,025	19,696,933

Service Debtors

Current (0 -30 days)	379,552	359,565
31 - 180 days	711,224	623,752
181 - 360 days	623,097	1,137,000
361 - 720 days	874,816	779,898
121 - 365 days	7,419,281	6,964,445
	10,007,970	9,864,660

Rental Debtors

Current (0 -30 days)	99,803	106,211
31 - 180 days	314,968	328,265
181 - 360 days	231,214	292,242
361 - 720 days	311,322	300,699
720+ days	899,949	896,949
	1,857,256	1,924,366

Land sales

Current (0 -30 days)	18	18
31 - 180 days	90	90
181 - 360 days	108	109
361 - 720 days	217	348
720+ days	6,552	5,933
	6,985	6,498

11. VAT receivable

VAT	131,040,711	105,428,352
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12. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	5,798	8,686
Bank balances	9,670,322	1,102,843
Short-term deposits	69,028,847	8,562,298
	78,704,967	9,673,827

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB Primary Account - Current Account - 62822833267	9,821,679	2,471,759	1,452,036	9,670,322	1,102,843	3,264,903
FNB - Call Account - 62837049031	56,413,720	5,593,397	2,876,927	56,413,720	5,593,397	2,876,927
FNB Licensing Account - Current Account - 62858041272	12,117,985	1,069,028	1,695,619	12,615,127	2,968,901	1,695,619
Total	78,353,384	9,134,184	6,024,582	78,699,169	9,665,141	7,837,449

13. Finance lease obligation

Minimum lease payments due

- within one year	-	1,219,090
less: future finance charges	-	1,219,090
Present value of minimum lease payments	-	1,179,876

Present value of minimum lease payments due

- within one year	-	1,179,875
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The lease term was 3 years. Interest rates were fixed at the contract date. Leases have fixed repayments. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases were secured by the lessor's charge over the leased assets.

There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

The lease agreement has concluded and the machines are being rented on a month-to-month basis until a new contract is procured..

14. Payables from exchange transactions

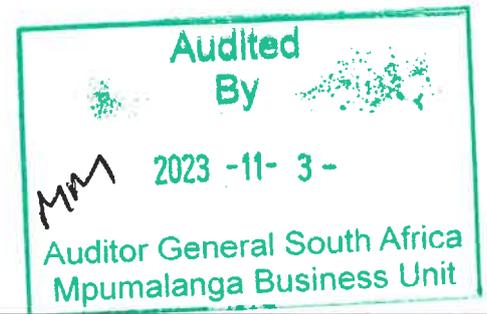
13th cheque accrual	5,491,542	4,937,912
Employee related payable and accruals	6,843,268	13,513,091
Leave pay accrual	21,984,258	19,834,373
Licensing and registration	(10,830,462)	7,099,766
Receivables paid in advance	34,814,780	34,923,354
Retentions and guarantees held	20,127,549	15,949,977
Trade payables	1,493,789,056	1,343,319,128
	1,572,219,991	1,439,577,601

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15. Consumer deposits

Consumer deposits	20,330,726	19,133,784
Sundry deposits	119,519	110,052
	<u>20,450,245</u>	<u>19,243,836</u>

16. Employee benefit obligations

The municipality provides a post-employment medical aid plan to some employees - this is a defined benefit plan; as well as a defined benefit plan in the form of a long-service award.

Changes in the present value of the employee benefit obligations are as follows:

Opening balance	73,802,000	72,227,000
Contributions paid	(5,579,476)	(3,302,490)
Net expense recognised in the statement of financial performance	4,572,476	4,877,490
	<u>72,795,000</u>	<u>73,802,000</u>

Net expense recognised in the statement of financial performance

Current service cost	3,729,000	3,777,000
Interest cost	8,284,000	6,957,000
Actuarial (gains) losses	(7,440,524)	(5,856,510)
	<u>4,572,476</u>	<u>4,877,490</u>

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16. Employee benefit obligations (continued)

Current liabilities

Post-Retirement Medical Aid	2,493,000	2,389,000
Long Service Award	1,371,000	3,216,000
	3,864,000	5,605,000

Non-current liabilities

Post-Retirement Medical Aid	56,684,000	57,555,000
Long Service Award	12,247,000	10,642,000
	68,931,000	68,197,000

Combined

Post-Retirement Medical Aid	59,177,000	59,944,000
Long Service Award	13,618,000	13,858,000
	72,795,000	73,802,000

Post-retirement medical aid plan

In estimating the unfunded liability for post-employment health care benefits a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors).

The following assumptions were used:

Key assumptions

Discount rate	14.12%	11.82%
Consumer Price Index	8.57%	6.93%
Medical Aid Contribution Inflation	10.07%	8.43%
Net Effective Discount Rate	3.68%	3.13%
Maximum Subsidy Inflation Rate	7.18%	5.95%
Net-of-maximum-subsidy-inflation discount rate	6.48%	5.54%
Average Retirement Age	62	62

Mortality during employment is based on the SA 85-90 tables, and mortality post-employment is based on the PA(90) -1 tables with a 1% mortality improvement p.a. from 2010.

	2023	2022	2021	2020	2019
History of liability	59,177,000	59,944,000	59,130,000	50,854,000	53,621,000

Long service award liability

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16. Employee benefit obligations (continued)

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	2%	5 / 250 x annual salary
10	4%	10 / 250 x annual salary
15	8%	20 / 250 x annual salary
20,25,30,35	12%	30 / 250 x annual salary
40	16%	40 / 250 x annual salary
45	18%	45 / 250 x annual salary

In estimating the unfunded liability for LSA of Msukaligwa Municipality a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors).

The following assumptions were used:

Key assumptions

Discount rate	10.85%	10.87%
Consumer Price Index	5.93%	6.33%
General earnings inflation rate (long-term)	6.93%	7.33%
Net effective discount rate	3.67%	3.30%
Average retirement age	62	62

Mortality during employment is based on the SA 85-90 tables.

	2023	2022	2021	2020	2019
History of the liability	13,618,000	13,858,000	13,097,000	11,759,000	11,138,000

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Local Government Sector Education and Training Authority grant	1,237,255	392,062
Municipal disaster relief grant	1,500,000	-
Provincial Treasury Support Grant	1,213,240	-
Regional bulk infrastructure grant	40,073,191	501,422
Sport and recreation grant - National Lottery	700,000	700,000
	44,723,686	1,593,484

Movement during the year

Balance at the beginning of the year	1,593,484	-
Additions during the year	540,994,701	185,372,431
Income recognition during the year	(497,864,499)	(183,778,947)
	44,723,686	1,593,484

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

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

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17. Unspent conditional grants and receipts (continued)

See note 18 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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18.

Revenue from operating grants

Equitable share	227,520,000	199,442,000
Expanded public works programme grant	1,766,000	1,985,690
Financial management grant	3,000,000	3,000,000
Local government sector education and training authority grant	310,507	196,000
Provincial Treasury Support Grant	6,786,760	-
	239,383,267	204,623,690

Revenue from capital grants

Energy Efficiency Demand-Side Management Grant	4,000,000	-
Integrated national electrification programme	-	10,000,000
Municipal infrastructure grant	57,052,250	52,856,100
Municipal infrastructure grant - PMU	3,002,750	2,781,900
Regional bulk infrastructure grant	134,814,309	200,578,578
Water services infrastructure grant	60,000,000	40,000,000
	258,869,309	306,216,578
	498,252,576	510,840,268

Conditional and unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	271,806,624	311,654,117
Unconditional grants received	227,520,000	199,442,000
	499,326,624	511,096,117

Equitable share

Current-year receipts	227,019,000	198,537,000
Conditions met - transferred to revenue	(227,520,000)	(199,442,000)
Roll over not approved - EPWP	-	588,000
Rollover not approved - RBIG	501,000	317,000
	-	-

This grant funds the basic services for registered indigents as well as municipals operations.

Energy Efficiency Demand-Side Management Grant

Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(4,000,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 17).

This grant is intended to provide subsidies to municipalities to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Expanded Public Works Programme

Balance unspent at beginning of year	-	587,691
Current-year receipts	1,766,000	1,986,000
Conditions met - transferred to revenue	(1,766,000)	(1,985,691)
Withheld from Equitable Share	-	(588,000)
	-	-

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18. (continued)		
	-	-
Conditions still to be met - remain liabilities (see note 17).		
To expand work creation efforts using labour-intensive delivery methods identified focus areas, in compliance with the EPWP guidelines.		
Financial Management Grant		
Equitable share allocated	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The grant funds the implementation of the financial reforms required by the MFMA. This includes the funding of the financial management internship program.



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18. (continued)

Local Government Sector Education and Training Authority grant

Balance unspent at beginning of year	392,062	136,213
Current-year receipts	1,155,700	451,849
Conditions met - transferred to revenue	(310,507)	(196,000)
	<u>1,237,255</u>	<u>392,062</u>

Conditions still to be met - remain liabilities (see note 17).

This grant was received from the Local government SETA institution for the training of municipal staff in various categories of learning and skills development.

Sport and recreation grant - National Lottery

Balance unspent at beginning of year	700,000	700,000
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Municipal Disaster Relief Grant

Balance unspent at beginning of year	-	1,980
Current-year receipts	1,500,000	-
Withheld from Equitable Share	-	(1,980)
	<u>1,500,000</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

This is a disaster fund allocation that was received from National treasury per the Division of revenue act to fund the COVID 19 pandemic that started in March 2020.

Integrated National Electrification Programme

Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	-	(10,000,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

This grant is solely for electricity and to enhance the electricity network infrastructure.

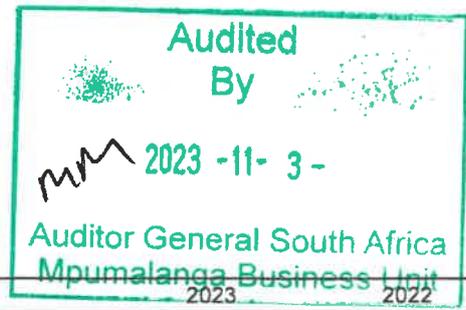
Municipal infrastructure grant

Current-year receipts	57,052,250	52,856,100
Conditions met - transferred to revenue	(57,052,250)	(52,856,100)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

The municipal infrastructure grant is for the construction of roads, basic sewerage and water infrastructure to provide for new, rehabilitation and upgrading of municipal infrastructure.

Municipal infrastructure grant - PMU



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18. (continued)

Current-year receipts	3,002,750	2,781,900
Conditions met - transferred to revenue	<u>(3,002,750)</u>	<u>(2,781,900)</u>
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

An amount of 5% of the MIG allocation is set aside to fund the Project management planning (PMU) office. The office is responsible for the overall management of capital projects.

Regional bulk infrastructure grant

Balance unspent at beginning of year	501,422	317,000
Current-year receipts	175,000,000	201,080,000
Conditions met - transferred to revenue	<u>(134,927,231)</u>	<u>(200,578,578)</u>
Withheld from Equitable Share	(501,000)	(317,000)
	<u>40,073,191</u>	<u>501,422</u>

Conditions still to be met - remain liabilities (see note 17).

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality. To implement bulk infrastructure with a potential of addressing water conservation and water demand management projects of facilitate. The fund allocated to the local municipalities but administered and spent by the Gert Sibande District Municipality.

Water services infrastructure grant

Current-year receipts	60,000,000	40,000,000
Conditions met - transferred to revenue	<u>(60,000,000)</u>	<u>(40,000,000)</u>
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities. It provide basic and intermittent water and sanitation supplies that ensures provision of services of identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support drought relief projects in affected municipalities.

Provincial Support Grant

Current-year receipts	8,000,000	-
Conditions met - transferred to revenue	<u>(6,786,760)</u>	<u>-</u>
	<u>1,213,240</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

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19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Total
Landfill site	81,932,532	13,386,844	95,319,376

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Landfill site	73,430,066	8,502,466	81,932,532

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation, in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Ermelo, Breyten, Davel, Lothair and Chrissiesmeer to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2023 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on a bond rate that matures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites are expected to be over a period of 18 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs.

Key assumptions used:

Total area expected to be rehabilitated: 179 595 square metres (2021: 179 596 square metres)

Average rate per square metre: R563 excl. VAT (2021: R432 excl. VAT)

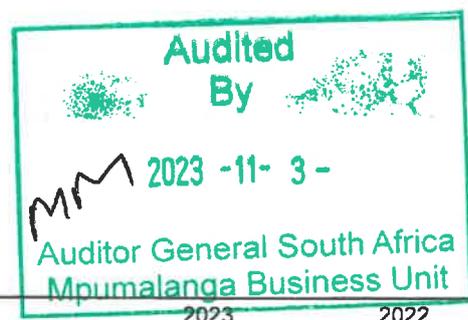
The area to be rehabilitated can be reconciled to the different sites as follows:

Ermelo	: 109 370 square metres
Breyten	: 38 041 square metres
Davel	: 8 051 square metres
Lothair	: 20 081 square metres
Chrissiesmeer	: 4 052 square metres

Each of the landfill sites has adequate footprint and airspace available for the disposal of solid waste until at least 2024, except for Lothair.

Lothair:

The Lothair landfill site has ceased to operate. Closure works have not yet commenced despite there being a limit of 3 years for this activity to commence. Based on historical evidence, the Lothair landfill operated as communal dump (as opposed to a sanitary landfill). Waste disposal was generally contained to a specific area and intermittently covered. It should be noted that the site has not been developed within the area specified in the waste licence. It is therefore assumed that the footprint of the waste pile is as per evidence in historical imagery and that the Municipality will amend the coordinates of the site in the closure licence.



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20. Service charges

Sale of electricity	225,322,436	231,380,573
Sale of water	74,234,690	64,285,929
Sewerage and sanitation charges	57,676,547	48,773,955
Refuse removal	49,300,058	40,180,950
	<u>406,533,731</u>	<u>384,621,407</u>

21. Rental of facilities and equipment

Premises		
Premises	2,215,527	2,315,118
	<u>2,215,527</u>	<u>2,315,118</u>
Facilities and equipment		
Rental of equipment	705,773	406,802
	<u>705,773</u>	<u>406,802</u>
	<u>2,921,300</u>	<u>2,721,920</u>

22. Other income

Advertising	268,409	321,128
Cemetery and burial	771,396	803,200
Commission	543,410	421,882
Connection fees	1,291,734	4,139,151
Fire brigade services	1,735,715	1,526,068
Insurance claim	-	21,400
Licenses and permits	3,463,634	3,624,184
Photocopies	322,556	263,140
Planning and development	1,786,208	2,028,058
Sundry income	689,663	4,245,070
Tender fees	838,075	187,469
	<u>11,710,800</u>	<u>17,580,750</u>

23. Interest earned

Interest revenue		
Consumer debtors	37,111,047	29,708,624
Investment revenue	4,854,425	1,099,056
	<u>41,965,472</u>	<u>30,807,680</u>

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24. Property rates

Rates levied

Agricultural	20,102,007	19,146,475
Business and commercial	78,055,924	70,042,341
Public benefit organisations	167,592	164,147
Public service purposes	25,409,352	23,571,833
Public service infrastructure	57,434	54,351
Residential	74,520,216	63,192,944
Vacant stands	6,828,197	7,653,577
	205,140,722	183,825,668

Valuations

Agriculture	8,959,876,000	8,960,056,000
Business and commercial	3,224,526,800	2,949,225,700
Municipal	938,803,300	911,614,800
Public benefit organisation	299,644,500	300,444,500
Public service infrastructure	51,685,700	50,873,200
Public service purposes	991,023,300	992,523,300
Residential	8,805,281,100	8,801,538,100
Vacant stands	304,534,000	322,264,000
	23,575,374,700	23,288,539,600

Valuations on land and buildings are performed every 4 to 5 years. The last general valuation came into effect on 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new valuation roll reflects the changes in classification (particularly on state owned properties) in terms of the Municipal Property Rates Amendment Act.

A general rate of 0.9975 (2022: 0.9500) is applied to property valuations to determine assessment rates. Rebates of 10% (2022: 15%) plus R15000 impermissible rates, section 17(1)(h) of the MPRA, are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being 30 June 2023 (30 June 2022). Interest at 0.542% per month (2022: 0.833%) is levied on rates outstanding.

The current general valuation was valid until 30 June 2023, however this has been extended by another two years to 30 June 2025.

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25. Fines

Fire, library and other	20,738	9,334
Rezoning	156,576	174,408
Traffic	5,526,300	4,586,950
	5,703,614	4,770,692

26. Debt forgiven

In June 2023, debt owing by the municipality to the Department of Safety, Security and Liaison (DCSSL) was substantially written off by DCSSL, in preparation for the transfer of the licencing function from the municipality back to the department (see events after the reporting date note 47). The amount of the write-off was R109 226 728; billings for May and June were not written off, and these were paid by the municipality after year end. This had implications for fruitless and wasteful expenditure as all interest to end April 2023 was included in the balance written off, see note 49.

27. Donations received

COGTA	1,116,222	-
Private Companies	1,335,134	-
	2,451,356	-

Donor	Value	Nature of donation
Vunene Mining	112,806	Furniture and Fittings for Chrissiesmeer Library and Town Hall
Msobo Mining	124,883	Furniture and Fittings for Kwachibikulu Library
COGTA	1,116,222	Stormwater Culverts
Benicon Mining	1,097,445	Refurbishment of 11kv Substation in Breyten
	2,451,356	

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28. Employee related costs

Acting allowances	1,370,923	1,429,565
Basic	142,062,624	134,839,534
Bonus	11,846,699	10,879,705
Car allowance	10,620,794	10,833,596
Cell and data allowances	871,685	155,270
COVID levy	1,997,432	1,188,888
Group Insurance	2,589,441	2,370,931
Housing benefits and allowances	486,380	659,602
Leave expense	2,149,885	480,642
Long service awards	2,284,962	1,167,000
Medical aid company contributions	13,698,976	13,031,943
Bargaining council	78,667	69,631
Overtime payment	23,360,488	23,194,815
Pension Fund	28,275,768	25,752,560
Post-retirement medical aid	2,547,937	2,610,000
SDL	2,229,744	2,084,285
Shift and standby allowance	13,900,947	13,448,950
UIF	1,298,339	1,238,724
Ward committees	3,067,500	1,830,000
	264,739,191	247,265,641

Municipal Manager - M Kunene

Annual Remuneration	853,527	-
Car Allowance	151,575	-
Phone Allowance	26,371	-
Contributions to UIF, Medical and Pension Funds	172,728	-
	1,204,201	-

Mr M Kunene was appointed to the position of municipal manager on 12 August 2022.

Prior to this, Mr SI Malaza was appointed acting municipal manager on 26 February 2021 to November 2021 (See Director of Community and Social Services below). Mr BC Sibeko was appointed acting municipal manager from November 2021 to February 2022 (See below). Mr CJ Lisa was appointed on 28 February 2022 to be acting municipal manager (See below).

Acting Municipal Manager - CJ Lisa

Annual Remuneration	253,847	512,933
Phone Allowance	5,000	10,000
Contributions to UIF, Medical and Pension Funds	2,943	5,948
	261,790	528,881

Mr SI Malaza was appointed acting municipal manager on 26 February 2021 to November 2021 (See Director of Community and Social Services below). Mr BC Sibeko was appointed acting municipal manager from November 2021 to February 2022 (see below). Mr CJ Lisa was appointed on 28 February 2022 to be acting municipal manager. Mr Lisa was appointed by COGTA and, therefore, does not hold another post within the municipality.

Acting Municipal Manager - BC Sibeko

Annual Remuneration	-	174,130
Car Allowance	-	43,999
Contributions to UIF, Medical and Pension Funds	-	51,281
Acting Allowance	-	110,226
	-	379,636

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28. Employee related costs (continued)

Mr SI Malaza was appointed acting municipal manager on 26 February 2021 to November 2021 (See Director of Community and Social Services below). Mr BC Sibeko was appointed acting municipal manager from November 2021 to February 2022. Mr Sibeko does not hold an executive post within the municipality, therefore, his remuneration is only shown for the months during which he acted as municipal manager. Mr CJ Lisa was appointed on 28 February 2022 to be acting municipal manager (see above).

Remuneration of Chief Financial Officer - PJ Nhlabathi

Annual Remuneration	382,147	-
Car Allowance	140,000	-
Performance Bonuses	14,000	-
Contributions to UIF, Medical and Pension Funds	102,524	-
	638,671	-

Mr Nhlabathi was appointed to the post of CFO in December 2022; Mr SM Phiri was acting as CFO for this period (see below)

Remuneration of the Acting Chief Financial Officer - SM Phiri

Annual Remuneration	338,051	616,898
Car Allowance	65,999	131,998
Phone Allowance	10,000	1,000
Contributions to UIF, Medical and Pension Funds	78,388	129,831
Acting Allowance	89,210	173,652
	581,648	1,053,379

Mr SM Phiri was acting in the role for substantially the full 2022 financial year and, therefore, is reflected here as a key decision maker in this year. In 2023, Mr SM Phiri's remuneration above is for the period in which he was acting as CFO only.

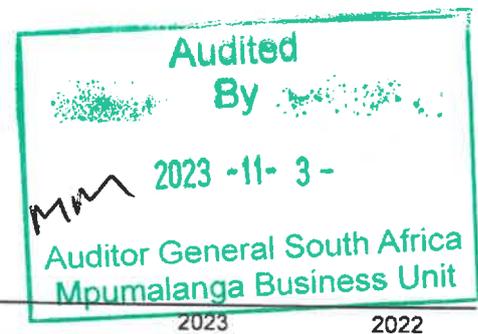
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28. Employee related costs (continued)

Director - Corporate Services - PS Mabuza

Annual Remuneration	853,250	800,782
Car Allowance	181,575	180,000
Phone Allowance	24,000	20,000
Contributions to UIF, Medical and Pension Funds	214,570	213,045
	<u>1,273,395</u>	<u>1,213,827</u>

Director - Community and Social Services - MS Lukhele

Annual Remuneration	418,113	-
Car Allowance	135,000	-
Phone Allowance	14,000	-
Contributions to UIF, Medical and Pension Funds	110,828	-
	<u>677,941</u>	<u>-</u>

Mr Lukhele was appointed as Director - Community and Social Services on 1 December 2022.

Acting Director - Community and Social Services - FS Maseko

Annual Remuneration	196,558	-
Car Allowance	43,717	-
Phone Allowance	7,000	-
Standby and Housing Allowance	65,936	-
Contributions to UIF, Medical and Pension Funds	54,904	-
Acting Allowance	37,283	-
	<u>405,398</u>	<u>-</u>

Mr Maseko was appointed to act in the position of Director - Community and Social Services for the period
Mr Maseko does not otherwise hold an executive position in the municipality and, therefore, his remuneration above is for the period in which he was acting as Director - Community and Social Services only.

Director - Community and Social Services - SI Malaza

Annual Remuneration	226,076	742,922
Car Allowance	8,000	96,000
Phone Allowance	2,000	23,592
Contributions to UIF, Medical and Pension Funds	13,610	146,455
Acting Allowance	-	283,076
	<u>249,686</u>	<u>1,292,045</u>

Mr SI Malaza was acting in the role of Municipal Manager/Accounting Officer for the second half of the 2021 year and part of 2022.

Mr Malaza left the municipality on 31 July 2022.

Director - Technical Services - ZP Duma

Annual Remuneration	39,359	-
Car Allowance	20,000	-
Contributions to UIF, Medical and Pension Funds	731	-
	<u>60,090</u>	<u>-</u>

Ms Duma was appointed to the post of Director - Technical Services on 12 June 2023.



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28. Employee related costs (continued)

Acting Director - Technical Services - KT Zitha

Annual Remuneration	117,935	-
Car Allowance	32,571	-
Phone Allowance	3,000	-
Contributions to UIF, Medical and Pension Funds	25,871	-
Acting Allowance	58,958	-
	<u>238,335</u>	<u>-</u>

Mr Zitha was appointed to act in the position of Director - Technical Services for the period: 11 February 2023 - 30 April 2023.

Director - Technical Services - FR Ntekele

Annual Remuneration	860,109	913,470
Car Allowance	120,675	180,000
Phone Allowance	16,000	20,000
Contributions to UIF, Medical and Pension Funds	120,920	176,645
	<u>1,117,704</u>	<u>1,290,115</u>

Mr Ntekele left the municipality on 10 February 2023.

Acting Director - Planning and Economic Development - H Maganya

Annual Remuneration	418,534	-
Car Allowance	99,677	-
Phone Allowance	13,290	-
Contributions to UIF, Medical and Pension Funds	119,038	-
	<u>650,539</u>	<u>-</u>

Ms Maganya has been appointed to act in the position of Director - Planning and Economic Development on 12/12/2022.

Director - Planning and Economic Development - D Maake

Annual Remuneration	311,889	971,697
Car Allowance	8,000	96,000
Performance Bonuses	2,000	23,592
Contributions to UIF, Medical and Pension Funds	18,076	201,509
	<u>339,965</u>	<u>1,292,798</u>

Mr Maake left the municipality on 31 July 2022.

General employee related costs and key management

Employee Related Costs	264,739,191	247,265,641
Key Management	7,699,365	7,050,683
	<u>272,438,556</u>	<u>254,316,324</u>

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29. Remuneration of councillors

Executive Mayor	983,048	616,939
Speaker	795,508	521,428
Chief Whip	755,239	612,354
Mayoral Committee Members	3,752,747	2,530,278
Councillors	11,075,547	11,211,685
	17,362,089	15,492,684

Additional information

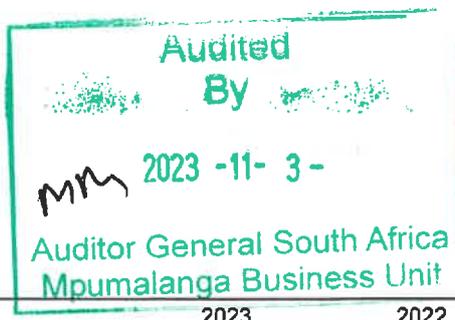
The details for individual councillors are set out in the related parties note 45.

30. Debt impairment

Allowance for impairment - Consumer debtors	152,523,224	116,170,093
Allowance for impairment - Traffic fines	5,876,033	4,950,150
	158,399,257	121,120,243

31. Depreciation and amortisation

Property, plant and equipment	134,981,850	138,258,281
Intangible assets	46,129	46,129
	135,027,979	138,304,410



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32. Impairment loss

Impairments

Total: R8,561,636

During the financial year, the municipality impaired various assets within Property, Plant and Equipment. This followed a process of physical verification and conditioning grading, which prompted the municipality to review the remaining useful life of the assets.

These impairments are aligned with the Impairment Methodology adopted by the municipality and contained in its Asset Management Policy. The Asset Management Policy is aligned with the municipality's Accounting Policy and complies with GRAP 21 and 26.

Infrastructure Assets

Community and Operational Buildings: R154 329

The condition of various municipal buildings, the Ermelo Civic Centre, open spaces, as well as sport and recreation facilities deteriorated during the past financial which prompted the municipality to impair these assets.

Electrical: R80 709

The condition of high and medium voltage mini substations, as well as public lighting deteriorated to such an extent that the municipality impaired these assets.

Roads and Storm Water: R738 804

The condition of various road surfaces, road structures and storm water drainage inlet and collection structures deteriorated to such an extent which prompted the municipality to impair these assets.

Sanitation: R7 264 812

The decision was taken by Council to impair an incomplete Work-in-Progress project (Internal Sewer Network in Breyten Ext5) that were never finalised and could not effectively be unbundled due to lack of proper documentation after the contractor was dismissed. This project has been reported as slow-moving ever since the 2019 financial year, without any movement.

Water Supply: R310 614

The condition of various boreholes around the municipality deteriorated to such an extent that the municipality impaired these assets.

Movable Assets

Computer Equipment R2 855

The condition of a laptop computers deteriorated which necessitated the municipality to impair the assets.

Furniture and Office Equipment R5 676

The condition of various office chairs, bookcases and tables deteriorated which necessitated the municipality to impair the assets.

Machinery and Equipment R2 683

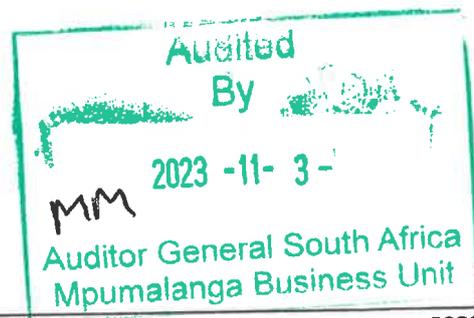
The overall condition of certain gardening tools and workshop equipment deteriorated which prompted the municipality to impair these assets.

Motor Vehicles R1 153

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32. Impairment loss (continued)

The condition of a trailer deteriorated to such an extent that the municipality decided to impair this asset.

Detailed descriptions, components types and photographs of the assets impaired are available in the Fixed Asset Register of the municipality.

33. Loss on disposal of assets

Losses on Property plant and equipment.	(13,888,871)	(26,545,998)
Loss on Heritage Assets	-	(17,300)
Gains / (loss) on Investment property	(172,878)	(1,606,764)
	<u>(14,061,749)</u>	<u>(28,170,062)</u>

34. Repairs and Maintenance

Plant, Machinery and Equipment	8,106,294	4,073,991
Motor Vehicles	5,063,437	2,903,215
Buildings	212,611	318,712
Electrical	19,757,659	9,261,666
Roads	1,869,390	3,832,968
Sanitation	626,742	695,079
Water Supply	14,607,083	8,869,806
	<u>50,243,216</u>	<u>29,955,437</u>

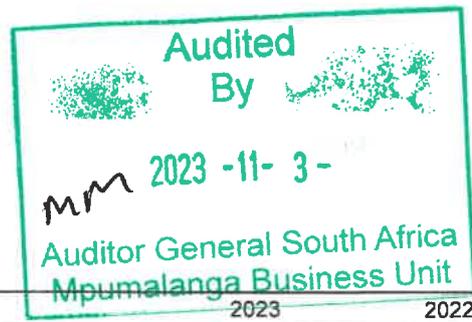
35. Finance costs

Trade and other payables	82,472,487	82,617,469
Finance leases	39,215	125,346
Land fill site	8,213,247	6,715,630
Employee benefits	8,284,000	6,957,000
	<u>99,008,949</u>	<u>96,415,445</u>

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36. Bulk purchases

Electricity	317,779,412	320,872,715
Water	71,482,037	77,947,143
	<u>389,261,449</u>	<u>398,819,858</u>

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37. Contracted services		
Outsourced Services		
Accounting services	8,069,370	4,452,701
Debt Collectors	528,094	-
Electrical	3,557,282	3,050,624
Maintenance of equipment	10,263	68,848
Prepaid electricity - Commission	3,210,014	3,073,295
Professional Staff	-	(75,383)
Security services	33,076,949	26,455,426
Consultants and Professional Services		
Infrastructure and Planning	777,241	1,953,013
Legal Cost	12,655,656	7,577,940
	61,884,869	46,556,464



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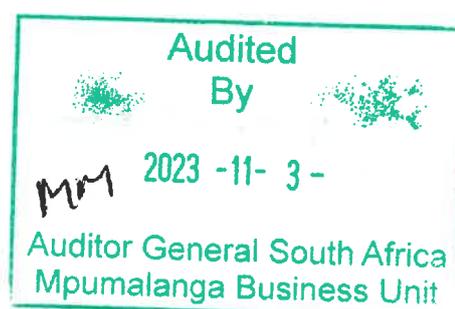
Notes to the Annual Financial Statements

Figures in Rand	2023	2022
38. General expenses		
Advertising	442,108	233,035
Auditors remuneration	6,663,173	6,375,576
Bank charges	2,606,037	2,358,284
Cash shortfall	195,285	-
Cleaning	2,276,571	636,716
Communication and stationery	7,232,276	5,134,287
Community support	101,000	25,400
Consulting and professional fees	1,385,353	4,890,001
Consumables	12,004	48,640
Conferences and seminars	108,637	90,264
Fuel and oil	18,317,531	9,265,468
Insurance	5,459,914	4,847,105
Internal Billing	-	(1,901,326)
Materials - Covid-19	32,060	431,930
Protective clothing	1,999,555	1,156,058
Software expenses	6,777,164	7,943,022
Staff welfare	2,310,201	2,324,400
Subscriptions and membership fees	3,253,074	2,683,068
Training	496,452	520,910
Travel - local	3,635,793	2,810,625
VIP toilets	7,123,398	-
	70,427,586	49,873,463

The VIP toilets were built for use by the community, but are on privately owned land, therefore the municipality does not have control of these, therefore these were raised as an expense.

39. Fair value adjustments

Investment property (Fair value model)	3,377,545	66,567,036
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Figures in Rand	2023	2022
40. Cash generated from operations		
Surplus	29,962,001	16,196,616
Adjustments for:		
Depreciation and amortisation	135,027,979	138,304,410
Losses on disposals of assets	14,061,750	28,170,062
Fair value adjustments	(3,377,545)	(66,567,036)
Impairment Loss	8,561,635	4,176,127
Debt impairment	158,399,257	121,120,243
Movements in retirement benefit assets and liabilities	(1,006,999)	1,575,000
Movements in provisions	13,386,844	8,502,466
Donations received	(2,451,356)	-
Debt forgiven	(110,686,413)	-
Changes in working capital:		
Inventories	(10,585,457)	13,059,827
Receivables from exchange transactions	(130,816,840)	(104,339,412)
Receivables from non-exchange transactions	(46,764,899)	(56,172,467)
Payables from exchange transactions	243,328,806	229,082,727
VAT	(25,612,359)	(14,918,039)
Change in landfill valuation (under investing activities)	(5,173,597)	(1,786,836)
Unspent conditional grants and receipts	43,130,202	(147,420)
Consumer deposits	1,206,409	677,601
	310,589,418	316,933,869



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41. Risk management

Financial risk management

The municipality is exposed to a variety of financial risks: market risk, fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk, but the exposure is limited to the the municipality's management thereof. Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Generally, financial instruments play a much more limited role in creating or changing risks in entities that apply GRAP. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 year	Between 2 and 5 years	Over 5 years
At 30 June 2023			
• Payables from exchange transactions	1,572,219,991	-	-
At 30 June 2022			
• Payables from exchange transactions	1,439,577,601	-	-
• Finance lease obligation	1,219,090	-	-



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41. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Municipality or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality from customers and investment securities. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified. Credit risk consists mainly of cash deposits, cash equivalents. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk. Consumer debtors and other debtors are individually evaluated annually at statement of financial position date for impairment or discounting. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. There were material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, and is not concentrated in any particular sector. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Receivables from exchange transactions	165,017,303	145,467,135
Receivables from non-exchange transactions	59,479,145	59,846,831
Bank balances and cash	78,704,967	9,673,827

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.



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Figures in Rand	2023	2022
42. Financial instruments disclosure		
Categories of financial instruments		
2023		
Financial assets		
		At amortised cost
Trade and other receivables from exchange transactions		165,017,303
Trade and other receivables from non-exchange transactions		59,479,145
Cash and cash equivalents		78,704,967
		303,201,415
Financial liabilities		
		At amortised cost
Trade and other payables from exchange transactions		(1,572,219,991)
Consumer deposits		(20,450,245)
Employee benefit obligation		(72,795,000)
Unspent conditional grants and receipts		(44,723,686)
		(1,710,188,922)
2022		
Financial assets		
		At amortised cost
Trade and other receivables from exchange transactions		145,467,135
Trade and other receivables from non-exchange transactions		59,846,831
Cash and cash equivalents		9,673,827
		214,987,793
Financial liabilities		
		At amortised cost
Trade and other payables from exchange transactions		(1,439,577,601)
Consumer deposits		(19,243,836)
Employee benefit obligation		(73,802,000)
Unconditional grants and receipts		(1,593,484)
Finance lease obligation		(1,179,875)
		(1,535,396,796)



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	2023	2022
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Electrical	4,124,659	4,121,283
• Roads	7,942,661	14,287,255
• Sanitation	834,280	19,329,015
• Water supply	7,106,219	10,033,289
	20,007,819	47,770,842
Authorised operational expenditure		
Already contracted for but not provided for		
• Consulting and Professional Fees	6,096,233	10,335,294
• Security (Guarding of municipal property)	38,934,092	70,121,827
• Supply and delivery	5,828,452	18,966,632
• Repairs and maintenance	2,241,771	-
	53,100,548	99,423,753
Total commitments		
Total commitments		
Authorised capital expenditure	20,007,819	47,770,842
Authorised operational expenditure	53,100,548	99,423,753
	73,108,367	147,194,595

This committed expenditure relates to plant and equipment and will be financed by available National grants, bank facilities, retained surpluses, existing cash resources, funds internally generated.

The 2022 Capital Commitments were previously disclosed as 41,677,599; this was adjusted to the above after the project files were reviewed in the current year.

The commitments above are stated exclusive of VAT.



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44. Contingencies

Contingent liabilities

Issue under consideration

This issue involves land that was earmarked for business and churches but was later disposed of or allocated in a manner which was not in line with the development and the agreement reached in 1995. NEWCHO as the developer is intending to sue the Municipality for damages. The Municipality was served with summons in 2015.

Potential liability
6,483,579

Status

Summons were issued Notice of intention to defend was filed Plea was filed Discovery has been done The matter is at the pre-trial stage The attorneys of NEWCHO have submitted a settlement proposal which has been discussed and the amount was reduced to R 1 Million as per the letter dated 02 July 2020. Then on the 21 of July 2020 the Municipality has further proposed the settlement of R 500 000 and we are still awaiting the response thereto.

Attorney

TMN Kgomo and Associates

An Employee of the Municipality was electrocuted while on duty on the 27th of May 2011. He is claiming damages alleging that he was injured as a result of the sole negligence of the Municipality.

1,220,500

Summons were issued

TMN Kgomo and Associates

Action was taken by SAMWU on behalf of Hlophe and others against the municipality for losses due to unlawful variation of the terms of the employment in 2011. The municipality is opposing the claims and pleadings are currently still exchanged, the matter has not been set down for a trial date.

800,000

This matter is still pending in the labour Court. However an information was supplied to our attorneys that we were paying the employees 1.5 prior to 2011 and from 2013. Then further information will be provided on the amount outstanding for that period. A meeting has been held on the 13th of November 2014 with a view to have an amicable solution on this matter. As the Municipality we need to do a calculation. A detailed report will be presented to Council on this matter.

Sefalafala Attorneys



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44. Contingencies (continued)

The Plaintiff is suing the Municipality together with the Minister of Police for pain and suffering as a result of injuries sustained when he was detained in custody as a result of the case of theft of the machine of the Municipality.

This matter comes from the procurement processes on debt collection wherein the Plaintiff submitted a tender for that service. The Plaintiff realised that they were appointed after seeing their name on the website as part of those who were awarded the tender. They are suing the Municipality for future loss of income.

A vehicle belonging to the resident was involved in the accident as a result of the negligence of the Municipality not to mark the area where it was working with the red tape in 2014.

The employees of the Municipality went on a protest which turned violent and there was damage to property of the Municipality in 2013. As result there were employees who were arrested for that. Some of the employees were withdrawn from the case and others were acquitted. Then one of the employees is suing the Municipality for unlawful arrest.

Children were playing in Thusville and one of them was electrocuted by an electricity line in 2015 and he suffered damages in the form of the pain and suffering and future loss of income.

A resident's motor vehicle was involved in an accident in 2014 and as a result the resident suffered damages.

The Municipality was served with summons from the Department of Water and Sanitation suing the Municipality for the payment of R 184 124 516.50 for the outstanding amount in the supply of bulk water since 2002.

2023	2022
6,000,000	
50,000,000	
162,385	
65,000	
25,000,000	
600,000	
184,124,517	

Mhlongo Khumalo Attorneys
 Julie Mahomme Attorneys
 TMN Kgomo and Associates
 TMN Kgomo and Associates
 Mohlala Attorneys
 Mohlala Attorneys
 TMN Kgomo and Associates

Summons were issued
 The notice of intention to defend has already been filed and the matter is pending in the High Court.
 Summons were issued
 Summons were issued and the matter is defended
 Summons were issued
 Summons were issued
 Summons were issued



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44. Contingencies (continued)					
The Municipality is sued for negligence as a result of not maintaining the electricity infrastructure which resulted in the damage of properties of the residents when the electricity was switched on in 2010.		311,467	Summons were issued		TMN Kgomo and Associates
The Municipality is sued for the damage caused on the Telkom lines when the employees were fixing the damages water pipes.		230,423	Summons were issued		Mohlala Attorneys
The Plaintiff is suing the Municipality for the damages caused on his vehicle as a result of hitting the pothole on a Municipal road.		10,560	Summons were issued against the Municipality and the matter was referred to our insurance which repudiated the claim because it was lodged very late. The matter is defended in person because the claimed amount is low versus the legal costs		None (Own defence)
Damages to vehicle to due to potholes in the road.		83,800	Summons were issued		Mhlongo Khumalo Attorneys
The Municipality is being sued for the amount outstanding after the contract on the provision of security services expired.		8,778,153	Summons were issued		Mhlongo Khumalo Attorneys
The Municipality is being sued for the amount outstanding after the contract on the provision of security services expired.		4,539,707	Notice of intention to defend was filed		Mhlongo Khumalo Attorneys
The Municipality is sued as result of the motorist hitting a pothole on Little street in Ermelo which resulted in the damage to his vehicle		18,941	Summons were issued		None (Own defence)
The Municipality is being sued as result of the motorist hitting a pothole on Little street in Ermelo which resulted in the damage to his vehicle		26,400	Summons were issued and the matter is being defended		None (Own defence)
The Municipality has been served with summons for the breach of contract on the tender that was withdrawn for the maintenance of the Ermelo Landfill site. The company is claiming for the future loss of income.		20,000,000	The Municipality is defending the matter and the answering affidavit was filed. An application in terms of rule 35 has been served by the Defendant to the Plaintiff.		Mohlala Attorneys
The Municipality has been served with summons claiming an amount in respect of services rendered relating to fire-fighting fire.		1,142,061	The Municipality has filed the notice of intention to defend and will raise a special plea.		Motimele Attorneys

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44. Contingencies (continued)

The Municipality has been served with summons for the damages caused on the house of the resident allegedly when the municipal staff was fixing a water pipe.

The Municipality has been served with summons for vehicle damages allegedly caused by a pothole.

The Municipality was served with the summons for payment for the services rendered by the service provider for the un-blocking of a sewer.

500,000

The Municipality has filed the notice of intention to defend and will raise a special plea.

Maphanga Attorneys

156,509

The Municipality has filed a notice of intention to defend the claim.

None (Own Defence)

120,000

The Municipality has filed the notice of intention to defend and the parties are exchanging the pleadings.

None (Own Defence)

310,374,002

Contingent assets

Issue under consideration

The service providers are considered to have performed substandard work in the construction of a water reservoir which resulted in the reservoir bursting. At that stage the service providers had already been paid a certain sum of money for the job. The Municipality is claiming back the money already paid to the service providers (consultants and the contractor).

Potential Asset
5,687,831

Status
Summons were issued by the Municipality.

Attorney
Gildenhuys Matlatjje Attorneys

5,687,831



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45. Related parties

Members of key management

Municipal Manager & Accounting Officer at the date of signing - Appointed 12 August 2022. Mr. M Kunene

Acting Municipal Manager & Accounting Officer - 28 February - 11 August 2022 Mr. CJ Lisa

Acting Municipal Manager & Accounting Officer - 26 February 2021 - 26 November 2021 Mr. SI Malaza

Chief Financial Officer

Acting Chief Financial Officer - 1 June 2020 - Mr. PJ Nhlabathi

Director - Corporate Services Mr. SM Phiri

Director - Community and Social Services Mr. PS Mabuza

Director - Planning and Economic Development Mr. MS Lukhele

Director - Technical Services Ms. H Maganya

Executive Mayor Ms. ZP Duma

Speaker Cllr. MP Nkosi

Chief Whip Cllr. NS Xaba

Mayoral Committee Cllr. PT Sibeko

Cllr. TJ Madlala

Cllr. BG Motha

Cllr. TC Motha

Cllr. EC Msezane

Cllr. SE Ngovene

Cllr. D.V.F Arnoldi

Cllr. J.D.A Blignaut

Cllr. Z Breydenbach

Cllr. S.S.S Buthelezi

Cllr. S.S Cindi

Cllr. S.P Khalishwayo

Cllr. B.I Mabuza

Cllr. S.M Mabuza

Cllr. V.C.N Madini

Cllr. T.J Maduna

Cllr. B.A Mahlalela

Cllr. M.S Malaza

Cllr. V.J Maseko

Cllr. S.C Mathebula

Cllr. M.M Mkhaliphi

Cllr. B.L Ndlazi

Cllr. M.F.J Ndlovu

Cllr. S.F Ngwenya

Cllr. L.L Nhlapho

Cllr. B.J Nkosi

Cllr. M.Z Nkosi

Cllr. N.R Nkosi

Cllr. T Nkosi

Cllr. M.A Nzimande

Cllr. R.T Nzimande

Cllr. J.J Scholtz

Cllr. P.H Sibiya

Cllr. M.R Yende

Cllr. T.P Zulu

Cllr. Z.E Zulu

Councillors



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45. Related parties (continued)

Remuneration of management

Management class: Mayoral Committee Members

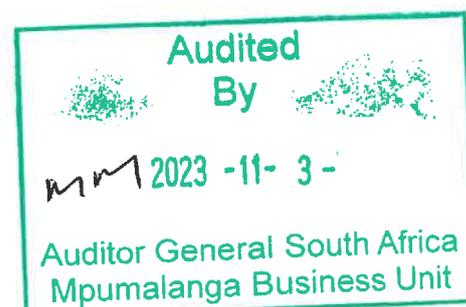
2023

Name	Annual Remuneration	Car Allowance	Contributions to Medical Aid and Pension Fund	Cell Phone and Data Allowance	Total
MP Nkosi (Executive Mayor)	614,477	232,000	92,172	44,400	983,049
NS Xaba (Speaker)	486,450	185,770	78,888	44,400	795,508
PT Sibeko (Chief Whip)	459,645	175,109	76,085	44,400	755,239
TJ Madlala	455,663	174,576	73,908	44,400	748,547
BG Motha	454,770	172,206	73,738	44,400	745,114
TC Motha	458,444	174,476	74,362	44,400	751,682
EC Msezane	462,397	174,871	75,004	44,400	756,672
SE Ngovene	509,205	115,135	81,992	44,400	750,732
	3,901,051	1,404,143	626,149	355,200	6,286,543

2022

Name	Annual Remuneration	Car Allowance	Telephone Allowance	Contributions to UIF, Medical Aid and Pension	Total
MP Nkosi (Executive Mayor)	169,764	61,109	25,465	24,474	280,812
NS Xaba (Speaker)	142,377	54,578	23,775	28,626	249,356
PT Sibeko (Chief Whip)	216,038	82,815	28,818	28,626	356,297
TJ Madlala	169,720	65,060	27,585	28,626	290,991
BG Motha	139,948	53,647	22,772	28,626	244,993
TC Motha	161,009	61,720	26,178	28,626	277,533
EC Msezane	194,977	74,742	31,669	28,626	330,014
SE Ngovene	288,051	-	45,838	28,626	362,515
Out-going council members					
BJ Mkhaliphi (Executive Mayor)	209,213	79,453	31,687	15,774	336,127
MP Nkosi (Speaker)	167,370	63,563	25,365	15,774	272,072
PE Mashiane (Chief Whip)	156,909	59,590	23,785	15,774	256,058
JA Bal	156,909	59,590	23,785	15,774	256,058
JS Bongwe	156,909	59,590	23,785	15,774	256,058
TA Mnisi	148,886	59,590	31,831	15,774	256,081
EC Msezane	156,909	59,590	23,785	15,774	256,058
	2,634,989	894,637	416,123	335,274	4,281,023

The new council was established and then reconstituted, as a result, several councillors acted in various positions; the names above represent the office bearers at year end.



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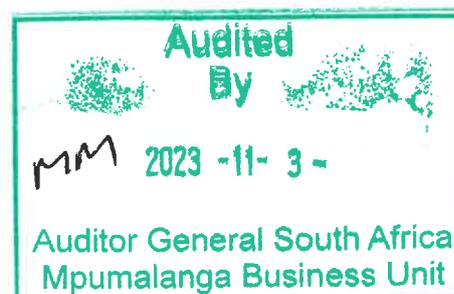
2022

45. Related parties (continued)

Management class: Councillors

2023

	Annual Remuneration	Car Allowance	Contributions to Medical Aid and Pension	Cellphone and Data Allowance	Total
DVF Arnoldi	193,581	74,206	31,522	44,400	343,709
JDA Blignaut	178,723	94,838	112,322	44,400	430,283
Z Breydenbach	195,319	74,206	31,798	44,400	345,723
SSS Buthelezi	196,220	75,218	31,954	44,400	347,792
SS Cindi	330,708	-	52,681	44,400	427,789
SP Khalishwako	330,184	-	52,598	44,400	427,182
BI Mabuza	193,582	74,206	31,522	44,400	343,710
SM Mabuza	265,194	-	42,288	44,400	351,882
VCN Madini	262,097	-	41,797	44,400	348,294
TJ Maduna	258,749	-	41,266	44,400	344,415
BA Mahlalela	228,760	-	77,362	44,400	350,522
MS Malaza	258,108	-	41,164	44,400	343,672
VJ Maseko	248,031	95,078	40,331	44,400	427,840
SC Mathebula	258,109	-	41,164	44,400	343,673
MM Mkhaliphi	330,708	-	52,681	44,400	427,789
BL Ndlazi	258,749	-	41,266	44,400	344,415
MFJ Ndlovu	215,883	48,559	34,861	44,400	343,703
SF Ngwenya	215,883	48,559	34,869	44,400	343,711
LL Nhlapho	211,742	48,559	34,198	43,800	338,299
BJ Nkosi	258,109	-	41,164	44,400	343,673
MZ Nkosi	194,463	73,193	31,659	44,400	343,715
NR Nkosi	248,031	95,078	40,335	44,400	427,844
T Nkosi	193,581	74,206	31,532	44,400	343,719
MA Nzimande	256,493	77,898	41,747	44,400	420,538
RT Nzimande	257,494	-	41,067	44,400	342,961
JJ Scholtz	193,581	74,206	31,522	44,400	343,709
PH Sibiya	321,351	-	51,196	44,400	416,947
MR Yende	193,581	74,206	31,532	44,400	343,719
TP Zulu	330,993	-	52,726	44,400	428,119
ZE Zulu	260,290	-	41,510	44,400	346,200
	7,338,297	1,102,216	1,303,634	1,331,400	11,075,547



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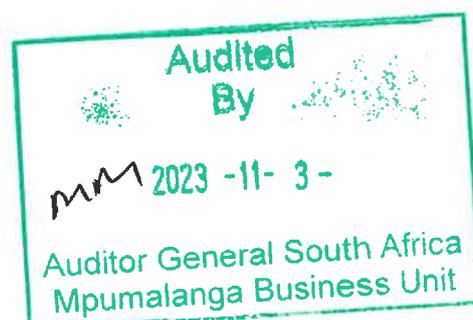
2022

45. Related parties (continued)

2022

	Fees for services as a member of management	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Total
DVF Arnoldi	118,887	45,574	19,366	28,626	212,453
JDA Blignaut	76,878	45,908	72,254	28,626	223,666
Z Breydenbach	118,887	45,574	19,366	28,626	212,453
SSS Buthelezi	206,830	79,285	33,670	28,626	348,411
SS Cindi	185,689	-	29,598	28,626	243,913
SP Khalishwako	181,748	-	28,973	28,626	239,347
LNV Kubheka	35,530	-	5,668	6,413	47,611
BI Mabuza	118,887	45,574	19,366	28,626	212,453
SM Mabuza	186,597	-	29,742	28,626	244,965
VCN Madini	291,463	-	46,376	28,626	366,465
TJ Maduna	179,881	-	28,677	28,626	237,184
BA Mahlalela	334,650	-	63,836	28,626	427,112
TE Mahlangu	81,991	31,430	13,356	19,733	146,510
MS Malaza	158,517	-	25,288	28,626	212,431
VJ Maseko	139,266	53,385	22,661	28,626	243,938
SC Mathebula	158,517	-	25,288	28,626	212,431
MM Mkhaliphi	185,689	-	29,612	28,626	243,927
BL Ndlazi	179,881	-	28,677	28,626	237,184
MFJ Ndlovu	158,517	-	25,288	28,626	212,431
SF Ngwenya	158,517	-	25,288	28,626	212,431
LL Nhlapho	20,498	-	3,270	3,700	27,468
BJ Nkosi	158,517	-	25,288	28,626	212,431
MZ Nkosi	148,268	11,786	23,756	28,626	212,436
NR Nkosi	139,266	53,385	22,661	28,626	243,938
T Nkosi	118,887	45,574	19,366	28,626	212,453
MA Nzimande	229,951	-	36,619	28,626	295,196
RT Nzimande	158,516	-	22,241	28,626	209,383
JJ Scholtz	118,887	45,574	19,366	28,626	212,453
PH Sibiya	163,163	-	26,025	28,626	217,814
MR Yende	118,887	45,574	19,366	28,626	212,453
TP Zulu	195,185	-	31,104	28,626	254,915
ZE Zulu	231,219	-	36,820	28,626	296,665

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45. Related parties (continued)

Out-going council members

	Annual Remuneration	Car Allowance	Contributions to medical aid and pension fund	Cellphone and data allowance	Total
JDA Bignaut	44,220	25,144	32,133	15,774	117,271
MJ Blose	66,208	25,144	10,082	15,774	117,208
Z Breydenbach	66,208	25,144	10,082	15,774	117,208
ZK Dhludhlu	66,208	25,144	10,082	15,774	117,208
GS Greyling	66,208	25,144	10,082	15,774	117,208
BI Jiyane	66,208	25,144	10,082	15,774	117,208
LNV Kubheka	66,208	25,144	10,082	15,774	117,208
DJ Litau	61,785	32,268	36,164	15,774	145,991
FJ Mabasa	66,208	25,144	10,082	15,774	117,208
D Mabunda	66,208	25,144	10,082	15,774	117,208
BI Mabuza	66,208	25,144	10,082	15,774	117,208
TJ Madlala	84,967	32,268	12,916	15,774	145,925
ME Madonsela	67,405	32,268	30,528	15,774	145,975
NH Magagula	84,967	32,268	12,916	15,774	145,925
LS Mahlangu	66,208	25,144	10,082	15,774	117,208
LA Maseko	66,208	25,144	10,082	15,774	117,208
MZM Mashiane	66,208	25,144	10,082	15,774	117,208
VV Mazibuko	66,208	25,144	10,082	15,774	117,208
LD Mndebele	84,967	32,268	12,916	15,774	145,925
PF Moloyi	66,208	25,144	10,082	15,774	117,208
TC Motha	84,967	32,268	12,916	15,774	145,925
BNN Ndlovu	52,818	25,144	23,510	15,774	117,246
DM Nkambule	66,208	25,144	10,082	15,774	117,208
T Nkosi	66,208	25,144	10,082	15,774	117,208
ZJ Nkosi	84,967	32,268	12,916	15,774	145,925
JJ Nzimande	66,208	25,144	10,082	15,774	117,208
M Sibeko	66,208	25,144	10,082	15,774	117,208
PT Sibeko	84,967	32,268	12,995	15,774	146,004
BJM Sithole	66,208	25,144	10,082	15,774	117,208
HF Swart	66,208	25,144	10,082	15,774	117,208
MR Yende	66,208	25,144	10,082	15,774	117,208
	7,184,464	1,385,079	1,289,864	1,348,994	11,208,401

Refer to note Remuneration of councillors 29.



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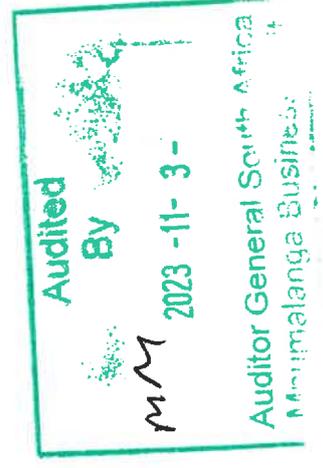
2023 2022

45. Related parties (continued)

Management class: Key management (officials)

2023

Name	Annual remuneration	Car Allowance	Phone Allowance	Contributions to UIF, Medical Aid and Pension	Standby and Housing Allowance	Acting Allowance	Total
M Kunene - Municipal Manager	853,527	151,575	26,371	172,728	-	-	1,204,201
C.J Lisa - Acting Municipal Manager	253,847	-	5,000	2,943	-	-	261,790
P.J Nhlabathi - Chief Financial Officer	382,147	140,000	14,000	102,524	-	-	638,671
S.M Phiri - Acting-Chief Financial Officer	338,051	65,999	10,000	78,388	-	89,209	581,647
P.S Mabuza - Director Corporate Services	853,250	181,575	24,000	214,570	-	-	1,273,395
M.S Lukhele - Director - Community and Social Services	418,113	135,000	14,000	110,828	-	-	677,941
F.S Maseko - Acting Director - Community and Social Services	196,558	43,717	7,000	54,904	65,936	37,283	405,398
S.I Malaza - Director Community and Social Services	226,076	8,000	2,000	13,610	-	-	249,686
H Maganya - Director - Planning and Economic Development	418,534	99,677	13,290	119,038	-	-	650,539
D Maake - Director Planning and Development	311,889	8,000	2,000	18,076	-	-	339,965
Z.P Duma - Director - Technical Services	39,359	20,000	-	731	-	-	60,090
K.T Zitha	117,935	32,571	3,000	25,871	-	58,958	238,335
F.R Ntsekele - Director Technical Services	860,109	120,675	16,000	120,920	-	-	1,117,704
	5,269,395	1,006,789	136,661	1,035,131	65,936	185,450	7,699,362



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	2023				2022			
Name	Annual remuneration	Car Allowance	Phone Allowance	Contributions to UIF, Medical Aid and Pension	Acting Allowance	Total		
CJ Lisa - Acting Municipal Manager	512,933	-	10,000	5,948	-	528,881		
BC Sibeko - Acting Municipal manager	174,130	43,999	-	51,281	110,226	379,636		
SM Phiri - Acting-Chief Financial Officer	616,898	131,998	1,000	129,831	173,652	1,053,379		
PS Mabuza - Director Corporate Services	800,782	180,000	20,000	213,045	-	1,213,827		
SI Malaza - Director Community and Social Services/ Acting Municipal Manager	742,922	96,000	23,592	146,455	283,076	1,292,045		
D Maahe - Director Planning and Development	971,697	96,000	23,592	201,509	-	1,292,798		
FR Ntekele - Director Technical Services	913,470	180,000	20,000	176,645	-	1,290,115		
	4,732,832	727,997	98,184	924,714	566,954	7,050,681		

Refer to note Employee related costs 28.

In 2022, Mr Phiri was acting in the role as indicated for the full year, therefore, he considered to have been a key decision maker and a related party for disclosure purposes.



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46. 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 senior management echelon of the municipality is fully constituted as all vacant director posts were filled by year end.

However, there are indicators of operational and financial distress.

The municipality has material contingent liabilities of R310,374,002, as well as trade and other payables of R1,572,219,991 against receivables of R224,496,448, which may pose a risk to future operations.

Although, at 30 June 2023, the municipality had an accumulated surplus of R 1,480,466,034 and that the municipality's total assets exceed its liabilities by R 1,480,466,034, this is largely due to non-current assets such as Property, plant and equipment, rather than working capital. In terms of current assets and liabilities, the Municipality has net liabilities of R1,183,426,627 (2022: R1,133,779,939).

The Municipality reported a surplus of R 29,962,001 66,521,774 for the period (2022: surplus R 16,196,616); however, this includes debt forgiven by DCSSL of R109,226,728, which was an extraordinary transaction.

The ability of the Municipality to continue its operations for the foreseeable future is supported by the following:

Approved budget for the Medium Term Expenditure Revenue Framework ending 2023

Approved Division of Revenue Act with estimated allocation of equitable share and capital the next 3 years (2023/24FY R 252 878 000, 2024/25FY R 265, 269, 000, 2025/26FY R277,737,000)

The municipality has approved a funding plan which is intended to restore the financial viability of the municipality.

47. Events after the reporting date

The municipality reviewed historical Unauthorised, Irregular and Fruitless and Wasteful Expenditure, conducted such investigated as were necessary or viable and determined that substantially all of this should be written off. No matters were referred to the disciplinary board.

The Licensing function that the municipality performed on behalf the the Department of Safety, Security and Liaison (DCSSL) was transferred back to DCSSL, and the municipality will no longer be involved in these activities.

48. Unauthorised expenditure

Opening balance as previously reported	413,255,590	276,339,946
Opening balance as restated	413,255,590	276,339,946
Current year transactions	-	-
Add: Expenditure identified - current	137,510,000	136,915,644
Closing balance	550,765,590	413,255,590

The municipality is currently investigating the unauthorised expenditure; reports have been served before MPAC.



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49. Fruitless and wasteful expenditure		
Opening balance as previously reported	162,400,386	89,198,307
Opening balance as restated	162,400,386	89,198,307
Current year transactions		
Interest and penalties on arrear amount - Eskom	23,526,159	17,727,748
Interest and penalties on arrear amount - DWS	51,482,052	49,681,248
Interest and penalties on arrear amount - DCSSL	7,156,940	5,792,227
Interest and penalties on arrear amount - PRODIBA	-	150
Interest and penalties on arrear amount - SARS VAT	333,669	476
Interest and penalties on arrear amount - SARS PAYE	-	230
Written off by DCSSL (current and prior years)	(24,547,969)	-
Closing balance	220,351,237	162,400,386

The municipality is currently investigating the unauthorised expenditure; reports have been served before MPAC.

DCSSL wrote off substantially all of the interest for the year and historically as part of moving the function of issuing licenses back to the department from the municipality.

50. Irregular expenditure

Opening balance	371,377,358	285,528,760
Opening balance as restated	371,377,358	285,528,760
Current year transactions		
Current year expenditure	23,990,932	43,581,841
Identified in the current year for 2022 year	-	11,392,716
Identified in the current year for 2021 year	-	30,874,041
Closing balance	395,368,290	371,377,358

The municipality is currently investigating the unauthorised expenditure; reports have been served before MPAC.

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,956,211	2,520,685
Amount paid - current year	(2,956,211)	(2,520,685)
	-	-

Audit fees

Opening balance	-	2,213,865
Current year fee	7,663,770	7,203,334
Amount paid - current year	(7,422,274)	(9,417,199)
	241,496	-



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51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Payroll taxes and levies		
Opening balance	3,227,295	3,310,458
Current year fee	41,929,271	39,955,697
Amount paid - current year	(41,738,940)	(40,038,860)
	<u>3,417,626</u>	<u>3,227,295</u>

The unpaid amounts above represent June declarations, which are typically paid in the first week of July as permitted by SARS.

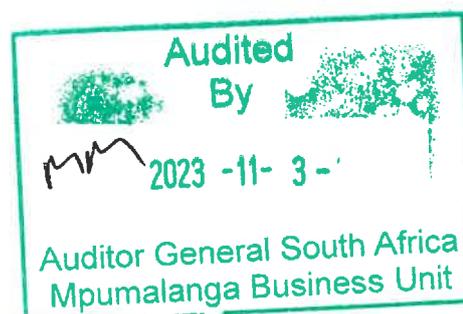
Pension and Medical Aid Deductions

Opening balance	5,291,483	-
Current year fee	72,990,983	68,207,218
Amount paid - current year	(72,990,983)	(62,915,735)
Amount paid - previous years	(5,291,483)	-
	<u>-</u>	<u>5,291,483</u>

VAT

VAT receivable	644,248,832	528,621,478
VAT payable	(513,208,121)	(423,193,126)
	<u>131,040,711</u>	<u>105,428,352</u>

All VAT returns have been submitted by the due date throughout the year.



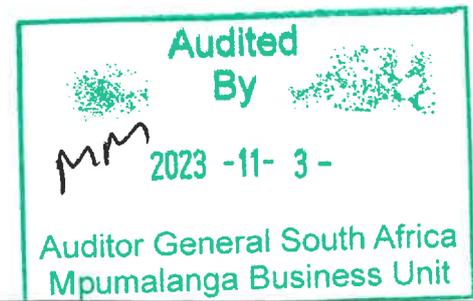
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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
DVF Arnoldi	6,089	-	6,089
Z Breydenbach	1,865	-	1,865
BA Mahlalela	3,123	-	3,123
AM Mahlangu	2,164	30,001	32,165
VJ Maseko	2,344	64,567	66,911
SC Mathebula	140	8,818	8,958
MM Mkhaliphi	92	901	993
BG Motha	1,208	-	1,208
MFJ Ndlovu	66	9,604	9,670
MP Nkosi	2,785	4,659	7,444
NR Nkosi	50	-	50
JJ Scholtz	6,344	770	7,114
	26,270	119,320	145,590
30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
DVF Arnoldi	7,160	-	7,160
JDA Blignaut	1,933	-	1,933
Z Breydenbach	1,619	-	1,619
VCN Madini	1,987	8,280	10,267
BA Mahlalela	1,545	-	1,545
TE Mahlangu	1,926	21,740	23,666
VJ Maseko	2,369	86,273	88,642
SC Mathebula	1,584	34,908	36,492
MM Mkhaliphi	79	554	633
TC Motha	553	3,175	3,728
EC Msezane	2,777	2,050	4,827
BL Ndlazi	3,526	19,454	22,980
MFJ Ndlovu	66	9,341	9,407
MP Nkosi	3,890	-	3,890
NR Nkosi	1,463	7,638	9,101
JJ Scholtz	10,598	5,909	16,507
NS Xaba	2,077	-	2,077
TP Zulu	158	-	158
	45,310	199,322	244,632

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52. 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.

Supplier name	Deviation date	Reason for deviation	Description	Amount
MMN Engineering	08/07/2022	Impractical	Repair and maintenance of Waste collection Truck, Front loader , Bomang roller and TLB	215,757
Gilbert Mining	14/07/2022	Impractical	Repair and maintenance of transformers	574,115
MMN Engineering	03/08/2022	Impractical	Emergency purposes, the company is a sole provider chlorine, cylinders and chemical for water	31,992
TG And KZ Ncongweni	09/09/2022	Impractical	Repair and maintenance of the blockages of sewer line due to line being silted.	337,280
Gilbert Mining	22/11/2022	Impractical	Supplies of materials for repairs	877,017
Gilbert Mining	30/11/2022	Impractical	Supplies for materials for repairs of 300mm x150mm x4 core PVC WTP	485,001
Gilbert Mining	30/11/2022	Impractical	Supplies of materials for repairs	574,115
Gilbert Mining	15/07/2022	Impractical	Supplies of materials for repairs	18,354
Gilbert Mining	15/07/2022	Impractical	Supplies of materials for repairs	17,002
Kgwebisano Supplies And Service	28/11/2022	Impractical	Repair of low voltage (LV) power line at Industrial Street	376,798
CPT Limited TA Highvelder	21/07/2022	Impractical	Advert for the position of call/contact centre agent	4,617
CPT Limited TA Highvelder	10/08/2022	Impractical	Public notice for the amendments to the 2022/23 IDP	2,052
CPT Limited TA Highvelder	02/09/2022	Impractical	Newspaper public notice for the IDP/BUDGET/PMS process plan for 2023/24	2,564
CPT Limited TA Highvelder	05/09/2022	Impractical	Newspaper public notice for the IDP community consultative programme	5,129
CPT Limited TA Highvelder	04/08/2022	Impractical	Notice for small medium and micro enterprise workshop	2,564
CPT Limited TA Highvelder	13/07/2022	Impractical	Advert for rates determination	3,078
Truvelo Manufacturers Pty Ltd	13/02/2023	Impractical	Procurement of prolaser machine	5,363
Truvelo Manufacturers Pty Ltd	28/11/2022	Impractical	Prolaser machine training	16,000
CPT Limited TA Highvelder	20/06/2023	Impractical	Advertisement of various items by the municipality	32,628
CPT Limited TA Highvelder	05/06/2023	Impractical	Advert of promulgation of resolution of levying rates	4,540
CPT Limited TA Highvelder	09/03/2023	Impractical	Advertisement of various items by the municipality	6,525
				3,592,491

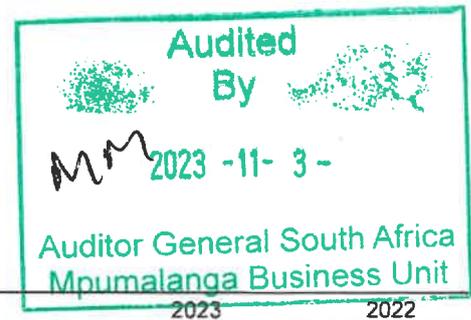
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53. Distribution losses

Values - Rand

Electricity	181,820,328	192,981,942
Water	14,433,928	53,302,821
	<u>196,254,256</u>	<u>246,284,763</u>

Values - Units

Electricity	116,381,419	133,240,410
Water	7,497,142	6,286,564
	<u>123,878,561</u>	<u>139,526,974</u>

Electricity

The municipality purchased 193,793,818 (2022: 222,003,278) units during the financial year and sold 77,412,400 (2022: 88,762,868) units during the financial year. This represents a loss of 60% (2022: 60%). Reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and unmetered properties.

Water

The municipality purchased 9,815,960 (2022: 8,275,789) units during the financial year, of which a total of 2,318,818 (2022: 1,989,225) units were sold. This represents a loss of 76% (2020: 76%). Reasons for incurring water losses relates to old infrastructure, resulting in the section experiencing water leaks and continuous pipe breakages. The availability of working material in time is an issue, resulting in prolonged reaction times for the sections with breakages. Furthermore insufficient staff, components and working vehicles which affect the reaction time.

54. Change in estimate

Property, plant and equipment

During the financial year, management made changes in estimate on certain assets within Property Plant and Equipment. Changes emanating from these reviews were accounted for as a change in accounting estimates in terms of GRAP 3. These were due to the change in useful life whereby economic value could be derived from the assets after final physical verification of these assets were performed.

The impact on depreciation is shown below:

Infrastructure	9,718,693	1,938,025
Community (Buildings)	110,700	42,284
Moveable assets	723,680	663,953

Detailed descriptions, component types of the assets in question are available in the Fixed Asset Register of the municipality.

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55. Prior-year adjustments

Presented below are those items contained in the statement of financial position, and statement of financial performance that have been affected by prior-year adjustments (note debit balances or transaction totals are reflected as positive and credits as negative so that the adjustments correspond with the related journal entries):

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Current Assets				
Inventories		13,003,712	-	13,003,712
Receivables from exchange transactions		146,660,286	(1,193,151)	145,467,135
Receivables from non-exchange transactions		59,810,828	36,003	59,846,831
VAT receivable		115,462,266	(10,033,914)	105,428,352
Cash and cash equivalents		9,661,537	12,290	9,673,827
Non-current assets				
Investment property		180,113,008	(1,731,500)	178,381,508
Property, plant and equipment		2,537,476,313	18,318,871	2,555,795,184
Intangible assets		61,916	-	61,916
Heritage assets		174,895	-	174,895
Finance lease obligation		(1,179,875)	-	(1,179,875)
Payables from exchange transactions		(1,574,804,067)	135,226,466	(1,439,577,601)
Consumer deposits		(19,243,836)	-	(19,243,836)
Employee benefit obligation		(5,605,000)	-	(5,605,000)
Unspent conditional grants and receipts		(1,337,635)	(255,849)	(1,593,484)
Employee benefit obligation		(68,197,000)	-	(68,197,000)
Provisions		(81,932,532)	-	(81,932,532)
Accumulated surplus		(1,310,124,816)	(140,379,216)	(1,450,504,032)
		-	-	-



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55. Prior-year adjustments (continued)

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Service charges		(389,925,396)	5,303,989	(384,621,407)
Rental of facilities and equipment		(2,721,920)	-	(2,721,920)
Agency services		(8,000,655)	-	(8,000,655)
Other income		(13,956,891)	(3,623,859)	(17,580,750)
Interest earned		(30,806,311)	(1,369)	(30,807,680)
Property rates		(183,825,668)	-	(183,825,668)
Government grants & subsidies		(511,096,117)	255,849	(510,840,268)
Fines		(4,770,692)	-	(4,770,692)
Employee related costs		254,072,082	244,239	254,316,321
Remuneration of councillors		15,489,401	3,283	15,492,684
Repairs and Maintenance		29,442,494	512,943	29,955,437
Depreciation and amortisation		137,641,766	662,644	138,304,410
Impairment loss		4,090,039	86,088	4,176,127
Finance costs		87,000,055	9,415,390	96,415,445
Debt Impairment		121,120,243	-	121,120,243
Bulk purchases		391,565,584	7,254,274	398,819,858
Contracted services		45,202,243	1,354,221	46,556,464
Losses on disposal of assets		17,650,037	10,520,025	28,170,062
General Expenses		48,726,711	1,146,752	49,873,463
Fair value adjustments		(66,567,036)	-	(66,567,036)
Actuarial gain		(5,856,510)	-	(5,856,510)
Inventories (losses)/gains		16,195,456	-	16,195,456
(Surplus)/Deficit for the year		(49,331,085)	33,134,469	(16,196,616)

Changes to disclosure

Commitments: The commitments note was revised based on audit queries and a review of the commitment register and project files. The original balance for capital commitments was understated and was changed from R41,677,599 to R47,770,842; see note: 43

Irregular Expenditure: Additional expenditure was identified in 2023 relating to prior years. See note: 50

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

The balance of the Fleet Card was allocated to Trade and other payables under Payables from Exchange Transactions, however, this card tends to have a debit balance at any given time, therefore, this was reallocated to Receivables from Exchange.

Statement of Financial Position

Receivables from Exchange transactions	401,015
Payables from Exchange Transactions	(401,015)
	-

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56. Prior period errors

Error 1

An invoice for the Department of Water and Sanitation was only captured after year end; as a result, Payables from Exchange Transactions - Trade Payables was understated by R18,518,574 and VAT Receivable, Bulk Purchases and Finance costs were understated accordingly. Irregular expenditure was also understated with the Finance Costs of R7,925,327.

Statement of Financial Position

VAT Receivable	1,177,857
Payables from Exchange Transactions	(18,518,574)
Statement of Financial Position	
Bulk Purchases	9,415,390
Finance Costs	7,925,327
	<u>-</u>

Error 2 - Payables understated

An invoice for the Department of Safety, Security and Liason was captured incorrectly, and minor misallocations of interest and bank charges in the related bank account were also identified. As a result, Payables from Exchange Transactions was understated by R5,319,975, and Service charges overstated. Interest Income, and General Expenditure were understated as well. Note: There is no VAT on these invoices.

Statement of Financial Position

Payables from Exchange Transactions	(5,319,975)
Statement of Financial Performance	
Service Charges	5,303,989
Interest Income	(1,369)
General Expenses	17,355
	<u>-</u>

Error 3

A lot of new information was obtained relating to historical charges and, in particular, credit notes for the Department of Water and Sanitation. As a result, Payables from Exchange was overstated by R147,145,190. Accumulated surplus was understated, and VAT receivables was overstated.

Statement of Financial Position

VAT Receivable	(6,861,489)
Payables from Exchange Transactions	147,145,191
Accumulated Surplus	(140,283,702)
	<u>-</u>

Error 4

A number of sundry creditors were incorrectly accrued at year end. As a result, Payables from Exchange Transactions was understated by R1,899,813, and Repairs and Maintenance, Contracted Services, and General Expenses were understated. The VAT element had been captured correctly.

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56. Prior period errors (continued)

Statement of Financial Position

Payables from Exchange Transactions	(1,899,813)
Property, plant and equipment	228,993

Statement of Financial Performance

Repairs and Maintenance	512,942
Contracted Services	1,114,387
General Expenses	26,620
	<u>(16,871)</u>

Error 5

Employee related costs for a number of new employees were not set up correctly in the Payroll system, resulting in them being posted to Payables from Exchange - Employee related payables and accruals. As a result, Employee Related Costs, Remuneration of Councillors, General Expenses and Payables from Exchange were understated.

Statement of Financial Position

Payables from Exchange Transactions	(247,663)
-------------------------------------	-----------

Statement of Financial Performance

Employee Related Costs	244,242
Remuneration of Councillors	3,283
General Expenses	138
	<u>-</u>

Error 6

An invoice for Eskom was accrued without separating the VAT component. As a result, Bulk Purchases was overstated with R248,135 and VAT Receivable was understated with the same amount.

Statement of Financial Position

VAT Receivable	248,135
----------------	---------

Statement of Financial Performance

Bulk Purchases	(248,135)
	<u>-</u>

Error 7

All receipts relating to the LG SETA were recognised as income, however only R196,000 was spent in relation to this grant; therefore, Unspent conditional grant and receipts was understated by R255,849, and Government grants and subsidies was overstated by the same amount.

Statement of Financial Position

Unspent conditional grants and receipts	(255,849)
---	-----------

Statement of Financial Performance

Government grants and subsidies	255,849
	<u>-</u>

Error 8

During the 2023 asset verification, a number of errors were identified, particularly relating to the timing of disposals and land not recognised. As a result, Property, plant and equipment was understated by R18,089,878, Investment property was overstated by R1,731,500, Accumulated surplus understated by R27,328,221, Payables from Exchange understated by R298,913, Loss on disposal of assets understated by R10,520,025, Depreciation and amortisation understated by R662,644, Impairment understated by R86,087, Loss on Disposal of Assets understated by R10,520,025.

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56. Prior period errors (continued)

Statement of Financial Position

Investment property	(1,731,500)
Property, plant and equipment	18,089,878
Payables from exchange transactions	(298,913)
Accumulated surplus	(27,328,221)

Statement of Financial Performance

Depreciation and amortisation	662,644
Impairment	86,087
Gains/(loss) on Disposal of Assets	10,520,025

-

Error 9

A number of unsubstantiated balances were identified, which had not changed in the current or prior year; these were written off. Receivables from exchange was overstated by R1,921,436 relating to prepaid electricity, where nothing is owing from the supplier; Payables from exchange was overstated by R349,728 (previously disclosed as Creditors Return of Payments in the note); an account reflected in Payables from Exchange under Licensing has a balance of R252,519, which had not changed since 2019; petty cash was understated and one of the accounts had a negative R12,289 balance, which was clearly in error.

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56. Prior period errors (continued)

Statement of Financial Position

Receivables from Exchange Transactions	(1,921,436)
Payables from Exchange	602,247
Cash and cash equivalents	12,289
Accumulated surplus	1,306,900
	<u>-</u>

Error 10

Invoices were identified in 2023 which related to the 2022 financial year; therefore Payables from exchange was understated by R916,264, VAT Receivable was understated by R119,513, Contracted Services was understated by R279,000, and General Expenses understated by R517,751.

Statement of Financial Position

VAT Receivable	119,513
Payables from Exchange Transactions	(916,264)
Statement of Financial Performance	
Contracted Services	279,000
General Expenses	517,751
	<u>-</u>

Error 11

Long standing differences between Receivables and Payables from Exchange Transactions (Receivables paid in advance) and the debtors age analysis were cleared against accumulated surplus.

Statement of Financial Position

Receivables from Exchange Transactions	327,268
Receivables from Non-Exchange Transactions	36,003
Payables from Exchange Transactions	(741,472)
Accumulated surplus	378,201
	<u>-</u>

Error 12

The decision was taken to clear unallocate receipts annually to the Statement of Financial Performance, and to clear the historical backlog (R3,623,859 in 2023 and R7,586,862 in 2022 and earlier) and cumbersome account number structure, so that this balance can be managed more efficiently in future.

Statement of Financial Position

Payables from Exchange Transactions	11,210,721
Accumulated Surplus	(7,586,862)
Statement of Financial Performance	
Other Income	(3,623,859)
	<u>-</u>

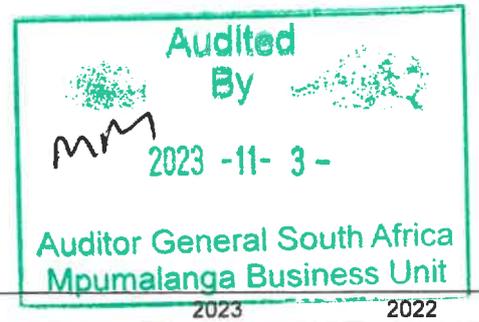
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56. Prior period errors (continued)

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57. Segment information

General information

Identification of segments

The municipality has five major segments linked to the primary services offered.

Electricity is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

Water is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

Sewerage is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

The Community and Health department concerned with and generates economic gains and service potential through refuse removal as well as the management of community assets and areas, including libraries, parks and landfill sites. Incidental to its activities, it generates fine revenue.

The Finance vote is administrative, however it generates economic benefits in the form of interest on invested funds, and sundry income from the sale of tender documents, etc. Further, the administration of property rates is co-ordinated by the finance department. The Finance department is responsible for most of the asymmetrical allocations in the segments: expenses and assets are allocated to the segments, but the related payables, VAT and interest expenses are allocated to the Finance department. Inventory is held under the Finance department.

The other segments are administrative in nature and any revenue generated by these is incidental to their operations. Vehicles, road infrastructure assets, and office furniture and equipment make up the majority of Property, plant and equipment not allocated to reportable segments.

The table below is exclusive of interdepartmental billings (which are offset under Expenses in the Statement of Financial performance)..

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Revenue							
Service Revenue	(225,322,437)	(74,234,690)	(57,676,547)	(49,297,438)	-	(2,620)	(406,533,731)
Agency Services	-	-	-	(6,885,735)	-	-	(6,885,735)
Other Income	(1,616,608)	(1,118,975)	-	(117,044,951)	(1,549,950)	(2,182,952)	(123,513,436)
Rental Of Facilities And Equipment	-	-	-	(177,708)	-	(2,743,593)	(2,921,300)
Interest Income	(6,353,352)	(9,018,114)	(6,180,015)	(5,900,630)	(14,513,361)	-	(41,965,472)
Rates	-	-	-	-	(205,140,723)	-	(205,140,723)
Grants	(4,000,000)	(191,866,559)	-	-	(3,000,000)	(299,386,017)	(498,252,576)
Fines	-	-	-	(5,547,038)	-	(156,576)	(5,703,614)
Donations	-	(1,097,445)	-	-	-	(237,689)	(1,335,134)
Total segment revenue	(237,292,397)	(277,335,783)	(63,856,561)	(184,853,499)	(224,204,034)	(304,709,447)	(1,292,251,721)



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By
MM

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Auditor General South Africa
Mpumalanga Business Unit

57. Segment information (continued)

Expenditure	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Employee Related Costs	25,165,592	19,157,238	15,029,679	77,621,142	40,344,370	95,120,533	272,438,554
Remuneration Of Councillors	-	-	-	-	-	17,362,091	17,362,091
Depreciation	18,242,597	26,367,010	23,409,357	8,932,127	611,034	57,465,855	135,027,979
Impairment	80,709	-	7,265,966	154,329	-	1,060,633	8,561,636
Debt Impairment	24,093,664	31,123,130	26,723,234	33,421,577	41,451,837	1,781,099	158,594,542
Finance Costs	317,779,412	71,482,037	-	-	82,472,487	16,536,461	99,008,948
Bulk Purchases	6,767,296	-	-	-	-	-	389,261,449
Contracted Services	19,873,289	23,056,209	1,029,969	33,087,211	9,232,755	12,797,606	61,884,869
Repairs and Maintenance	(3,888,181)	12,826,979	734,438	3,851,603	17,509	2,414,638	50,243,216
Expenses	-	-	-	9,184,512	14,398,682	36,975,869	70,232,299
Actuarial Gain	-	-	-	(7,440,524)	(3,377,545)	-	(7,440,524)
Fair Value Gains	3,545,936	2,632,094	4,564,038	377,159	-	-	(3,377,545)
Gains/Losses On Disposal of Assets	-	-	-	(3,569,547)	-	2,942,523	14,061,750
Gains/Losses On Inventory	-	-	-	-	-	-	(3,569,547)
Total segment expenditure	411,660,314	186,644,697	78,756,682	155,619,588	185,151,129	244,457,309	1,262,289,717
Total segmental surplus/(deficit)							(29,962,004)
Assets							
Inventory	-	-	-	-	23,589,170	-	23,589,170
Receivables From Exchange	51,222,126	51,597,241	24,853,265	5,247,092	17,652,386	13,917,715	164,489,824
Receivables From Non-Exchange	-	-	-	578,105	58,901,040	-	59,479,145
Vat Receivable	(15,677,192)	(18,605,283)	(13,369,572)	(11,242,424)	189,725,845	209,338	131,040,711
Cash And Cash Equivalents	304,763,463	904,777,174	507,087,938	137,418,829	78,704,966	-	78,704,966
Property plant and equipment	-	-	-	-	29,487,662	763,274,239	2,646,809,305
Investment Property	-	-	-	-	181,143,053	-	181,143,053
Intangible Assets	-	-	-	-	-	15,786	15,786
Heritage Assets	-	-	-	-	-	174,895	174,895
Total segment assets	340,308,397	937,769,131	518,571,630	132,001,602	579,204,122	777,591,972	3,285,446,855

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57. Segment information (continued)

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Liabilities							
Provisions	-	-	-	(81,932,532)	-	(13,386,844)	(95,319,376)
Consumer Deposits	(20,330,726)	-	-	-	(119,519)	-	(20,450,245)
Employee Benefit Obligation	-	-	-	-	-	(72,795,001)	(72,795,001)
Unspent Grants	(2,951,203)	335,505,809	0	-	1,566,397	(378,844,690)	(44,723,687)
Payables From Exchange	-	-	-	17,930,228	(1,584,116,653)	(5,506,085)	(1,571,692,510)
Total segment liabilities	(23,281,929)	335,505,809	-	(64,002,304)	(1,582,669,774)	(470,532,621)	(1,804,980,819)

2022

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Revenue							
Service Revenue	(231,380,573)	(64,285,929)	(48,773,955)	(40,181,691)	-	-	(384,622,148)
Rental Of Facilities And Equipment	-	-	-	(159,924)	-	(2,561,255)	(2,721,179)
Agency Services	-	-	-	(8,000,655)	-	-	(8,000,655)
Other Income	(4,353,978)	(39,902)	-	(9,911,240)	(857,094)	(2,421,170)	(17,583,384)
Interest Income	(5,317,290)	(7,673,551)	(4,983,619)	(4,751,238)	(8,081,981)	2,635	(30,805,044)
Rates	-	-	-	-	(183,825,669)	-	(183,825,669)
Grants	(10,000,000)	(253,434,678)	-	-	(3,000,000)	(244,405,590)	(510,840,268)
Fines	-	-	-	(4,596,284)	-	(174,408)	(4,770,692)
Total segment revenue	(251,051,841)	(326,434,061)	(53,757,574)	(67,601,032)	(195,764,744)	(249,559,788)	(1,143,169,039)

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	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
57. Segment information (continued)							
Liabilities							
Finance Lease	-	-	-	-	(1,179,875)	-	(1,179,875)
Payables From Exchange	-	-	-	8,865,549	(1,443,089,676)	(4,952,457)	1,439,176,564
Consumer Deposits	(19,133,784)	-	-	-	(110,052)	-	(19,243,837)
Employee Benefit Obligation	-	-	-	-	-	(73,802,000)	(73,802,000)
Unspent Grants	(2,951,203)	200,578,578	-	-	1,858,831	(201,079,690)	(1,593,484)
Provisions	-	-	-	(73,430,066)	-	(8,502,466)	(81,932,532)
Total segment liabilities	(22,084,987)	200,578,578	-	(64,564,517)	(1,442,520,773)	(288,335,614)	1,616,928,312
Total liabilities as per Statement of financial Position							1,617,329,328

Following prior period adjustments, the prior year segment information has been restated.

Information about geographical areas

The municipality's operations are in the Mpumalanga Province, it's major geographical areas within the Province are Ermelo, Breyton, Davel, Sheepmoor, Chrissiesmeer, Lothair and Warburton. Information is not readily available by geographical location, and this was considered too expensive to pursue for the purpose of these financial statements, however, as the application of mSCOA is refined within the municipality, this is expected to change.



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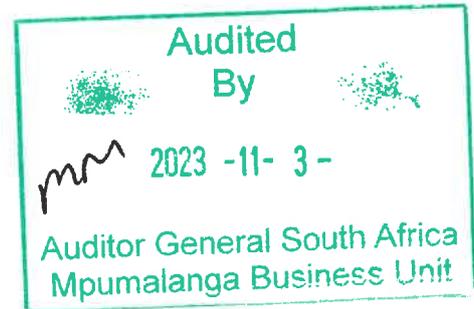
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58. Budget differences

Statement of Financial Performance



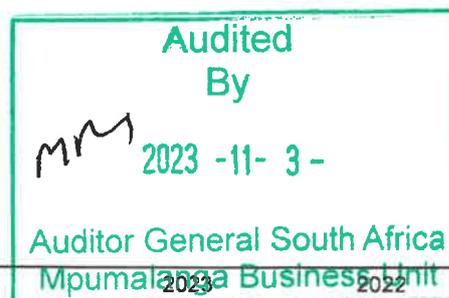
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58. Budget differences (continued)

The following variances are generally on balances or amounts over R1m where the variance is over 10%. The variance on Accumulated surplus is the sum of all other variances, therefore this is not discussed.

1.01 - Service revenue

This decreased due to increased loadshedding and load-reduction.

1.02 - Other income

There was less development in the area due to the difficult economic environment, therefore there was a decrease in connection fees and planning and economic development charged.

1.03 - Interest received

This is a result of increased interest on debtors due to non-payment as well as interest on the regional bulkwater infrastructure grant funds.

1.04 - Property rates

There was less development in the area than anticipated in the budget.

1.05 - Government grants and subsidies

This is due to unspent amounts on grants, particularly the Regional BulkWater Infrastructure Grant.

1.06 - Donations

It is inherently difficult to estimate donations for the year; donations of books and furniture were received.

1.07 - Debt forgiven

This was not anticipated in the budget as the details of the transfer of the licensing function were unclear at the time.

1.08 - Remuneration of Councillors

The approved 3% increase on councillors remuneration was lower than the anticipated/budgetted 4.9%.

1.09 - Repairs and maintenance

This saving is due to cost curtailment measures.

1.10 - Finance costs

This is due to high interest charges, particularly on Eskom and the Department of Water and Sanitation, which were not adequately budgetted for.

1.11 - Bulk Purchases

This was a result of the high increase in tariffs, particularly on electricity (18,49%) which was not anticipated in the budget.

1.12 - Contracted services

This is due to cost curtailment measures.

1.13 - General expenses

This was impacted by the increased use in fuel to power the municipalities generator during loadshedding.

1.14 - Losses on disposal of assets and liabilities

This is inherently difficult to anticipate in the budget.

1.15 Fair Value gains

This is inherently difficult to estimate in the budget, and reflects the difficult economic environment.

1.16 - Actuarial Gains

This is due to changes in the staff complement, and relevant economic indicators affecting medical aid and long service award provision. This is inherently too complex to budget for.

1.17 - Inventory Losses

This is a result of inventory counted which was not recorded on the system, and may be related to the high losses in the previous financial year.

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58. Budget differences (continued)

Statement of financial position

1.16 - Inventories

The stock on hand at year end was higher than anticipated; this is linked to the gain on inventory resulting from the stock count.

1.19 - Consumer debtors

These increased due to non-payment by debtors.

1.20 - Call investment deposits and Cash and cash equivalents

This is a result of grant funds received and not yet spent, particularly on the Regional Bulk Water Infrastructure grant.

1.21 - VAT receivable

This is a result of higher costs such as bulk purchases.

1.24 - Property plant and equipment

This is a result of the procurement of new fleet vehicles as well as on-going projects which were further along than anticipated.

1.25 - Payables from exchange transactions

This relates to the higher cost of items such as bulk purchases, and lower repayments than anticipated due to non-payment by debtors.

1.26 - Consumer deposits

There was an error in the amount budgetted, and this did not reflect the prior year balance correctly.

1.26 - Unspent conditional grants

This relates primarily to the Regional Bulk Water Infrastructure Grant which was unspent at year end.

1.27 - Provisions

This includes the employee benefits obligation and the landfill rehabilitation provision; these are inherently difficult to predict due to the complexity of the calculations, and the increase in the landfill provision was far higher than the decrease in the employee benefits obligations.

Statement of Cashflows

1.28 - Net cash flows from operating activities

Cash for property rates and consumer debtors was lower than anticipated in the budget.

Payments to suppliers were significantly lower due to cost curtailment as well as pressure created by lower receipts from debtors.

1.29 - Net cash flows from investing activities

Spending on PPE was higher than anticipated due to projects being further along than anticipated, and the purchase of new fleet vehicles.

1.30 - Net cash flows from financing activities

The budget did not reflect lease payments during the year.

VOLUME III

AUDITOR GENERAL REPORT

Report of the auditor-general to the Mpumalanga Provincial Legislature and the council on the Msukaligwa Local Municipality

Report on the audit of the financial statements

Qualified opinion

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

Basis for qualified opinion

Payables from exchange transactions

3. The municipality did not have adequate systems to maintain records of accounts payable for goods and services received but not yet paid for in line with GRAP 104, *Financial instruments*. I was unable to determine the full extent of the misstatement as it was impractical to do so. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as trade payables. I could not confirm the payables from exchange transaction by alternative means. The payables from exchange transactions included in the risk management and financial instrument disclosure in note 42 and 43 to the financial statements also included these amounts. Consequently, I was unable to determine whether any further adjustments were necessary to payables from exchange transaction stated at R1,57 billion (2022: R1,43 billion) disclosed in note 14 to the financial statements.

Irregular expenditure

4. The municipality did not include all irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. This has resulted in an understatement of irregular expenditure. I was unable to quantify the full extent of the understatement to irregular expenditure of R410,95 million (2021-22: R371,37 million) as disclosed in note 52 to the financial statements as it was impracticable to do so.

Context for opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
6. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty related to going concern

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.
9. I draw attention to note 48 to the financial statements, which indicates that the municipality had material contingent liabilities as well as trade and other payables against receivables. As stated in the note, these events or conditions, along with the other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Material distribution losses of electricity

11. As disclosed in note 55 to the financial statements, material electricity losses of R181,82 million (2021-22: R192,98 million) was incurred, which represents 60% (2021-22: 60%) of total electricity purchased. Losses were due to dissipation when electricity flows through the conductors, illegal connections, meter tampering and unmetered properties.

Material distribution losses of water

12. As disclosed in note 55 to the financial statements, material water losses of R54,02 million (2021-22: R53,30 million) was incurred, which represents 76% (2021-22: 76%) of total water purchased. Losses were due to old infrastructure, unavailability of working material, insufficient staff, components and working vehicles.

Restatement of corresponding figures

13. As disclosed in note 57 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2023

Underspending of the conditional grant

14. As disclosed in note 18 to the financial statements, the municipality materially underspent on the Regional bulk infrastructure grant by R40,07 million.

Other matter

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

16. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

17. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA, and 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.
18. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

19. 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.
20. 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

21. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance

against predetermined objectives for the selected key performance areas presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

22. I selected the following key performance areas presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected key performance areas that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area	Page numbers	Purpose
Key Performance Area 2 - Basic service delivery and infrastructure development	XX	To provide sustainable and reliable services to communities
Key Performance Area 3 - Local economic development	XX	To coordinate efforts to address unemployment and poverty

23. I evaluated the reported performance information for the selected key performance areas against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

24. I performed procedures to test whether:

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

25. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

26. The material findings on the reported performance information for the key performance areas are as follows:

Key Performance Area 2 – Basic service delivery and infrastructure development

Indicator: Number of water meters installed

27. The reported measures taken to improve performance against the under-achievement of water meters installed did not agree to the supporting evidence. The supporting evidence indicated that meters were delivered hence ensuring early delivery of water meters as reported in the annual performance report is inadequate.

Various indicators

28. The evidence and method of calculation for measuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the achievements of the following indicators reported against the targets in the annual performance report:

Indicator description	Planned target	Reported achievement
% of households with access to basic level of water by 30 June 2023	95,3%	95,3%
% of households with access to waste removal at least once a week by 30 June 2023	76%	76,6%
% of callouts responded to within 24 hours (Water)	95%	99%
% of callouts responded to within 24 hours (sanitation/wastewater)	98%	100%

29. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Indicator description	Reported achievement
Km of water AC pipes replaced with U-PVC pipes by 30 June 2023	3,084
Number of households provided with ventilation improved pit toilets (VIPs) by 30 June 2023	334
Km of gravel roads upgraded to asphalt or paved surface by 30 June 2023	4,096
Square metre of potholes patched by 30 June 2023	45 583,73
Km of roads re-gravelled and bladed by 30 June 2023	55,73 km
Refurbishment of Breyten 11kv sub by 30 September 2022	1

Key Performance Area 3 – Local economic development

Indicator: Number of work opportunities created through public employment programmes (incl. Expanded Public Works Programme (EPWP), Community Work Programme (CWP) and other related employment programmes) by 30 June 2023

30. The indicator was included in the approved service delivery and budget implementation plan and integrated development plan but then not clearly defined during planning processes. It was also not determined how the related target would be measured and what evidence would be needed to support the achievement. Consequently, the information might be less useful for measuring performance.
31. An achievement of 450 was reported against a target of 461. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Other matters

32. I draw attention to the matters below.

Achievement of planned targets

33. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievement's and measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

34. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 2 – Basic service delivery and infrastructure development and KPA 3 – Local economic development. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on the audit of compliance with legislation

Introduction and scope

35. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

36. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
37. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
38. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual reports

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

Consequence management

40. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
41. Losses resulting from fruitless and wasteful expenditure were written-off as irrecoverable without being certified by council as irrecoverable, in contravention of section 32(2)(b) of the MFMA/ municipal budget and reporting regulations 75(2).

Expenditure management

42. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
43. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with applicable SCM legislation.
44. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R82 521 559, as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged by Eskom and the Department of Water and Sanitation (DWS).
45. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R235 125 294, as disclosed in note 50 to the annual financial statements, in contravention of section

62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by spending not being in accordance with the final approved budget.

Procurement and contract management

46. The preference point system was not applied to some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
47. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
48. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM Regulation 46(2)(e) and the code of conduct for councillors issued in terms of the Municipal Systems Act.

Strategic planning and performance management

49. The performance management system and related controls were inadequate as it did not describe how the performance measurement processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1)

Other information in the annual report

50. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
51. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
52. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
53. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

54. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
55. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
56. Management did not implement adequate controls over daily and monthly processing and reconciling of transactions.
57. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
58. Management did not review and monitor compliance with applicable laws and regulations.

Material irregularities

59. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities identified during the audit

60. The material irregularities identified are as follows:

Material irregularity: Interest incurred on Eskom invoices not paid within 30 days of receiving the relevant invoice or statement.

61. The municipality did not comply with Section 65 (2) (e) of the MFMA which states that, all money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise.
62. The municipality did not ensure that all invoices from Eskom were paid within 30 days of receiving the invoice or statement, as a result the municipality incurred interest.
63. The non-compliance is likely to result in a material financial loss for Msukaligwa Local Municipality due to the interest incurred by the municipality for the outstanding debt as per the invoices which still needs to be paid.
64. The accounting officer was notified of this material irregularity on 1 March 2023 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded on 30 March 2023 with the actions taken to resolve the material irregularity. The following actions have been taken to resolve the material irregularity:

- The accounting officer initiated negotiations with the appointed service provider to assist in disconnections on a monthly basis to address the electricity challenges the municipality is currently facing. Thus far, negotiations have resulted in revenue collections
- On 6 December 2022, financial assistance from the provincial treasury towards the procurement of meters was approved and received for the purchase of electricity meters. Targets for installation are included in the annual planning documents and the majority of these meters have been installed to date
- On 29 September 2023, the debt-relief application to National Treasury was approved which will result in a third of the debt owing to Eskom being written off over a three-year period. Furthermore, the accounting officer committed to compile a repayment plan after deliberations with Eskom on 1 December 2023, which will be implemented and monitored.

65. I will follow-up on the implementation of actions during my next audit.

Material irregularity: Department of Water and Sanitation (DWS) invoices not paid within 30 days of receiving the relevant invoice or statement.

66. The municipality did not comply with Section 65 (2) (e) of the MFMA which states that, all money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise.
67. The municipality did not ensure that all invoices from DWS were paid within 30 days of receiving the invoice or statement, as a result the municipality incurred interest.
68. The non-compliance is likely to result in a material financial loss for Msukaligwa Local Municipality due to the interest incurred by the municipality for the outstanding debt as per the invoices which still needs to be paid.
69. The accounting officer was notified of this material irregularity on 1 March 2023 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded on 30 March 2023 with the actions taken to resolve the material irregularity. The following actions have been taken to resolve the material irregularity:
- The accounting officer initiated negotiations with DWS and provincial treasury to conclude on the write off a large portion of debt owing as a result of disputes lodged. Further deliberations are to be held. A meeting was held on 20 November 2023 with DWS and Gert Sibande and a further meeting is planned for 7 December 2023 together with Treasury
 - On 06 December 2022, financial assistance from Provincial Treasury towards the procurement of meters was approved and received for the purchase of water meters. Targets for installation are included in the annual planning documents. Installation of meters are still in progress

- On 22 June 2023, a service provider was appointed to address water cut-offs, reconnection, installation, and meter inspections. Further impacts are expected to be seen from the investigations into water challenges. As at the date of this audit report, this action was still in progress.

70. I will follow-up on the implementation of actions during my next audit.

Auditor-General

Mbombela

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure Section 1 - Definition: service delivery and budget implementation plan Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulation 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), 17(1)(b), Regulations 17(1)(c). 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a) and (b), 29(5)(a)(ii), 29(5)(b)(ii), Regulations 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)

Legislation	Sections or regulations
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Municipal Systems Act 32 of 2000	<p>Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1)(b)(ii), 29(2)(a), Sections 29(2)(c), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, Sections 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), Sections 67(1)(d), 74(1), 93J(1), 96(b)</p> <p>Parent municipality with ME: Sections 93B(a), 93B(b)</p> <p>Parent municipality with shared control of ME: Sections 93C(a)(iv), 93C(a)(v)</p>
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(5)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)