



MKHONDO

LOCAL MUNICIPALITY

DRAFT ANNUAL REPORT

24/25

DISCLAIMER
DRAFT ANNUAL REPORT

2024/2025

This Draft Annual Report is drafted in terms of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

MKHONDO LOCAL MUNICIPAL

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MKHONDO 303MP
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CHAPTER

1

1.1 COMPONENT A: EXECUTIVE MAYOR'S FOREWORD



In the presence of you today, I, **Cllr. Ngelosi Ndhlovu, Executive Mayor of Mkhondo Local Municipality**, presents before you this Annual Report for the fiscal year 2024/2025. It is with a tremendous feeling of honour and duty that I do so. This paper serves as a tribute to our collaborative efforts in providing services to the people who live in eMkhondo (Piet Retief), Amsterdam, and the surrounding villages in this stunningly beautiful south-eastern part of Mpumalanga, which is a gateway that borders both eSwatini and KwaZulu-Natal.

On behalf of the Municipal Council, which is led by the Speaker, the Mayoral Committee, and our committed administration, which is led by the Municipal Manager, I would like to extend a warm welcome to all of the stakeholders, including our communities, traditional leaders, the business sector, civil society, and our partners from the provincial and national governments. Your voices and active engagement continue to be the foundation of our plan for progress.

When we look back on the past year, we can see that while dealing with ongoing difficulties, we have achieved significant progress in terms of developing infrastructure and service delivery. Important accomplishments include making significant headway on vital water infrastructure projects, in particular our contributions to the Gabosch Dam Project, which we worked on in conjunction with the Gert Sibande District Municipality and the Department of Water and Sanitation. This flagship project, which has been under development since the middle of 2023 and has a capitalization of nearly R450 million, continues to demonstrate significant progress. More than eleven local small, medium, and micro enterprises (SMMEs) have been given possibilities as a result of this initiative, which has enabled them to generate over 78 new jobs. With its completion, which is anticipated to take place in August 2026, it will provide long-term water security to about 19,837 homes in locations such as Amsterdam (Wards 5 and 19). This will ensure a sustainable supply for more than half a century, despite the fact that demand is increasing and existing sources are decreasing. This collaboration is a prime example of the regional collaborations that increase our capacity to address the historical backlogs in rural areas and to ensure that our people have access to fundamental services.

In addition, we have continued to maintain and increase our provision of electricity, road maintenance, and sanitation services across all 19 of our wards. This is in accordance with the

constitutional responsibility that we have to provide sustainable basic services. Through community programs, tourism marketing, and collaborations that strengthen small and medium-sized enterprises (SMMEs), jobs have been created as a result of local economic development activities. This is especially true in the areas of agriculture, forestry, and tourism prospects that capitalize on our strategically located environment and abundant timber resources.

These accomplishments have their origins firmly planted in our Integrated Development Plan (IDP) for the years 2022-2027, which is centered around the topic "A successful model municipality." The construction and maintenance of infrastructure, spatial planning, LED, public involvement, and good governance are some of the areas that we have prioritized in terms of advancement. Our emphasis on social cohesion, youth development, education support (as demonstrated by recent back-to-school campaigns and congratulations to the Matric Class of 2025), and environmental sustainability reflects alignment with national imperatives such as the National Development Plan (NDP), the District Development Model (DDM), and Mpumalanga's provincial growth agenda. Mpumalanga is a province in South Africa.

Nevertheless, we are aware of the reality that we are confronted with. The problems that we face in terms of Rates collection efficiency, along with the financial limits that include a high reliance on equitable share grants and conditional allocations such as the Municipal Infrastructure Grant (MIG), continue to put our resources to the test. There are a number of factors that have contributed to the slowdown of certain programs. These include vandalism of infrastructure, historical backlogs in rural service delivery, and capacity deficiencies in administration. We continue to be dedicated to tackling these issues by implementing enhanced revenue enhancement techniques, asset protection measures, filling essential vacancies (including the recent administrative strengthening), and utilizing tools such as the Livi Lempakatsi mobile application to guarantee the delivery of services that are responsive and community-driven.

Despite continued attempts to enhance collection rates and judicious management of limited resources, the municipality has managed to maintain a steady position in terms of its finances. We are filled with gratitude for the support that we receive from both the national and provincial treasuries, which enables us to continue our activities and invest in the priorities of the community.

We have a crystal clear vision for the future: to create a wealthy and welcoming Mkhondo community in which every citizen has the opportunity to experience an enhanced quality of life. Accelerating the rollout of infrastructure (water, roads, and electricity), including the successful completion of Gabosch Dam; boosting LED through agriculture, forestry, and tourism; strengthening public participation through ward committees, IDP forums, and recent ward councillor introductions; and establishing ethical and accountable governance will be the primary focuses of future developments.

For the purpose of ensuring that services continue to be responsive and inclusive, we will increase our level of community interaction, particularly through the use of platforms such as the Livi Lempakatsi app.

The renewal of our collaboration is something that I am requesting from our Council, administration, traditional authorities, the business community, and each and every person. In order to realize our common goals, it is very necessary for you to take an active role in the planning, supervision, and execution of the project. By working together, we will be able to overcome challenges and establish Mkhondo as a leading example of excellence in terms of both service delivery and development.

Please accept my gratitude for your unwavering support and trust. In this stunning region of Mpumalanga, let us move forward with resoluteness and solidarity in order to create a more promising future for ourselves.

Cllr Ngelosi Ndhlovu

Executive Mayor

Mkhondo Local Municipality

COMPONENT B: EXECUTIVE SUMMARY

1.2 MUNICIPAL MANAGER'S OVERVIEW

1.3 VISION, MISSION AND CORE VALUES

VISION

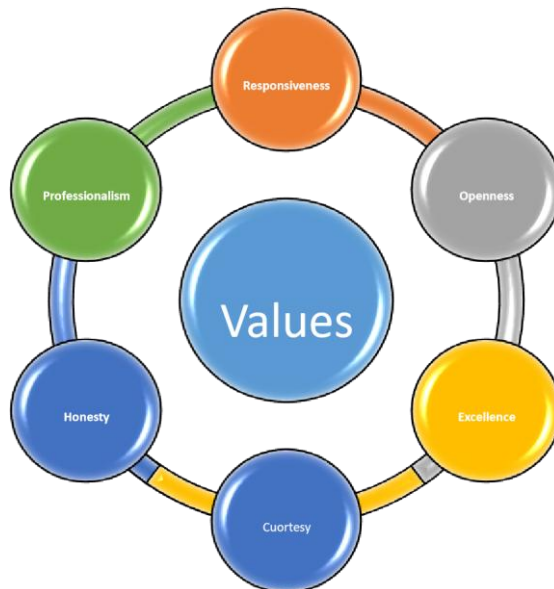
A model municipality of excellence

MISSION

Committed to deliver quality and sustainable services that will enhance economically viable and better life for our community.

MUNICIPAL CORE VALUES

Mkhondo Local Municipality's activities are underpinned by the following core values:



1.4 MKHONDO DEMOGRAPHICS

1.4.1 HISTORY OF MKHONDO LOCAL MUNICIPALITY

Mkhondo Local Municipality is Located in the south-eastern corner of Mpumalanga, and the Municipality is bordered by Chief Albert Luthuli Municipality towards the North, Msukaligwa Municipality towards the Northwestern, and The Kingdom of Swaziland towards the east, uPongola Local Municipality and eDumbe Municipality towards the South (KwaZulu Natal

Province) and Dr Pixely Ka Isaka Seme Municipality towards the Southwestern. The municipality is located on the N2 (National Road) where the R543 (VolksrustSwaziland) and R33 (VryheidAmsterdam) intersect. N2 bisects the municipality, which links with the N17 from Ermelo. The N2/N17 is a prominent link between Gauteng Province, Swaziland and Kwazulu Natal (Richard's Bay and further to Durban). The N2/N17 are recognized as strategic roads and freight corridors.

The Municipality is made up of nineteen (19) wards covering 4 868 square kilometers central from Maputo, Swaziland, Durban, Nelspruit, Johannesburg and Pretoria (within ± 300 km radius). The Municipality amalgamated two former Transitional Local Councils and two Transitional Rural Councils. The historic towns of Piet Retief and Amsterdam.

The municipality is demarcated as MP303 in terms of the Municipal Demarcation Board. It falls within Gert Sibande District Municipality, which is one of the three District Municipalities in Mpumalanga Province, the other District Municipalities are namely Nkangala District Municipality and Ehlanzeni District Municipality. Ehlanzeni District Municipality has the most population in Mpumalanga Province (2 270 897 people) followed by Nkangala District Municipality by 1 588 684 people and Gert Sibande District Municipality by 1 289 459 people (Statssa, 2022).

The Mkhondo Local Municipality falls within the 25 km radius identified for the KZN/MP transboundary development initiative, which includes amongst others Mpumalanga Province local municipalities (Mkhondo Local Municipality and Pixley Ka Isaka Seme Local Municipality) and Kwa Zulu Natal Province Local Municipalities (eDumbe Local Municipality, Uphongolo Local Municipality, Emadlangeni Local Municipality and Newcastle Local Municipality).

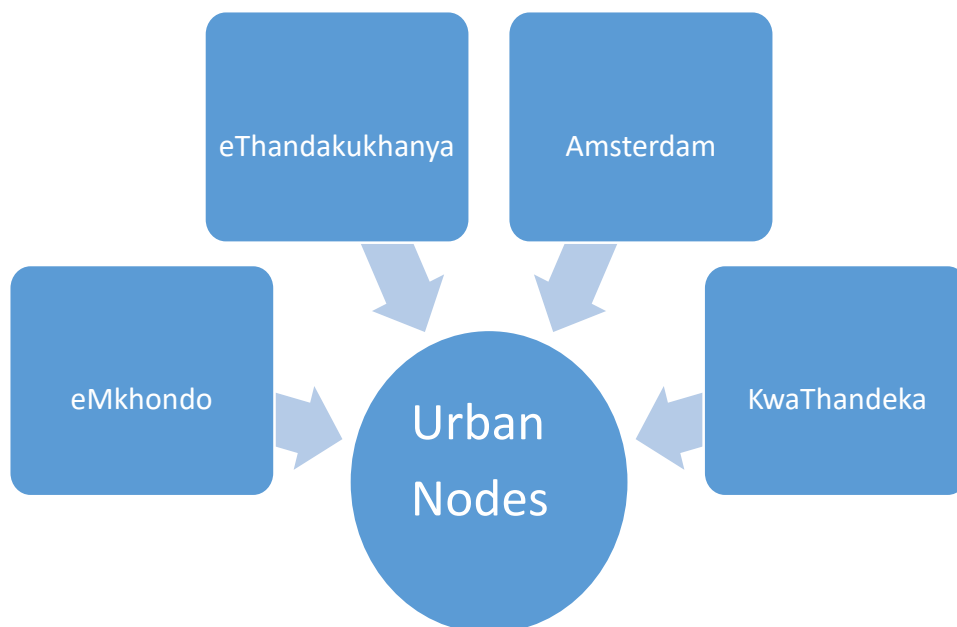
The Municipality comprises of forestry plantations and much of its economy originates from this source. Mondi, Sappi, TWK and Komati Land Forests are the major companies that lead the forestry industry in the municipality. Mkhondo Local Municipality is known for wood processing, furniture, manufacturing, and coal briquettes manufacturing. A number of timber producing companies are located within the municipality, including Mpact, Tafibra and PG Bison and Normandien which are national businesses. Large scale agriculture is limited in the municipality due to the extensive use of land for forestry.

Forestry, mining and subsistence farming are the main economic factors within the municipality. There are two major mining companies within Mkhondo Local Municipality

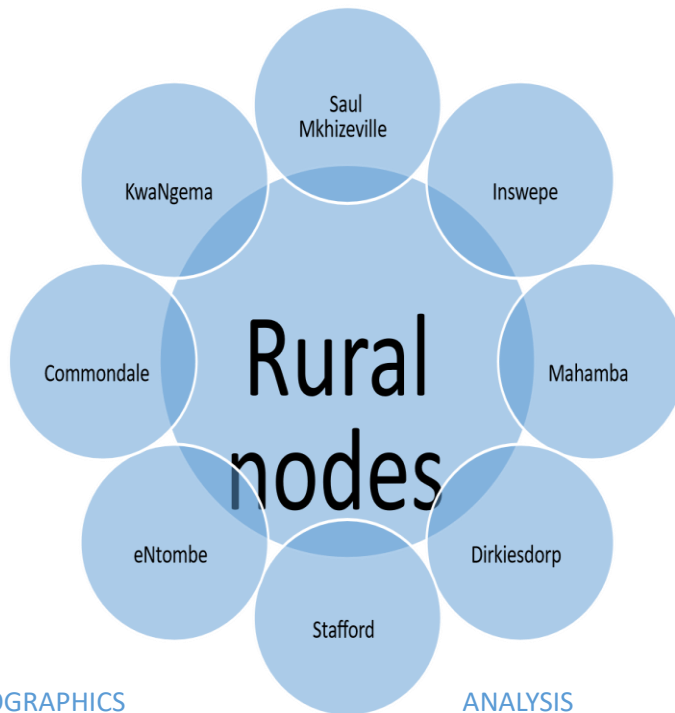
(Jindal and Kangra Coal Pty (Ltd)). Mkhondo Local Municipality ranks low in terms of tourism statistics compared to other local municipalities in Mpumalanga. However, there is a lot of tourism potential within the municipality, with the South African Heritage sites which lie within the municipality namely the Entombe Battlefield, Rooikraal, Confidence, Kalkoenvlakte and the Heyshope Dam. The Heyshope Dam is located east of the municipality (Saul Mkhizeville/KwaNgema Area). It is the only other main tourist fascination in the municipality despite the numerous guest houses and 'bed & break- fasts' within the municipality. The Jabulani Agrivillage has great tourism potential with proposal of a Resort near the Jabulani Agri-village dam.

1.4.2 NODAL POINTS

Mkhondo Local Municipality includes the following urban nodes:



The Municipality includes the following rural nodes/settlements:



1.4.3 DEMOGRAPHICS

ANALYSIS

According to Stats SA's Census 2022, Mkhondo's population increased from 171 982 in 2011 to 255 411 people in 2022 – 8th largest population in 2022/ second highest population within the Gert Sibande District Municipality after Govan Mbeki. Increasing share of the provincial and district population.

The share of population in Mkhondo below the lower bound poverty line (LBPL) increased/deteriorated from 62.0% in 2019 to 63.8% in 2022 – the highest/worst of the local municipal areas. In 2022, the number of people below the LBPL was 127 869.

In 2022, the Human Development Index (HDI) of 0.55 was equal to the 2019 level. Overall, a score of 0.55 is a cause for concern, but it doesn't mean there's no hope. By focusing on areas like education, healthcare, and infrastructure development, Mkhondo can work towards improving its HDI in the future.

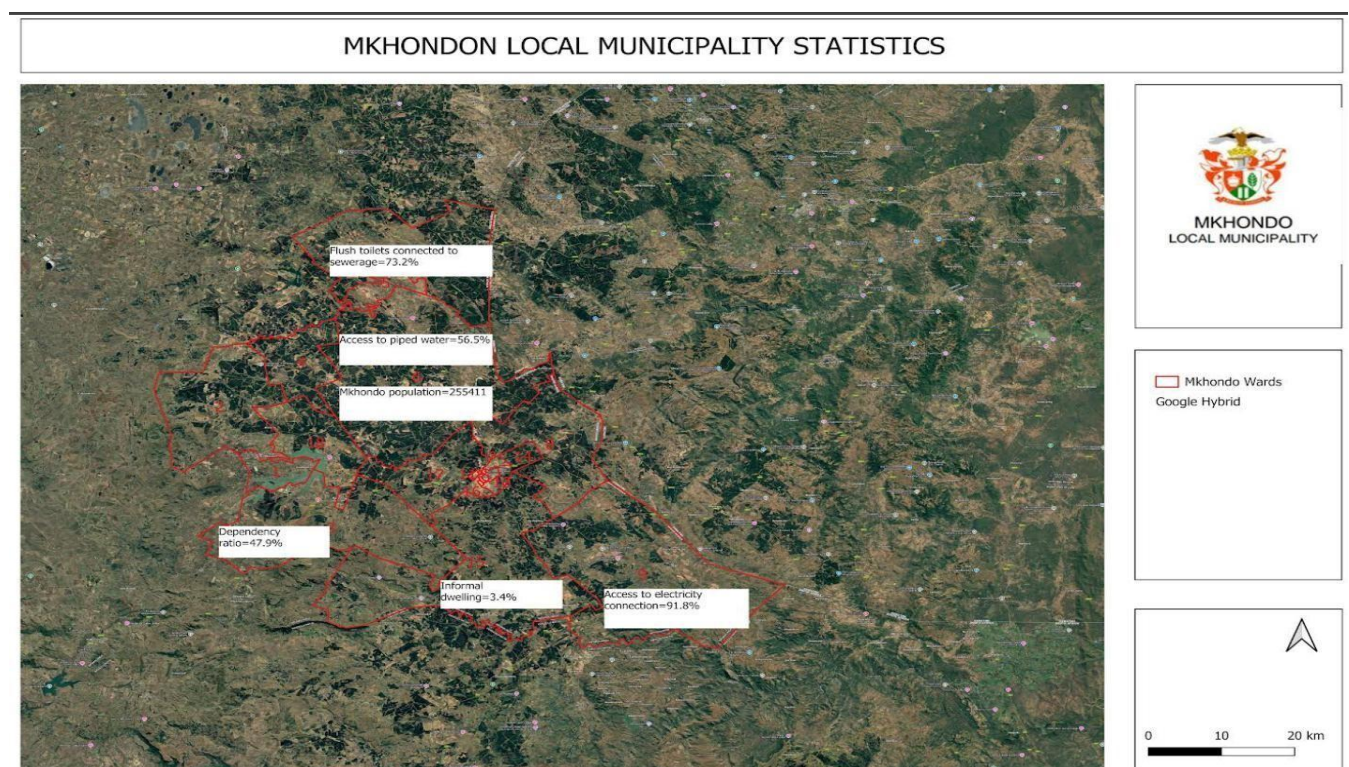
The official/ strict unemployment rate for 2022 was at 37.7% which is the 2nd highest in Gert Sibande. This is a deteriorated from 32.2% in 2019. The official female unemployment rate for is at 42.0% which deteriorated from 33.7% in 2019. The official youth (15-35 yr) unemployment rate was at 52.4% which deteriorated from 44.4% in 2019.

The prevailing trend in the municipality infers that the unemployment rate is deteriorating. Mkhondo ranked 4th lowest/best in terms of the 17 serious crimes reported and recorded an improvement between 2018/19 and 2022/23.

The population increased by 83 429 between 2011 and 2022, a high population growth rate of 3.8% per annum (2nd highest of the 17 municipal areas), which was nearly five times faster than the corresponding economic growth of 0.8% p.a.

The proportion of population 20 years and older with no schooling improved between 2011 and 2022 – the indicator shows a marked decline from 18.1% in 2011 to 11.2% in 2022. The proportion of population 20 years and older with a tertiary qualification declined between 2011 and 2022 – the indicator deteriorated from 5.2% in 2011 to 4.0% in 2022. In 2022, the functional literacy rate (82.1%) was the 3rd lowest in the province & showed an improving trend.

1.4.4 MKHONDO STATISTICAL MAP:



1.4.5 POPULATION DISTRIBUTION

According to Stats SA (2022) the population of Mpumalanga Province as a whole has increased. The population of Gert Sibande District Municipality has increased from 1 135 409 in 2016 to 1 283 459 in 2022 and that of Mkhondo Local Municipality has also increased (from 189 036 in 2016 to 255 411 in 2022). It is evident that the Gert Sibande District recorded an increase in population of 66 375 people between 2016 and 2022. It is noteworthy that Mkhondo Local Municipality grew at an annual rate of 3.8 % during the 2011 to 2022 period, which is the 2nd highest annual growth rate in Mpumalanga. This shows that the Gert Sibande District is evergrowing in population.

Table 1: Mkhondo Local Municipality Population Distribution

	2011	2022
Population	171 982	255 411
Number of Household	37 433	58 504
Households in Shacks within Informal Settlements	642	1970

Population 2011 vs 2022

Description	Census 2001	Census 2011	Census 2022
Mkhondo Local Municipality	143 077	171,982	255 411

Sources: STATS SA (2022)

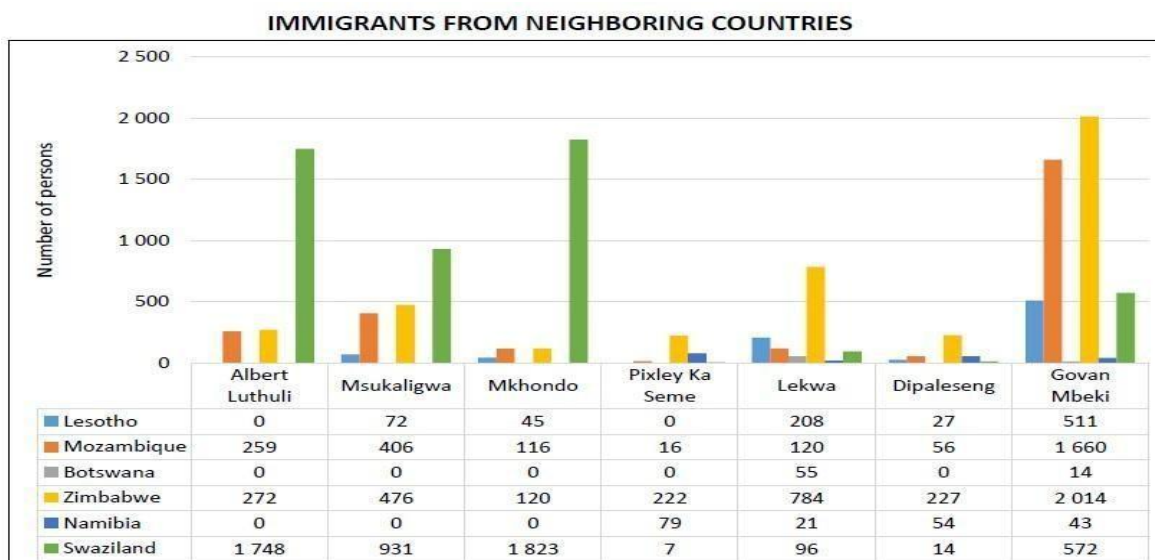
Table 2: Mkhondo Local Municipality Population per Ward:

Ward Number	Villages/Town	Census 1996	Census 2001	Census 2011
Ward 1	Saul Mkhizeville (Mkhize Village, New Stand)	6 345	4 754	10 133
Ward 2	Saul Mkhizeville (Mabilisa, Masihambisane)	11 824	8 088	16 446
Ward 3	Dirkiesdorp/KwaNgema South	7 878	15925	13 006
Ward 4	Insepe	6 090	10 343	5 862
Ward 5	KwaThandeka, Winnie Mandela	6 032	9 501	12 188
Ward 6	Rustplaas	6 003	9 759	8 277
Ward 7	eMkhondo Town	6 853	12 303	6 083
Ward 8	Maphepheni/Ajax	8 690	12 262	9 096
Ward 9	Moolman/Sulphur Springs	8 431	14 475	14 030
Ward 10	Thandakukhanya (Kempville, Retiefville &	4 189	4754	6 752
Ward 11	Thandakukhanya (Eziphunzini, Marabastad, Magadeni	4 362	2 849	12 321
Ward 12	Thandakukhanya (Long homes, Mafred, Sbetha,	5 660	4 699	6 384

Ward 13	Thandakukhanya (Sbetha, Part Eziphunzini, Part Mangosuthu, Zone 5, Part of Phosa village)	4 468	4 634	7 451
Ward 14	Harmony Park (Mangosuthu)	3 009	10 997	9 395
Ward 15	ENtombe	10 411	17 544	8 454
Ward 16	Mangosuthu/Phola Park			5 700
Ward 17	Ezinkonjaneni/Phoswa Village			6 884
Ward 18	Saul Mkhizeville (Esibovini, Masihambisane east)			3 404
Ward 19	Amsterdam, Thokozani			10 120
Total (Mkhondo Local Municipality)		106 248	142 884	171 982
DC30: Gert Sibande District Municipality			900 010	1 043

Sources: STATS SA **194** (ward level breakdown is not yet available for 2022)

Table 3: Immigrants from neighbouring countries:



According to Stats SA (2016) most of the immigrants in Mkhondo are from Swaziland (1823 people) followed by Zimbabwe (120 people); Mozambique (116 people) and Lesotho (45 people).

1.4.6 AGE AND SEX STRUCTURE

In terms of Sex-Ratio, it is noteworthy that there are more women (53.1%) than men (46.9%) in Mkhondo. Furthermore, there is a decline in a number of people aged 14 years and younger, from 36.6% in 2011 to 28.9%.

Table 4: Age and Sex Structure 2011 vs 2016

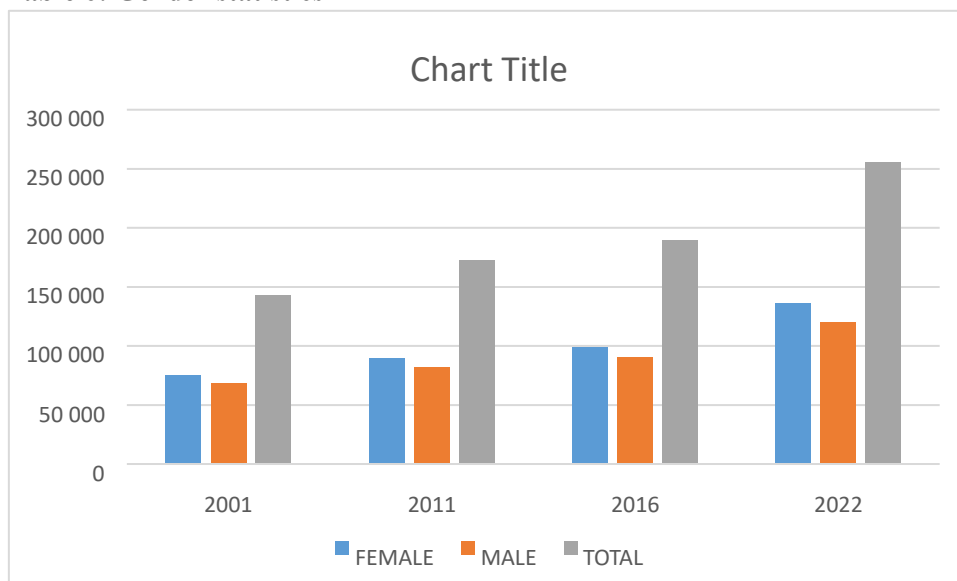
	2016		2011	
AGE	Male	Female	Male	Female
0 – 4	11 703	11 616	10 949	10 737
5 – 9	10 297	10 423	10 423	10 657
10 – 14	10 476	10 956	10 113	10 043
15 – 19	10 424	10 845	9 980	9 946
20 – 24	9 311	9 641	8 452	9 006
25 – 29	8 706	9 829	7 192	7 371
30 – 34	6 059	6 943	5 145	5 406
35 – 39	4 952	5 411	4 562	5 079
40 – 44	4 156	4 687	3 822	4 350
45 – 49	3 742	4 449	3 093	4 180
50 – 54	2 775	3 566	2 449	3 343
55 – 59	2 390	3 048	2 060	2 768
60 – 64	2 208	1 990	1 512	2 064
65 – 69	1 205	1 847	905	1 552
70 – 74	791	1 511	741	1 368
75 – 79	479	1 089	362	743
80 – 84	126	444	273	665
85+	378	562	232	439
Total	90 178	98 858	82 265	89 717

Sources: STATS SA 2016

Table 5: Gender 1996 vs 2001 vs 2011 vs 2016

GENDER	2001	2011	2016	2022
FEMALE	75 163	89 717	98 858	135 623
MALE	67 912	82 265	90 178	119 788
TOTAL	143 075	171 982	189 036	255 411

Sources: STATS SA 2022

Table 6: Gender statistics**Table 7: Disability**

The census that was conducted by the Stats SA in 2011 revealed that Mkhondo is constituted by more than 1 755 persons with disabilities. This figure poses direct challenges to the Municipality and government.

DISABILITY	1996	2001	2011
MALE	48%	47%	48%
FEMALE	52%	53%	52%

Sources: STATS SA 2011

Table 8: Sex ratio (Males per 100 females)

	2001	2007	2011	2016	2022
NO. OF MALES PER 100 FEMALES	90	86	92	91	88

1.4.7 RACIAL COMPOSITION

The population in Mkhondo Local Municipality is predominantly Black African. The Indian/Asian and White racial groups have seen a decline from 2011 to 2022 (Stats SA, 2022). In areas such as Amsterdam, there has been a shift in racial composition, with the white population declining from 2,5% of population in 2011 to 1,7% in 2022 and the black population increasing from 94% in 2011 to 97% in 2022.

Table 9: Racial composition 2001 vs 2011 vs 2022

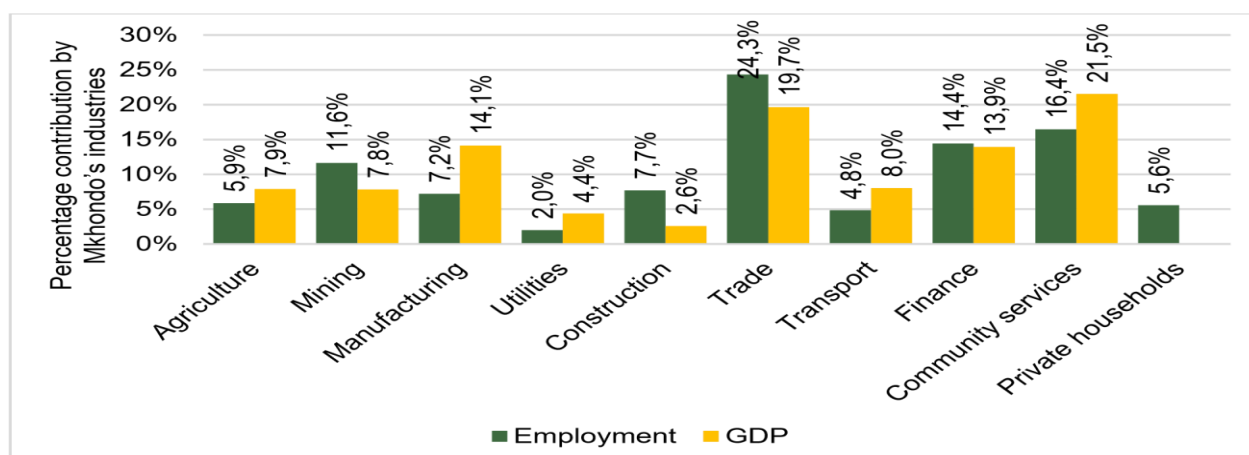
RACE	2001	2011	2022
Black African	136 523	162 322	248 860
Coloured	587	894	999
Indian/Asian	773	1417	1054
White	5195	6447	4463

Sources: STATS SA 2022

Development Gini Coefficient

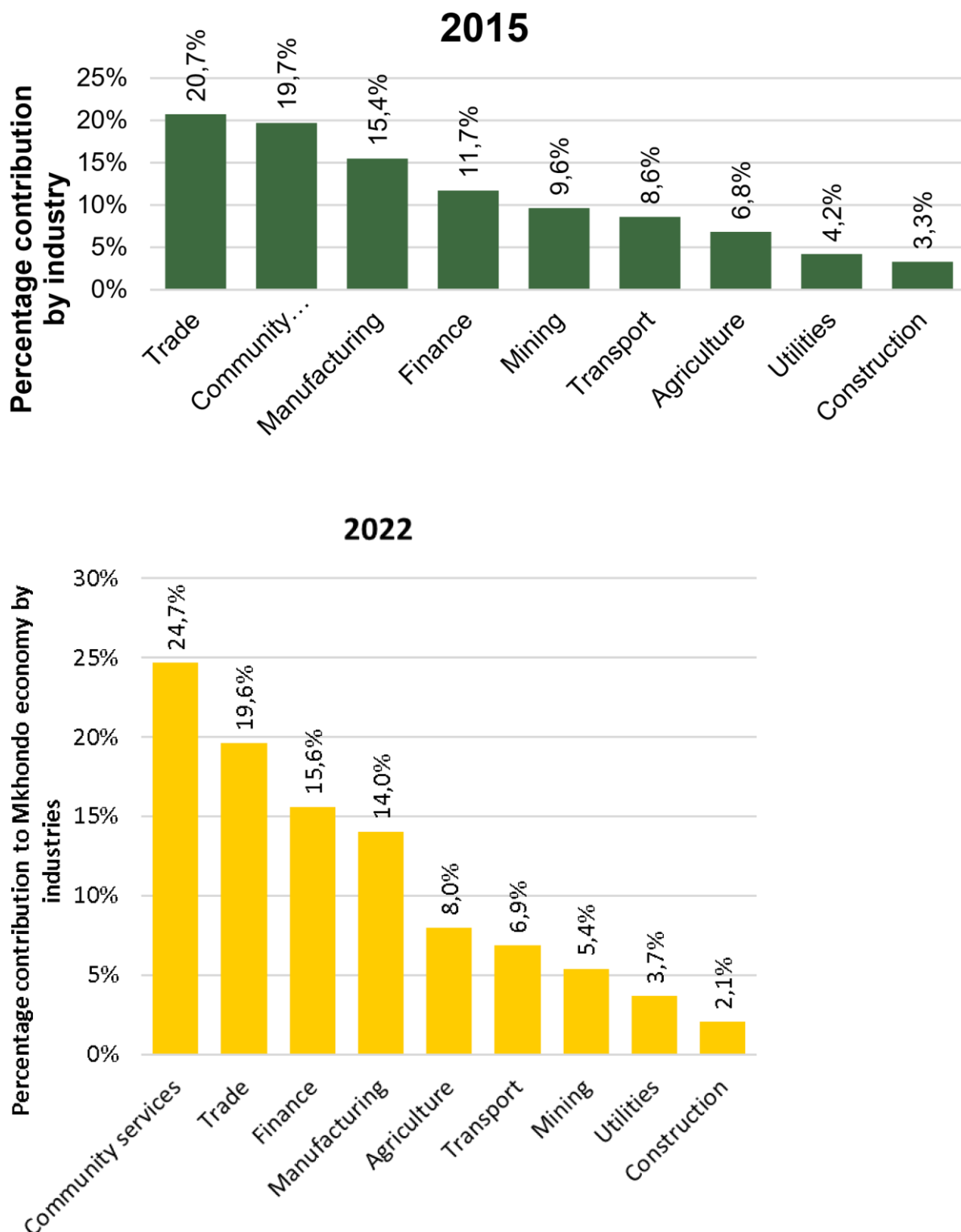
Mkhondo local Municipality's Gini coefficient went from 0.58 in 2011 to 0.59 in 2022 (Stats SA).

Table 10: Economic Gross Domestic Product (GDP)



Data source: SERO 2021

Table 11: Structure of Mkhondo's economy



Data source: SERO 2023 **Table 12: Mkhondo's economy**

- Contribution to the Mpumalanga economy in 2022 was 2.3% – 7th smallest economy in the province. Contributed 9.1% to the district economy in 2022.

- Relatively large contributions to Gert Sibande's agriculture, trade, transport, community services and finance industries. The economic growth rate for Mkhondo was 2.2% p.a. over the period 1996 to 2022 – 5th highest among local municipal areas. For the period 2019-2022 the economy contracted by -1.0% p.a. in line with the weak economic climate in the country.
- Estimated growth of 1.4% between 2023-2027.
- The estimated average annual GDP growth for Mkhondo between 2020 and 2025 is only 1.8% in line with national and provincial growth expectations.
- In 2022, community services, trade (including tourism), manufacturing and finance, were the largest industries in the local economy. Together, these four industries contributed two thirds to the local economy. The size of the economy in 2022 was estimated at approximately R11.3 billion in current prices.
- In 2022, tourism spend totalled more than R500 million which was a decline from the 2019 spend.

Table 13: Economic contribution & growth

% contribution to Mpumalanga economy 2020	Average annual economic growth 1996-2020	Average annual economic growth 2015-2020	Average annual economic growth 2020-2025
2.5%	2.4%	-1.4%	1.8%

Data source: SERO 2021

Table 14: Economic contribution per industries

Industry	Percentage
Agriculture	12.3%
Mining	3.8%
Manufacturing	7.7%
Utilities	6.9%
Construction	10.1%
Trade	14.3%

Transport	12.5%
Finance	11.0%
Community services	11.1%
Total	9.4%

Data source: SERO 2021

Table 15: Estimated Mkhondo economic growth per industry, 2020

Industry	Estimated economic growth in 2020
Agriculture	12.6%
Mining	-4.6%
Manufacturing	-10.1%
Utilities	-4.1%
Construction	-17.1%
Trade	-8.6%
Transport	-12.7%
Finance	3.9%
Community	1.5%
Total	Between -4% & -5%

Data source: SERO 2021

Table 16: Tourism by local municipal area

Total tourism spend (R-million)		Tourism spend as % of GDP (current prices)	
2015	2020	2015	2020
397.6	145.1	5.0%	1.5%

Data source: SERO 2021

Poverty, inequality, HDI & crime indicators in Mkhondo

- The share of population in Mkhondo below the lower bound poverty line (LBPL) increased/deteriorated from 62.0% in 2019 to 63.8% in 2022 – the highest/worst of the local municipal areas.
- In 2022, the number of people below the LBPL was 127 869.
- In the calculation of the Local Government Equitable Share (LGES), National Treasury estimates that Mkhondo had 37 103 poor households in 2023 – more than 60% of the households.

- In 2022, Mkhondo's share of income by the poorest 40% of households was 8.9%, an increase/improvement from 8.4% in 2019.
- Mkhondo ranked 6th highest/best, indicating that income inequality was not as severe within the area as in other areas of the province.
- In 2022, the Human Development Index (HDI) of 0.55 was equal to the 2019 level.
- In April 2023, there were 44 894 beneficiaries of social assistance grants in Mkhondo – more than 60% child support grants.
- Mkhondo ranked 4th lowest/best in terms of the 17 serious crimes reported and recorded an improvement between 2018/19 and 2022/23.

POVERTY RATE Table 17: Poverty rate

Local Municipal Area	% below LBPL 2014	% below LBPL 2015	% below LBPL 2019	% below LBPL
Mkhondo	54.1%	55.2%	53.1%	2022 63.8%

Table 18: INCOME INEQUALITY

Local Municipal Area	Share of income by poorest 40% of households			
	2014	2015	2019	2022
Mkhondo	9.3%	9.3%	9.1%	8.0%

The number of people that are unemployed has declined in Mkhondo Local Municipality, however unemployment of youth specifically females still remains a major concern in the country. It is noteworthy that low level of education and inadequate skills have a negative impact on employability. In Mkhondo Local Municipality settlements with high unemployment rates are Saul Mkhizeville, KwaNgema Tribal Trust and Dirkiesdorp.

Table 19: Unemployment rate 2014 vs 2015 vs 2019 vs 2022

Unemployment rate			
2014	2015	2019	2022
30.2%	29.6%	32.3%	35.5%

Sources: Community survey 2019

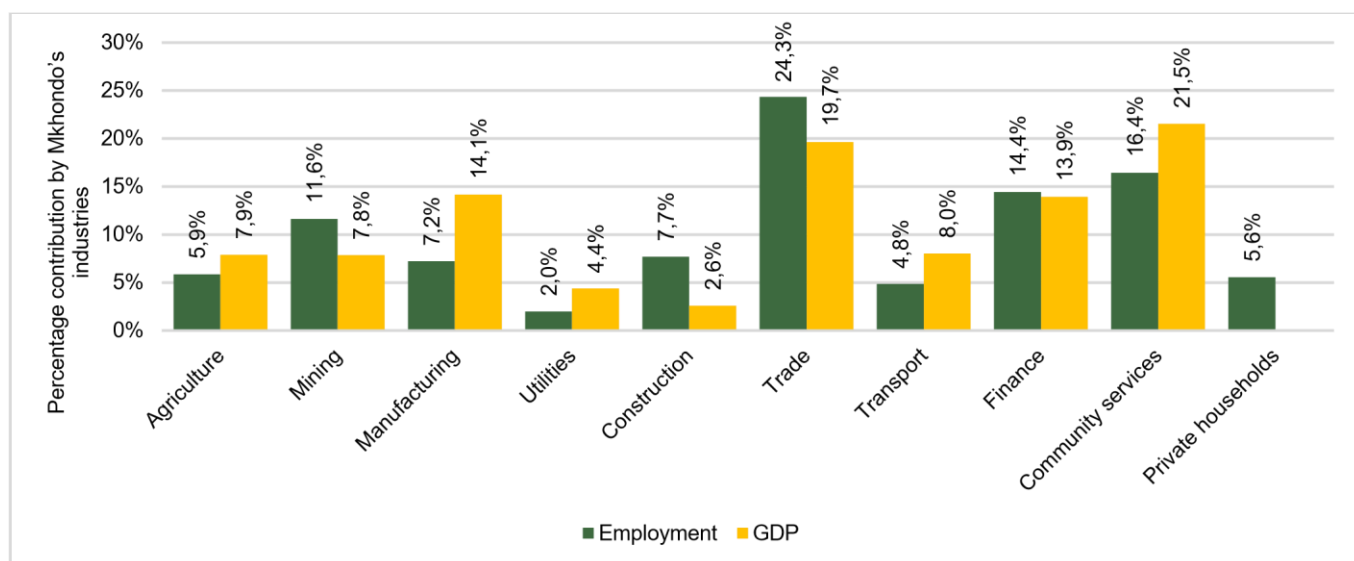
Table 20: Youth (15-24 yr) unemployment rate per municipal area

Unemployment rate			
2014	2015	2019	2022
57.5%	56.8%	62.3%	52.4%

Table 22: Average annual employment growth per municipal area

Average annual employment growth 2011-2014	Average annual employment growth 2015-2019	Average annual employment growth 2019-2022
5.4%	2.1%	-3.3%

Table 23: Employment by industry in Mkhondo



Data source: SERO 2021

Labour market in Mkhondo

- The expanded unemployment rate of Mkhondo was 41.7% in 2020, which was one of the higher unemployment rates in the province and relatively high in comparison with the 6% target by 2030.
- In 2020, the expanded unemployment rate for females was 47.0% and that of males 36.6%.
- In 2020, the youth (15-34 yr) expanded unemployment rate was high at 55.2%.
- There is concern about the high share of unemployed youth & especially females – there appears to be a mismatch between their offering of education and skills (or lack thereof) and the demand of the labour market, but also a lack of investment to create jobs.
- Importance of quality and relevant education and training in line with the economic needs of the province to improve their employability but also a need to retain businesses and attract new investment. Importance and relevance of the UMP and TVETs in this regard.
- In 2020, Mkhondo contributed 3.6% to total employment in the province.

- Between 2016 & 2020 employment declined by 0.1% p.a. The average annual employment growth deteriorated compared with the 2011 to 2015 growth of 5.4% p.a.

Labour market indicators in Mkhondo

41.7%	47.0%	55.2%
• 2020 expanded unemployment rate • Deteriorated from 39.7% in 2016	• 2020 female expanded unemployment rate • Deteriorated from 45.3% in 2016	• 2020 youth (15-34yr) expanded unemployment rate • Deteriorated from 51.0% in 2016
-0.1%	3.6%	3 516
• Average annual employment contraction 2016-20 • Worse than 5.4% p.a. growth 2011-15	• Share of Mpumalanga's employment in 2020	• Estimated number of job losses in 2020 due to COVID-19

Data source: SERO 2021

EMPLOYMENT RATE

- The unemployment rate of Mkhondo was 29.6% in 2015 and increased to 35.5% in 2022.
- In 2019, Mkhondo's unemployment rate was the 8th highest among all the municipal areas of Mpumalanga.
- In 2019, the unemployment rate for females was 35.9% and has deteriorated to 42% in 2022.
- Concern about the high unemployed youth & especially females – relatively low level of education and inadequate skills impact negatively on their employability.
- Importance of quality and relevant education and training in line with the economic needs of the province – important role of the University of Mpumalanga & TVETs.
- In 2019, 3.7% of Mpumalanga's employed worked in Mkhondo. There has been a slight decline as the percentage is only 3.6% in 2022.
- Significant decrease in employment level between 2019 & 2022, at a rate of -3.3% p.a. Average annual employment growth declined/deteriorated when compared with the 2014 to 2019 rate of 2.0% p.a.
- The largest employing industries in Mkhondo were trade (including tourism), community services, finance and manufacturing.

Education Mkhondo's Education Indicators

- Mkhondo's grade 12 pass rates deteriorated from 70.9% in 2014 to 64.3% in 2021, which was the 4th lowest/worst of the municipal areas.
- Mkhondo's pass rate improved slightly between 2020 and 2021 by 0.8 percentage points.
- The area achieved an admission rate to university/degree studies of 28.8% in 2020. It improved slightly to 29.3% in 2021 – 6th lowest/worst in the province.
- There is an existing challenge with regards to accommodating the educated young people in the area - inadequate economic opportunities.
- Provision of adequate educational & recreational infrastructure as well as skills development activities to meet the needs of the community.
- In 2020, the functional literacy rate (78.6%) was the 3rd lowest in the province but showed an improving trend.

Table 24: Basic education data & performance per municipal area

Grade 12 Pass Rate			Admission to B degree studies
2014	2020	2021	2021
70.9%	63.5%	64.3%	29.3%

Data source: SERO 2021

Table 25: Functional literacy rate per municipal area

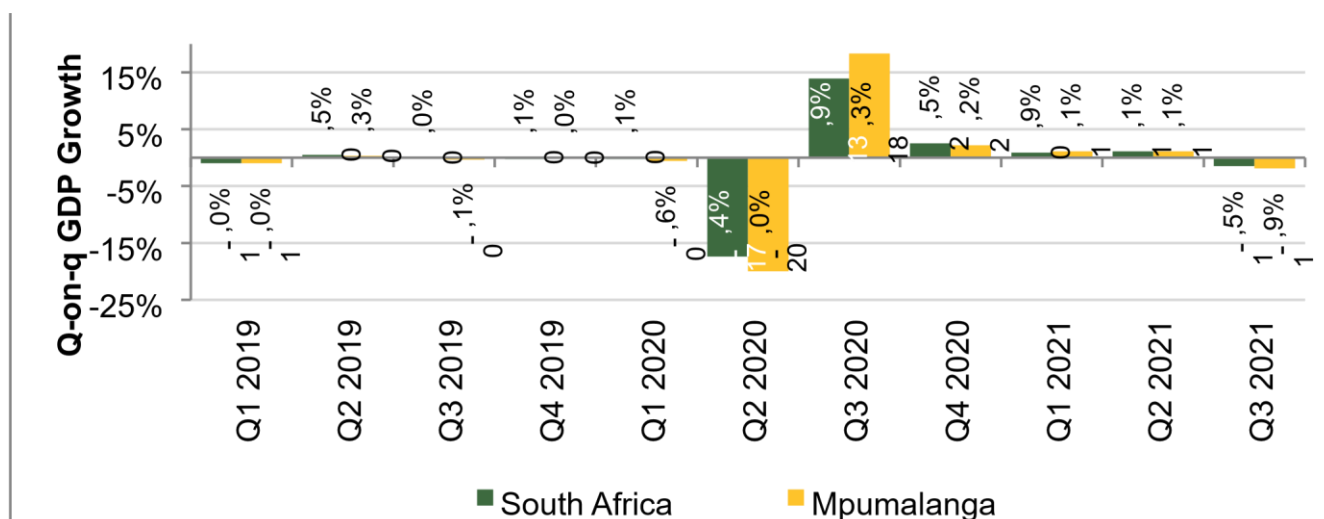
Age 15yr+ & completed gr 7 or higher		Age 15yr+ & completed gr 7 or higher	
2011	2015	2016	2020
70.4%	72.3%	73.0%	78.6%

Data source: SERO 2021

COVID-19 impact on the economy

- Prior to the COVID-19 outbreak, the economy of South Africa was already underperforming. Negative growth rate for all industries (including agriculture) in 2019, except for finance and community services.
- During Q2 2020, the South African economy contracted by 17.4% (seasonally adjusted) and the Mpumalanga economy by 20.7% (seasonally adjusted).

- With the easing of the lockdown, the national and provincial economies expanded again in Q3 2020 by 13.9% and 19.2%, respectively.
- The latest data release by Stats SA saw the national economy contract by 1.5% (q-on-q) and the Mpumalanga economy by 1.9% in Q3 2021.
- Despite the contraction in Q3, the Q3 GDP of SA was 3.0% higher than Q3 of 2020 & the GDP of MP was 2.5% higher than Q3 of 2020.



Data source: SERO 2021

COVID-19 impact on the economy

- The Mpumalanga economy contracted by 1.9% in Q3 of 2021. This was the first quarterly contraction since Q2 2020.
- Before the Q3 2021 contraction, the Mpumalanga economy registered four consecutive quarters of growth after the sudden drop-in economic activity during Q2 2020.
- The contraction in Q2 2020 was so severe that the provincial economy in Q3 2021 was still 3.0% smaller than what it was in Q1 2020.
- In Q3 2021, the Mpumalanga economy was slightly smaller than what it was in Q2 2015.

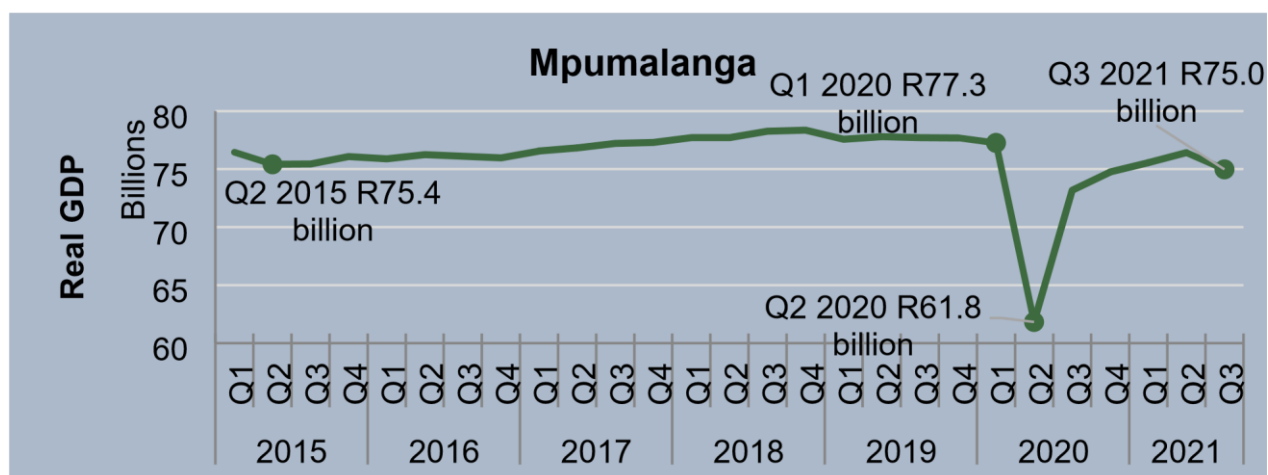


Table 25: Responding to the negative impact of COVID-19

On 15 October 2020, President Ramaphosa detailed the Economic Reconstruction & Recovery Plan (ERRP) in Parliament as our national response to the negative impact of COVID-19. The following is a summary of the ERRP.

Broad Areas for Intervention	Priority Interventions	ERRP Targets
- Planned 'massive' rollout of infrastructure across South Africa. - Rapidly expand energy	- Infrastructure investment and delivery - Sufficient, secure and reliable energy supply and Green Economy initiatives - Growth through industrialisation,	- Unlock more than R1 trillion in infrastructure investment over the next 4 years. - Sufficient, secure and reliable energy supply within two years. - Reverse the decline of the local manufacturing sector and promote
Broad Areas for Intervention	Priority Interventions	ERRP Targets
- generation capacity. - Drive for industrial growth; and - Employment stimulus	- localisation and export promotion - Employment stimulus - Growth and recovery of tourism - Agriculture and Food Security	- reindustrialization through deeper levels of localisation and export. - Create and support over 800,000 work opportunities in the immediate

	Gender and economic inclusion	term to respond to job losses. Resuscitate vulnerable sectors such as tourism, which have been hard hit by the pandemic. ▣ Reduce data costs for every South African and expand broadband access to low-income households.
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Reminder of the objectives and priority areas of the MERRP

- The Mpumalanga Economic Reconstruction & Recovery Plan (MERRP) seeks to address the negative impact of COVID-19 on the provincial economy and livelihoods of the Mpumalanga citizens.
- The MERRP aims at re-igniting the provincial economy through focusing on the following seven priority interventions:
- Planned 'massive' rollout of infrastructure.
- Growth through industrialisation, localisation and export promotion - roll-out of the Mpumalanga Industrial Development Plan (MIDP) i.e. establishment of 3 Industrial Technology Parks, Nkomazi SEZ & Mpumalanga International Fresh Produce Market
- Sufficient, secure and reliable energy supply and Green Economy initiatives.
- Employment stimulus - i.e. increased access to funding for SMMEs and Cooperatives.
- Growth and recovery of tourism.
- Agriculture and Food Security - increase in agricultural production (i.e. Phezukomkhono Mlimi & Zonda Indlala).
- Gender and economic inclusion

Table 26: Prioritized catalytic projects of the MERRP

Provincial government interventions	
• Rehabilitation of the Coal Haulage Network • Improvement of tourism road infrastructure • Mpumalanga International Fresh Produce Market • Upgrading of Moloto Road • Integrated Human Settlements • Disaster Relief Intervention • Establishment of the Nkomazi SEZ • Establishment of the Petrochemical Industrial Technology Park • Rejuvenation of Ekandustria • Growing the circular economy • Green cluster – Just Transition Programme • Social enterprise Development Programme • Food nutrition programme • EPWP • Siyatentela Roads Maintenance Programme • National Youth Service	• Emerging Contractor Development Programme • Skills development through incubation • God's Window Skywalk • Barberton Makhonjwa Mountains World Heritage Site • Railway Heritage Tourism Project • Phezukomhono Mlimi Crop Production • Livestock Development Programme • Zonda Indlala Horticulture Programme • Inclusive Agro-processing Industry & Market Access Programme • Release of state land for Agricultural Development Programme • District wide high impact projects Employment stimulus and inclusion of women and youth • Private sector investment initiatives

Relevant economic initiatives & opportunities for Mkhondo

Importance and relevance of:

- The implementation of the Provincial Spatial Development Framework (SDF) by COGHSTA and Provincial LED strategy framework by DEDT.
- Roll-out of the DDM and close cooperation and collaboration with the district.
- Roll-out of the MERRP projects and links with Mkhondo economy.

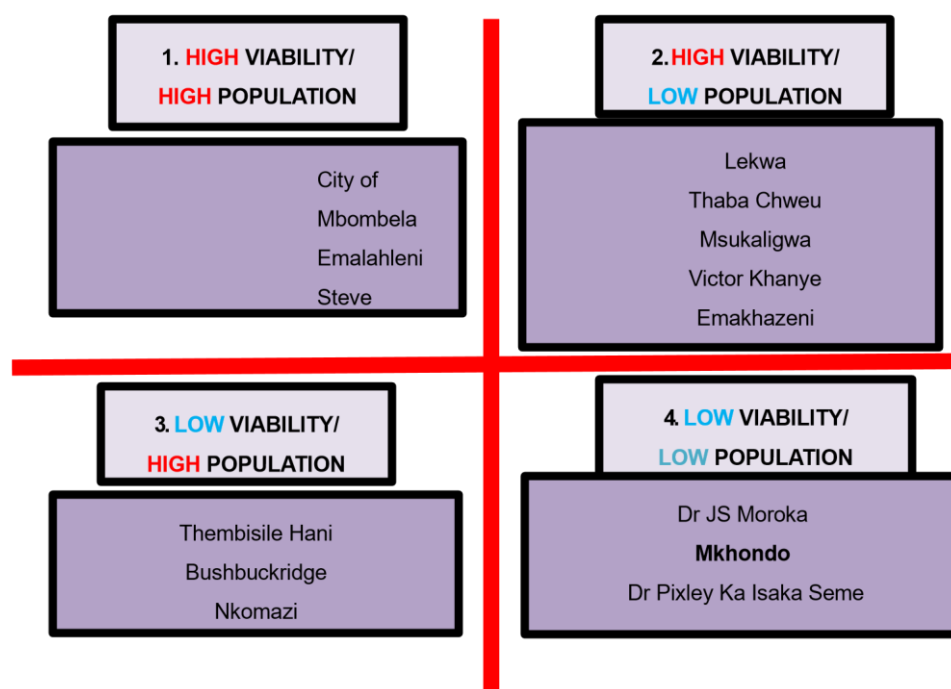
Linking with economic interventions and comparative advantages in Gert Sibande:

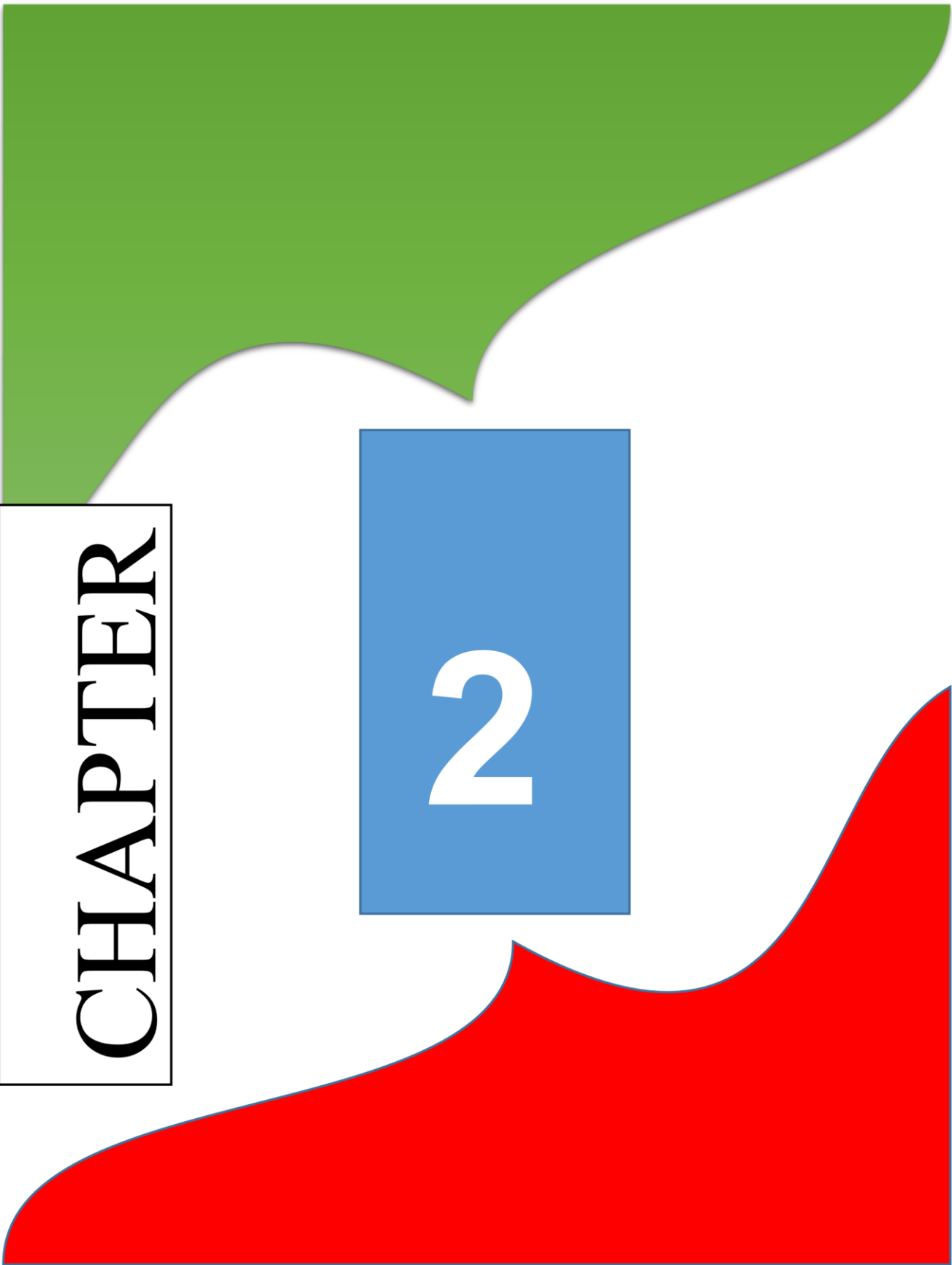
- Enhancing the manufacturing sector in Gert Sibande through the planned Petro-Chemical Technology Park in Secunda as part of the Mpumalanga Industrial Development Plan (MIDP).
- Agriculture & agro-processing – crop & livestock. Forestry & furniture manufacturing, coal mining and electricity generation.

Economic opportunities in Mkhondo:

- Economic opportunities in agriculture, forestry, agro-processing/manufacturing and tourism – new investment by the private sector like PG Bison promised at the Investment Conference.
- Establishment of an agricultural park/hub as part of the MIFPM.
- Importance of an active and functional LED (Unit, Forum and strategy) to address the economic challenges of Mkhondo as Government and Business.
- Faster roll-out of basic services and municipal infrastructure necessary.
- Support to SMMEs and Cooperatives where the Social Enterprise Model/Programme and Government Nutrition Programme will contribute to job creation and economic development.
- Rejuvenation of township businesses with initiatives to transform townships and villages from labour and consumption reserves into thriving productive investment hubs

1.17. Strategic development areas





CHAPTER

2

CHAPTER 2 Political and Administrative Governance Structure

2.1 COMPONENT A:

POLITICAL GOVERNANCE

Section 151 (3) of The Constitution of the Republic of South Africa states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community. Mkhondo Local Municipality is a category B municipality situated in the Gert Sibande District Municipality of the Mpumalanga Province. The political structure of Mkhondo Local Municipality is comprised of a municipal council consisting of 38 Councillors of which 19 are ward councillors and 19 proportional representation councillors chaired by the Speaker.

Table 27: Representation of Political Parties

Political Party	Number of Representatives/Councillors
African National Congress	21
Economic Freedom Fighters	7
Democratic Alliances	4
National Freedom Party	1
Independent Candidate	2
Vryheidsfront Plus	1
African Transformation Movement	1
TOTAL	38

TRIOKA

SPEAKER

Cllr. M Z Ngwenya

EXECUTIVE MAYOR

Cllr. N C Ndhlovu

CHIEF OF WHIP

Cllr. S D Thwala

The municipality has an Executive mayoral system consisting of an Executive Mayor and five mayoral committee members.

Table 28: MEMBERS OF MAYORAL COMMITTEE:

No.	Department	MMC
1.	MMC Planning and Development Services	Cllr T E Khumalo
2.	MMC Finance	Cllr T W Manana
3.	MMC Technical Services	Cllr D M Thwala
4.	MMC Corporate Services	Cllr. M T Mkhabela
5.	MMC Community Services	Cllr. W H Vilakazi

Council is chaired by the Speaker. Policy decisions and resolution are taken by the Council per recommendation from the Executive Mayor.

The Executive Mayor and members of mayoral committee are required to execute council resolutions and to resolve on matters delegated to the Executive Mayor by Council.

Table 29: WARD COUNCILLORS AND PROPORTIONAL REPRESENTATIONS (PR)

NO.	INITIAL AND SURNAME	WARD No	Political Party
1	Councillor M Z Ngwenya	Speaker of Council/ Ward 8	African National Congress
2	Councillor N C Ndhlovu	Executive Mayor / PR	African National Congress
3	Councillor S D Thwala	Whip of Council / Ward 4	African National Congress
4	Councillor D M Thwala	PR/ MMC Technical	African National Congress
5	Councillor T E Khumalo	PR/MMC Planning	African National Congress
6	Councillor M T Mkhabela	Ward 18/MMC Corporate	African National Congress
7	Councillor W H Vilakazi	Ward 14/MMC Community	Independent Candidate
8	Councillor T W Manana	Ward 9/MMC Finance	African National Congress
9	Councillor B M Khumalo	PR Councillor	African National Congress
10	Councillor D M Ntshakala	PR/MPAC Chair	African National Congress
11	Councillor N D Sangweni	Ward 1	African National Congress
12	Councillor B E Maisela	Ward 2	African National Congress
13	Councillor M N Mbatha	Ward 3	African National Congress
14	Councillor J M Nkosi	Ward 5	African National Congress
15	Councillor M S Ngwenya	Ward 6	African National Congress
16	Councillor J L I Brussow	Ward 7	Democratic Alliance
17	Councillor M Z Thomo	Ward 10	African National Congress
18	Councillor N G Gwebu	Ward 11	African National Congress
19	Councillor M R Q Mhlanga	Ward 12	African National Congress
20	Councillor N S Mthethwa	Ward 13	African National Congress
21	Councillor S M Shoba	Ward 15	Africa National Congress
22	Councillor T M Qwabi	Ward 16	Africa National Congress
23	Councillor M A Simelane	Ward 17	Independent Candidate
24	Councillor M S Lukhele	Ward 19	Africa National Congress
25	Councillor M J Dlamini	PR Councillor	African Transformation Movement
26	Councillor S J Methula	PR Councillor	Democratic Alliance
27	Councillor B A Dlamini	PR Councillor	Democratic Alliance
28	Councillor T Tshandu	PR Councillor	Democratic Alliance
29	Councillor S P Mkhwanazi	PR Councillor	Economic Freedom Fighters
30	Councillor S P Sibiya	PR Councillor	Economic Freedom Fighters
31	Councillor N N Zulu	PR Councillor	Economic Freedom Fighters
32	Councillor V S Hlophe	PR Councillor	Economic Freedom Fighters
33	Councillor L L Ngubeni	PR Councillor	Economic Freedom Fighters
34	Councillor D W Nkosi	PR Councillor	Economic Freedom Fighters
35	Councillor E F Nkosi	PR Councillor	Economic Freedom Fighters
36	Councillor J R Sibiya	PR Councillor	Inkatha Freedom Party

NO.	INITIAL AND SURNAME	WARD No	Political Party
37	Councillor T H Mtshali	PR Councillor	National Freedom Party
38	Councillor H W Weber	PR Councillor	VryheidsFront Plus

Designation

The position of Speaker is full-time and takes responsibility for the running of council meetings. The Speaker is the chairperson of the council.

The Office of the Whip of Council is established to create synergy and to maintain discipline among councillors from various political parties. The Role of the Whip of Council of council covers both the political and administrative domains of council with emphasis on the political aspect. The Whip of Council deals with the well-being and to monitor effectiveness whispery committees.

The Council meetings are governed in accordance to the approved rules of order. Council has an executive mayoral system with Section 79 and 80 Committees. The section 79 Committees are chaired by none executive councillors who are not members of the mayoral committee. Section 80 committees assist and report to the Executive Mayor. The Executive Mayor has appointed the mayoral committee members as chairpersons for each of the committees.

The Municipality has established an Audit Committee. The Audit Committee meets a minimum of four times per year and is an independent advisory body that advises council, political office bearers, the accounting officer and the management of the municipality on matters relating to good governance and internal controls in particular, namely; internal audit, risk management, accounting policies and adequate reliable and accurate financial reporting and information, performance management, effective governance. The Division of Revenue Act and provides comments to the Municipal Public Accounts Committee (MPAC) and Council on the Annual Report.

MPAC is a section 79A oversight committee which comprises of non-executive councillors, with the specific purpose of providing oversight over the executive functionaries of Council to ensure good financial governance in the municipality. MPAC also makes comments and recommendations on the Annual Report separately to Council.

ADMINISTRATIVE GOVERNANCE

Council has appointed five (5) section 80 committees chaired by members of the mayoral committee to assist the Executive Mayor. Section 79 (oversight) committees, chaired by non-executive councillors, have also been established to monitor the functioning of the municipality on a quarterly basis and to report to Council directly

Section 80 Committees

Section 80 committees		
Corporate Services	Community Services	Financial Services
1. Cllr M T Mkhabela (Chairperson)	1. Cllr W H Vilakazi (Chairperson)	1. Cllr T W Manana (Chairperson)
2. Cllr S P Mkhwanazi	2. Cllr V S Hlophe	2. Cllr T M Qwabi

Section 80 committees		
3. Cllr B A Dlamini	3. Cllr T W Tshandu	3. Cllr M Q R Mhlanga
4. Cllr J M Nkosi	4. Cllr M N Mbatha	4. Cllr J L I Brussow
5. Cllr M Z Thomo	5. Cllr S M Shoba	5. Cllr M S Ngwenya
Technical Services	Planning and Economic Development	
1. Cllr D M Thwala (Chairperson)	1. Cllr T E Khumalo (Chairperson)	
2. Cllr S J Methula	2. Cllr M J Dlamini	
3. Cllr W H Weber	3. Cllr M S Ngwenya	
4. Cllr J M Nkosi	4. Cllr N N Zulu	
5. Cllr D M Ntshakala	5. Cllr N S Sangweni	

Section 79 Committees

Section 79			
Corporate Services	Community Services	Financial Services	Municipal Public Account Committee
1. Cllr N S Mthethwa (Chairperson)	1. Cllr T M Qwabi (Chairperson)	1. Cllr B M Khumalo (Chairperson)	1. Cllr D M Ntshakala (Chairperson)
2. Cllr N G Gwebu (Whip)	2. Cllr N S Sangweni	2. Cllr N S Mthethwa	2. Cllr J M Nkosi (Whip)
3. Cllr D W Nkosi	3. Cllr N N Zulu	3. Cllr S P Sibiya	3. Cllr N G Gwebu
4. Cllr J L I Brussow	4. Cllr M S Lukhele	4. Cllr S J Methula	4. Cllr M N Mbatha
5. Cllr M S Lukhele	5. Cllr D W Nkosi	5. Cllr B E Maisela	5. Cllr B E Maisela
			6. Cllr M S Lukhele
			7. Cllr M J Dlamini
			8. Cllr S J Methula
			9. Cllr V S Hlophe
			10. Cllr J R Sibiya
Technical Services	Planning and Economic Development	Policies and by Laws	Local Geographical Name Changes (LGNC)
1. Cllr M Z Thomo (Chairperson)	1. Cllr T H Mtshali (Chairperson)	1. Cllr M S Ngwenya (Chairperson)	1. Cllr S M Shoba (Chairperson)
2. Cllr M N Mbatha (Whip)	2. Cllr M S Shoba	2. Cllr D M Ntshakala	2. Cllr N G Gwebu
3. Cllr E F Nkosi	3. Cllr L L Ngubeni	3. Cllr B M Khumalo	3. Cllr M J Dlamini
4. Cllr T W Tshandu	4. Cllr B M Khumalo	4. Cllr M N Mbatha	4. Cllr M A Simelane
5. Cllr N S Mthethwa	5. Cllr T M Qwabi	5. Cllr L L Ngubeni	5. Cllr J R Sibiya

Rules and Ethics Committee
1. Cllr J M Nkosi (Chairperson) 2. Cllr V S Hlophe 3. Cllr N S Mthethwa 4. Cllr W H Weber 5. Cllr M A Simelane

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The administration is led by the Municipal Manager, who is appointed in terms of section 54A of the Municipal Systems Act. The Municipal Manager is employed on a contract basis, which includes an annual performance agreement with performance objectives and targets and procedures for evaluating performance. Together with the General Managers who are employed in terms of section 56 of the Municipal Systems Act he leads the administration by amongst others implementing council resolutions, advising council and its Committees, lead the IDP and Budget planning and implementation processes.

There are functions that are delegated by council to the Municipal Manager, who in turn subdelegated certain functions to the General Managers. Under their leadership, municipal officials attend community consultative meetings, report in management meetings on plans and progress in addressing community issues.

The Municipal Manager is the administrative head and acts as a link between the politicians and the administration. The Municipal Manager is supported by the following section 56 Managers appointed in terms of the Municipal Structures Act:

TOP ADMINISTRATIVE STRUCTURE

Department	Names	Gender
Municipal Manager (Administrative Head & Accounting Officer)	Mr. MJ Mkhonza	Male
Acting General Manager Financial Services	Mr. T. Motha	Male
General Manager Corporate Services	Ms W D Mahlangu	Female
General Manager Community Services	Mrs A Z Mthethwa	Female
Acting General Manager Planning & Dev	Mrs B Nxumalo	Female
General Manager Technical Services	Mr S. W Nkosi	Male

CRITICAL POST FILLED

Position	Status	Units
Municipal Manager	Filled	Legal
		Communication
		PMS
		Internal Audit
		Risk
Chief Financial Officer	Vacant	SCM
		Budget -Vacant
		Revenue
		Asset
		Expenditure
		Water Service and Waste Water
General Manager Technical Service	Filled	Electrical Division
		Road and Storm Water
		Project Management
General Manager Planning Economic Development	Filled	Local Economic Development
		IDP, IGR &Special Projects
General Manager Community Services	Filled	Waste Management
		Public Safety
General Manager Corporate Service	Filled	Human Resources
		ICT
		Auxiliary
		Transversal

2.2 COMPONENT B: INTERGOVERNMENTAL RELATIONS**INTERGOVERNMENTAL RELATIONS****Co-Operative Governance and Intergovernmental Relations**

The purpose of intergovernmental relations is to achieve the constitutional mandate for local government by mobilizing resources and strategic partnerships which will ensure co-operation and coordination by all stakeholders (National, Provincial and Local) to ensure service delivery to the residents of the municipality to ensure a better-quality life to all.

NATIONAL INTERGOVERNMENTAL STRUCTURES

National Treasury

The National Treasury co-ordinates the development of the local government fiscal framework applicable to municipalities within the context of the Division of Revenue Act. It manages the development of the Local Government Equitable Share formula and ensures compliance with the MFMA to modernize local government budgeting and financial management processes and practices. Provide assistances to improve financial governance and to maximize municipal capacity to deliver services through efficiency, effectiveness and sustainability, and by dealing with corruption. They set-up the accountability cycle by ensuring proper linkages between IDPs, Budgets, SDBIPs, In-Year reports, Annual Financial Statements, Annual reports, Oversight reports and Audit reports.

Department of Co-operative Governance and Traditional Affairs, (CoGTA)-Develops various policies, guidelines to enable sustainable development to eradicate poverty and develops a service-orientated culture that promotes the active participation of the wider community. Community inputs are essential to improve on integrated development planning and service delivery. Linked to this is the establishment of performance management which is a crucial mechanism to achieve this.

South African Local Government Association (SALGA)-Is the national representative body of local government and has a constitutionally defined mandate. It responds to challenges facing organized local government and addresses past weaknesses

PROVINCIAL INTERGOVERNMENTAL STRUCTURES

Office of the Premier-The Office of the Premier focuses on co-operative and good governance through the provision of advice and information, co-ordination, monitoring and support to local government.

Provincial Treasury-The functions of provincial treasuries are to promote co-operative government among role-players and assist National Treasury in implementing the MFMA, monitor municipal budgets and outcomes, analyse in-year reports and take intervention measures to assist municipalities that breach the MFMA. Provincial Treasury has established various units to assist and monitor the municipalities. These units specialize in, amongst other things, revenue enhancement, assets, accounting standards, and in-year reporting. Through the Munimec meetings and Technical Munimec meetings, various municipal issues in the province are discussed to formulate solutions and plans to improve governance and service delivery. These meetings were conducted quarterly during the financial year.

COGTA MPUMALANGA assists and provides guidance to build clean, effective, efficient, responsive and accountable local government. It strengthens partnerships between local government and communities and ensure municipalities meet their mandate to provide basic services. Its core mandate is to support and monitor municipalities in the execution of their core mandate.

DISTRICT INTERGOVERNMENTAL STRUCTURES

The Gert Sibande District municipality has a supporting role to play in the planning and coordinating of activities within its boundaries to ensure the provision of services in the district. It is therefore imperative that the capital allocations from the district are based on community needs. These projects are implemented by the district municipality and transferred to the municipality on completion.

2.3 COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The following is done by the municipality to ensure widespread and conducive stakeholder participation and accountability:

- Both the print and electronic media such as the newspapers, community radio, and municipal billboard are utilized to inform communities and stakeholders on Council's activities.
- All messages/information are conveyed in a language/s understood by the general community.
- The correct venues and times for public meetings are well communicated. Furthermore, the municipality ensures that meetings are held at such times that all stakeholders can attend.
- Adequate time is allowed to community, representatives of organizations, business to report back to their relevant forums and make inputs.
- Council meetings are open to the public and residents are invited to attend. Important documents such as IDP, Budget, and Valuation roll are available at all public libraries within the municipal area.
- Ward committee and ward community monthly meetings are convened and serve as a platform for interaction, engagement and sharing of information.
- Various fora on local, district and provincial level.
- Mayoral outreach programmes were held during the year in areas determined by the mayoral committee in consultation with the designated Ward Councilors.

PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

WARD COMMITTEES

The role of ward committees is to enhance participatory local governance and development within the Municipality. There has been a widely observed commitment in Mkhondo to participatory governance within both government and civil society, which has been given legal standing and encouragement through the Municipality's key performance areas such as *Putting People First* and giving feedback to communities and stakeholders. All nineteen (19) Ward Committees have been the focus of considerable attention by government as well as civil society, with substantial investment already made in an attempt to ensure that these structures have the necessary capacity and resources required for them to fulfil their envisaged roles as the "voice" of communities.

These Ward Committees provided a channel for public participation and communication for the community and also served as a link between the community and Council. The Municipality has an intensive community consultation process that is done at a ward level in line with the community-based planning approach. This process stimulates participatory governance by affording community members a fair opportunity to deliberate on issues affecting them in their respective wards. Furthermore, this approach was implemented to inevitably include the local community in decision-making, planning and generally allowing them to play an active part in their own development. To facilitate this community consultation process, 19 Ward Committees consist of 10 members and are chaired by respective Ward Councillors. The Ward Councillor ensures that the interests of all members of community in the ward are presented in Council.

Ward committee and community meeting 2024-2025

Ward number	Community meeting planned	Community meeting conducted	Ward committee meeting planned	Ward committee meeting conducted
Ward 1	4	5	12	9
Ward 2	4	12	12	12
Ward 3	4	4	12	11
Ward 4	4	3	12	10
Ward 5	4	2	12	11
Ward 6	4	4	12	10

Ward number	Community meeting planned	Community meeting conducted	Ward committee meeting planned	Ward committee meeting conducted
Ward 7	4	1	12	12
Ward 8	4	9	12	12
Ward 9	4	9	12	12
Ward 10	4	3	12	12
Ward 11	4	3	12	12
Ward 12	4	4	12	11
Ward 13	4	7	12	12
Ward 14	4	3	12	8
Ward 15	4	5	12	12
Ward 16	4	5	12	11
Ward 17	4	3	12	10
Ward 18	4	7	12	12
Ward 19	4	1	12	10

IDP PUBLIC PARTICIPATION

INTEGRATED DEVELOPMENT PLAN

An Integrated Development Plan is a single, inclusive and strategic plan which guides and informs all planning, budgeting and development of the municipality. It is adopted by the Municipal Council and must be submitted to the Member of Executive Council (MEC) of Local Government in the Province for comments. It has to be harmonized, aligned and coordinated with all other municipal plans, strategies and frameworks, as well as National and Provincial strategic, departmental and sector plans, frameworks and strategies.

It enables the Municipality's leadership and management to make informed decisions towards ensuring efficient and effective service delivery. It must be adopted by each Municipal Council, within a prescribed period after it is elected, in terms of the Municipal

Systems Act, No. 32 of 2000(as amended).The main objective of an Integrated Development Plan (IDP) is to ensure the sustainable, equitable and inclusive development of a municipal area and to ensure a decent quality of life for all those who live in it.

The aforementioned objective links to the following:

The alleviation and eradication of poverty and of all lingering spatial, social, and economical legacies of apartheid; The identification and removal of all obstacles to development; The pursuit of sustainable and optimal use of resources; and the establishment of sustenance of efficient, effective and caring administrative services.

According to Section 28 of the Municipal Systems Act, Act No. 32 of 2000 (MSA) read in conjunction with Section 21 Municipal Financial Management Act, Act No. 56 of 2003 (MFMA), the Executive Mayor of a municipality must at least 10 months before the start of the budget year table in the Municipal Council a Process Plan that will guide the planning, drafting, adoption and review of its IDP and the preparation, tabling and approval of the annual budget. The Act requires that the Process Plan should cover a time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget; the annual review of the IDP and budget; the tabling and adoptions of any amendments to the IDP and budget; and any consultative processes forming part of the IDP/budget process

IDP PROCESS

The following process was followed for the development of the review of IDP 2022-2027: IDP Implementation Monitoring and Revision Programme. The following public participation mechanisms are proposed for each and every milestone. The milestone that we are referring to above will be outlined later.

IDP CYCLE	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
PHASE0: PREPARATION. Process Plan.												
PHASE I: ANALYSIS. Revise/Confirm Issues.												
PHASE II: STRATEGIES Revise / Confirm Strategies												
PHASE III: PROJECTS Revise / Confirm Projects												
PHASE IV: INTEGRATION Revise/ Confirm Integration												
PHASE V: ADOPTION Approval by Council												
BUDGETING Draft and adoption of budget												
IMPLEMENTATION AND MONITORING												
COMMUNITY PARTICIPATION												

The synchronization of planning activities between District and constituent Local Municipalities is essential to ensure that the planning activities occur and outputs are available more or less simultaneously so that the joint and complimentary responsibilities of the municipalities can be undertaken for all and by all responsible, at the same time. This approach will avoid duplication of the required joint processes and maximize the use of limited human resource capacities. It will also ensure consultation between the local and district municipalities and over decision that effect and are binding on both.

CORE ELEMENTS OF THE IDP DRAFTING AND REVIEW CYCLE

Figure 1 demonstrates the 5 phases of IDP. A detailed explanation of what each phase entails is given below:

56

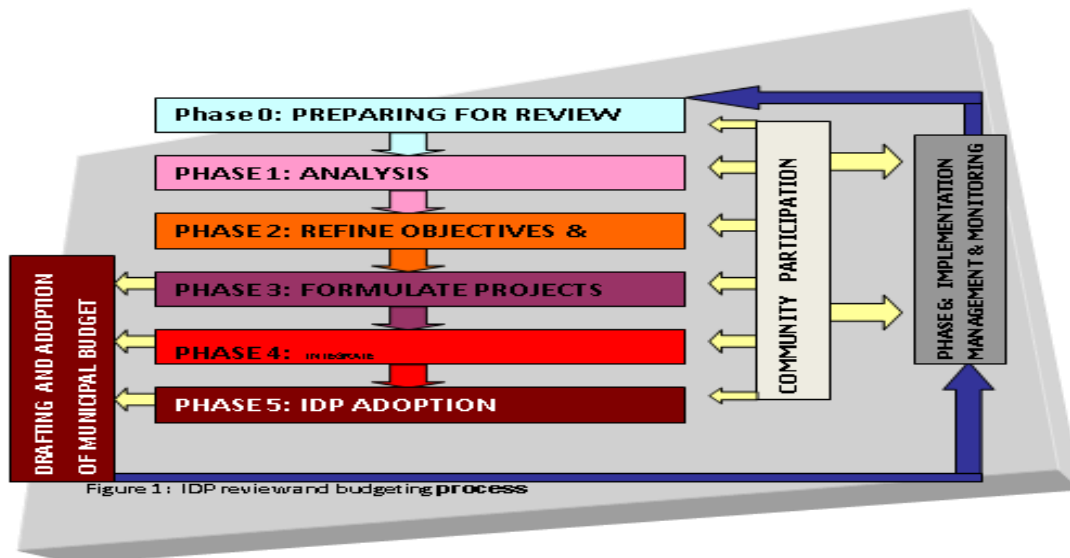


Figure 1: The IDP and the review process

Pre-PLANNING Phase: Before starting the planning process, an IDP Process Plan must be drawn up. This plan is meant to ensure the proper management of the Integrated Development Planning Process. All local municipalities including the district municipality must adopt their IDP Process Plans/Framework Plans 10 months before the start of the budget year with key deadlines (end of August), subsequent to consulting with its local communities. Once the Framework Plans/ Process Plans are adopted by Council, the District Municipality including Local Municipalities must submit the adopted Framework Plans/ Process Plans to the MEC: Cogta within the prescribed period of ten (10) days (MSA, 32 of 2000).

Analysis Phase: During this phase, information is collected on the existing conditions within the municipality. Community meetings, stakeholder meetings, surveys, opinion polls and researched information should form the basis of this phase. All Local Municipalities including the District Municipality must effectively ensure that the public consultations are convened in accordance with the approved Framework/ Process Plans to strengthen the effectiveness of this phase. This phase should be completed by October.

Strategies Phase: Municipalities must begin to contemplate on the best possible strategies to tackle the identified challenges. Critical in this process in order to ensure a focused analysis, the municipal vision must be confirmed and development objectives containing clear statements of what the municipality would like to achieve in the medium term to deal with the problems outlined in the first phase be confirmed. Internal transformation needs; Council's development priorities must be taken into account when formulating council objectives. Once the municipality has identified the best methods and strategies to achieving its development objectives identification of specific projects must commence. This phase should be completed by January.

Projects Phase: During this phase the municipality works on the designs and content/specifications of projects identified during the prior phases. Clear details for each project have to be worked out. Clear targets must be set and indicators worked out to measure performance as well as the impact of individual programmes and projects. The identified projects must have a direct link to the priority issues and objectives identified in the previous phase. Municipalities must ensure engagement of internal technical committees, possibly with selected key stakeholders. The needs and views of the affected communities must be taken as a priority.

The project technical committees and their subcommittees must be able to distinguish between the strategic municipal wide development programmes and the localized community-level projects. This phase should be completed by February. The IDP drafting action programme indicates that the District Municipality and the Local Municipalities should have adopted their first Draft IDPs by end of March each year. Once the draft IDPs are adopted by Council, the District Municipality including Local Municipalities must submit the adopted IDPs to the MEC: Cogta within the prescribed period of ten (10) days (MSA, 32 of 2000).

Integration Phase: Once all projects have been identified, the municipality must confirm that the identified projects will achieve the desired impact in terms of addressing the identified challenges and are aligned with the objectives and strategies and comply with legislation. During this period, as per Diagram 1, Provincial Sector Departments will have finalized their draft strategic plans. The integration phase should be completed by April.

ADOPTION PHASE: After finishing with the integration phase, the IDP document should be adopted by Council on or before 31st of May each year. Once the IDPs are adopted by Council, the District Municipality including Local Municipalities must submit the adopted IDPs to the MEC: Cogta within the prescribed period of ten (10) days (MSA, 32 of 2000).

2.4 COMPONENT D: CORPORATE GOVERNANCE

Overview of corporate governance

The Municipality has implemented a system of corporate governance that encourages the effective, efficient and economic use of resources towards better service delivery and ensures accountability and responsibility for the stewardship of those resources. This governance framework supports sound financial decision making, ensuring affordable services to the community, guide the funding and financing priorities and facilitate performance monitoring and review. During the year under review the following key governance responsibilities were functional:

Internal audit function which operates in terms of an approved internal audit plan.

Audit committee which operates in accordance with approved terms of reference.

A Risk assessment was conducted which include a risk management strategy and monitoring of key risks according to a risk register.

Approved fraud prevention plan.

Performance management system.

An approved system of delegations to maximize administrative and operational efficiency and to provide for adequate checks and balances as required in terms of sections 59 to 65 of the Municipal Systems Act, 32 of 2000.

2.4 .1 ALIGNMENT OF IDP, BUDGET & SDBIP

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 56 Managers?	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 to AG?	Yes

The above table described what the Municipality has or has not achieved as stipulated by Section 26 of the Municipal System Act of 2000

2.4.2 RISK MANAGEMENT

Risk Management is a tool which increases the Council's prospects of success through minimizing negative outcomes and optimizing opportunities.

This support is provided through:

- Risk Identification which is a deliberate and systematic effort to identify and document the Council's key risks.
- Risk Management unit should ensure that the council adopts a rigorous and ongoing process of risk identification.
- Risk assessment is a systematic process to quantify or qualify the level of risk associated with specific threat or event.
- Risk Response that is concerned with developing strategies to reduce or eliminate the threats and events that creates risks.
- Communicating and reporting relevant, timely, accurate and complete risk information should be disseminated in the Council and responsibilities and actions should be communicated.
- Risk Monitoring on a regular basis to confirm the proper functioning of the entire risk management systems.

The Strategic Risk Identification/Risk Assessment workshop for the 2024/25 FY took place on 23 April 2024 and the Operational Risk Identification/Risk Assessment workshop took place in the month of July 2024. The Risk Management and Fraud Prevention Committee is in place and its chaired by an external chairperson, the committee met four times in the 2024/25 FY as per approved Risk Management Committee Charter and the Risk Management and Fraud Prevention Implementation Plan. The 2024/25 approved Risk Implementation Plan had 23 activities planned for the year and all activities planned were achieved as we did in the previous financial year.

The Risk Profile of the institution for the 2024/25 FY was characterised by Financial non-Viability which in turn affected cash flow of the institution. The Municipality as result could not pay suppliers adequately within the legislated 30 days, Bulk suppliers such as Eskom, Department of Water Affairs and Auditor General. Mkhondo Municipality will need to improve

on its revenue collection and general financial management in the 2025/26 FY, these the two highest risk areas the institution is facing. We are also experiencing a stagnant economy risk and as a result we have a high unemployment rate within Mkhondo.

2.4.3 ANTI CORRUPTION AND FRAUD

The Risk Management unit is also tasked with the providing Anti-Corruption and Fraud Prevention awareness programs; the municipality held its annual awareness (anticorruption and fraud prevention) workshops on 06 and 07 May 2025 which was well attended by both municipal officials' led by the Municipal Manager and municipal councillors led by the Speaker of Council respectively. This indicates commitment at the very top to fight fraud and corruption. Furthermore, the municipality has a council approved Fraud Prevention Strategy in place and the municipality on an annual basis conducts fraud and corruption risks assessments which are monitored on a quarterly basis by our risk management unit. The municipal Council has also appointed a Financial Misconduct Board which aimed at investigating allegations of fraud and corruption speedily and effectively. The municipality has zero-tolerance for corruption and fraud. The Risk Management Unit has an Ethics and Compliance Officer, who ensures that ethics related matters are attended to and also ensure that compliance to legislations, Acts and also internal policies are adhered to by all municipal officials and Councillors. This above mentioned controls indicate the willingness of the municipality to fight the scourge of possible corruption and possible fraud at the municipality.

2.4.4 SUPPLY CHAIN MANAGEMENT

Mkhondo Local Municipality has adopted the SCM Policy Incorporating Preferential Procurement (SCM Policy) which are reviewed annually. The policy is implemented by a functional SCM Unit (SCMU) under the direct supervision of the Chief Financial Officer.

The Municipal Manager has also implemented a delegation system for procurement-related actions, which includes the establishment of bid committees and the appointment of members. The delegations also allow for appropriate segregation of duties and councillors are not involved in any of the procurement and tender processes.

The structure of the SCMU was amended and approved and requires periodical review in order to address on-going procurement shortcomings within the Municipality. The current organogram covers the implementation of centralised procurement (in terms of Demand and Acquisition Management) and Contract and Bid Management which focuses on supervision of contracts and Bid Administration. Demand Management allows for procurement planning, whereas procurement

management specifically undertakes the procurement of goods and services. On-going review of the structure and organogram allows for compliance with best practices and SCM Regulations and prescripts. The following disciplines are covered under the organogram of the Supply Chain Management Unit:

- Demand, Tender, Contract administration and supplier performance
- Demand Planning and Specifications Development
- Procurement of Goods & Services
- To serve in the Bid Committees

ACQUISITION MANAGEMENT

The municipality's system of acquisition management must ensure:

That goods and services are procured in accordance with authorized processes only; that expenditure on goods and services is incurred in terms of an approved budget in terms of Section 15 of the MFMA; that the threshold values for different procurement processes are complied with; that bid documentation, evaluation and adjudication criteria and general conditions of a contract are in accordance with any applicable legislation; and that any Treasury guidelines on acquisition management are properly taken into account.

Goods and service are procured in accordance with authorized processes and approved delegations. Expenditure that has been incurred was budgeted for in the approved budget of Council. The bid documentation that is utilized is in accordance with the guidelines issued by National and Provincial Treasury, the general conditions of contract and applicable legislation such as the Construction Industry Development Board Act (Act 38 of 2000) and we are continuously improving the documents in order to improve access and ease of use.

Highlights: SCM

The table below specifies the achievements for the year:

Highlights	Description
<i>Contract Management</i>	<i>The municipality has achieved 100% performance on Contract Management. This relates to the timeous signing of contracts after awards, the monitoring of contractors and service providers, and document management relating to contracts</i>
<i>Demand Management Plan</i>	<i>The municipality had managed to achieve 100% performance on Grant Funding related tenders.</i>
<i>Irregular Expenditure</i>	<i>The municipality has recorded R 3 142 793 during the 2024/25 Procurement Year. The expenditure has been referred to Municipal Public</i>

	<i>Accounts Committee (MPAC) for further investigation</i>
<i>Litigations with Suppliers</i>	<i>The Municipality hasn't recorded any litigations with suppliers in the 2024/25 Procurement Year</i>

Challenges: SCM

The table below specifies the challenges for the year:

Description	Actions to address
Compilation of Tender Specifications	Some user-departments still encounter challenges in compiling or drafting sound tender specifications. There is also inadequate implementation of the procurement plan.
Human Resource Management	There is high vacancy rate of officials within the SCM division. The posts have been advertised, however the process of filling them is a bit slow.

Competitive Bids in Excess of R200 000:

Annexure A shows all the awarded tenders for 2024/25 FY made through competitive bidding process by the Municipality.

Deviations from the SCM Policy

Section 36 of Council's Supply Chain Management Regulations allows the Accounting Officer to dispense with the official procurement processes. Annexure B shows the approved SCM deviations for the year ended 2024/25.

The Municipality has introduced various systems to curb the increase in irregular expenditure. This includes but not limited to:

- 1) Restructuring the Supply Chain Management Unit to be in line with the SCM Pillars
- 2) Introduction of SoPs and checklists to ensure adherence to SCM policies & Regulations
- 3) Establishment and appointment of Bid Committees in line with the SCM Regulation
- 4) Introduction of Request for Quotes register 5) Introduction of contract management policy.

The Municipality has developed Unauthorised Irregular Fruitless and Wasteful expenditure reduction strategy. The centralisation of the supply chain management function will further strengthen the managing of service providers as well as the procurement of goods and services

ANTI-CORRUPTION AND FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), Section 112(1) (m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that

the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

Name of strategy	Developed (Yes/No)
SCM Orders Register for procurements below R30 000. It serves as a control toward all quotations received in lieu of procurements below R30 000. Such quotations are registered in a register on the closing date. The register must be reviewed by the Senior Manager SCM on monthly basis.	Yes
SCM Meetings Regular meetings are held with Managers pertaining to the implementation of the SCM Policy. During such meetings, issues relating to transparency, fairness and value for money during the procurement of goods and services are also highlighted.	Yes
Strategic Procurement • The importance of compiling and procuring goods and services through a Demand Management Plan of the municipality, • The effective utilization of the Inventory Unit of the municipality, • The importance of bulk buying as a cost reduction strategy for the municipality.	Yes

Financial Health Overview

The municipality had reported an operating deficit of R 212 660 681 in the 2024/2025 financial year, the deficit has increased with R 110 346 231 from R 102 314 450 recorded in the 2023/2024 financial year. The increase in the deficit is attributed to the Bad Debts Written Off amounting to R 211 956 410. The debts written off relates to the property of late estates, which the properties were registered as indigent households.

The Municipality's operating revenue for the 2024/2025 financial year increased with R 41 321 419 (4.7%) to R 920 175 706 when compared to the operating revenue generated for the 2023/2024 financial year which was R 878 854 287.

The increase in the revenue is attributed to the increase in service charges of R 3 694 47, construction R 3 825 726 and property rates R 6 264 302. The grants & subsidies R 54 717 372.

The main sources of revenue excluding Grants and Subsidies for the 2024/25 financial year were as follows:

- Electricity R 144 million (34%)
- Property Rates R 89 million (21%)
- Water R 19 million (4%)
- Sanitation R 10 million (2%)

- Refuse R 12 million (2%)

The revenue generated from sales of electricity contributes 34% (R 144 million) of the total revenue mix, thus indicating that the electricity business unit should be natured and operated efficiently to ensure growth. This includes ensuring revenue protection by removing illegal connection, replacing bridged and tampered meters, ensuring accuracy of billing by ensuring correct tariffs are billed and meter readings.

The Municipality has numerous strategies that are being implemented in an effort to improve the financial viability, these includes but not limited to Budget Funding Plan, Revenue Enhancement Strategy and Cost Curtailment Strategy.

The Municipality is currently implementing the following activities as part of the Revenue Enhancement Strategy:

- Valuation Roll Reconciliation to ensure completeness of property rates billing
- Tariff Review to ensure that tariffs are realistic and the Municipality is able to recoup the cost of provision of services
- Introduction of meter reading gadget to improve meter reading accuracy thus improving billing.
- Installation of 2000 electricity split meters
- Performance of monthly billing reconciliation to ensure completeness of revenue generated.
- Increase access to Pay Point & Receipt Management to allow consumer to pay for services in various payment points.
- Intensify indigent management in response to the socio-economic whilst protecting the poor from the severe economic impact.
- Vigorous implementation of credit Control and Debt collection

The Municipality will be developing a Long-Term Financial Plan. The objective of a Long-Term Financial Plan is to recommend strategies and policies that will maximise the probability of the municipality's financial sustainability into the future. This is achieved by forecasting future cash flows and affordable capital expenditure based on the municipality's historic performance and the environment in which it operates.

The Municipality had a total operating expenditure for the reporting period ending 30 June 2025 amounting to R 1 141 700 906. There was an increase in the expenditure amounting R 167 409 291 million when compared to the period ended 30 June 2025 where the expenditure was R 974 291 615. This was due to the increase in employee related cost R 15 762 099, bad debts written off R 211 199 080, electricity bulk purchases amounting to R 25 500 004 and operating expenditure R 33 989 247.

The following expenditures remains the highest cost drivers and have a significant impact on the revenue of the Municipality:

- Bulk Purchases R 206 million (18%)
- Employee related costs R 264 million (23%)
- Bad Debt Written Off R 211 million (18%)
- Depreciation R 80 million (7%)
- Operating Expenditure R 175 million (15%)
- Contracted Services R 146 million (13%)

The Municipality has further implemented cost curtailment strategy as well as consultant reduction strategy in order to reduce expenditures. The Municipality is committed to reducing running overheads such as overtime, standby, telephone costs, printing & stationery including reduction of non-essential procurements/expenditure. Adequate provision is made to expenditures that improves service delivery such as road maintenance, water network maintenance & electricity maintenance amongst other expenditures.

Financial Overview: 2024/2025			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	369,990	369,990	502, 868
Taxes, Levies and tariffs	509,040	495, 215	321,492
Other	9,136	42,316	95,816
Sub Total	888,166	907,521	920, 176
Less: Expenditure	876,554	896,522	1,141,700
Net Total*	11,612	10,999	(212,661)

Financial Ratios and Norms Analysis

Operating Ratios	
Detail	%
Employee Costs	23%
Repairs & Maintenance	4.5%
Collection Rate	64%
Bad Debts Written-off as % of Provision for Bad Debt	26%
Cash/Cost Coverage Ratio (Excl. Unspent Conditional Grants)	0.007
Current Ratio	0.17
T 1.4.3	

Auditor General Report: 2024/2025 Financial Year

The overall audit outcome of the municipality qualified with findings. This is a regression from the previous year's audit outcome.

The AGSA's basis for Qualification of Opinion was the following:

Cash Flow - Supplier

Cash flow from operating activities – Restatements of comparatives

The municipality did not account for cash flows from suppliers in accordance with GRAP 2, Cash flow statements. This is due to some errors and non-cash items included in the corresponding amounts for cash flows from suppliers. Consequently, I was unable to determine the full extent of the misstatement to the corresponding amounts of suppliers as it was impractical to do so.

Post Audit Action Plan

The Municipality has developed an audit action plan that will be monitored on a monthly basis in an effort to ensure that we are able to improve from the qualified audit opinion. In addition, the Municipality will be preparing quarterly financial systems.



APR 24/25

3



AUDITED ANNUAL PERFORMANCE REPORT 2024/2025

MKHONDO 303MP

Abbreviations	
APR	Annual Performance Report
AGSA	Auditor General South Africa
BSD	Basic service delivery
FMPPI	Framework for managing programme performance information
MFMA	Municipal Financial Management Act
MSA	Municipal System Act

3.1 ANNUAL PERFORMANCE REPORT

Every municipality must prepare an annual performance report which must form part of the Annual Report for each financial year in accordance with Section 46 of the Municipal Systems Act 2000 and Section 121 of the Municipal Finance Management Act. The Annual Report will assist municipal councilors, municipalities, residence and oversight institutions with information and progress made on service delivery and it must be aligned to the IDP and the SDBIP Purpose of the Annual Report: To provide a record of the activities of the municipality or entity during the financial year to which the report relates To provide report on performance in service delivery and budget implementation for the financial year. To promote accountability to local community for the decisions made through the year by the municipality. During the 2024/25 FY the institution had 124 indicators, below is the summary progress on the implementation of the SDBIP 2024/25 per KPI.

STANDARD RATING SCHEDULE

RATING	SCORES	CATEGORY	DESCRIPTION	MEANING
1	33% TO 66,99%	UNACCEPTABLE PERFORMANCE	Performance does not meet the standard expected for the job. The review/assessment indicates that the jobholder has achieved <u>less than fully effective results against almost all</u> of the performance criteria and indicators as specified in the Performance Agreement and Work plan.	DANGER
2	67% TO 99,99%	PERFORMANCE NOT FULLY EFFECTIVE	Performance meets some of the standards expected for the job. The review/assessment indicates that the jobholder has achieved <u>less than fully effective results against more than half</u> of the performance criteria and indicators as specified in the Performance Agreement and Work plan.	DANGER ZONE
3	100% TO 132,99%	FULLY EFFECTIVE	Performance fully meets the standard expected in all areas of the job. The review / assessment indicates that the jobholder has achieved as a minimum <u>effective results against all</u> of the performance criteria and indicators as specified in the Performance Agreement and Work plan.	MODERATE
4	133% TO 166,99%	PERFORMANCE SIGNIFICANTLY ABOVE EXPECTATIONS	Performance is significantly higher than the standard expected in the job. The review/assessment indicates that the jobholder has achieved <u>better than fully effective results against more than half</u> of the performance criteria and indicators as specified in the Performance Agreement and Work plan and fully achieved all others throughout the performance cycle.	NOBLE
5	167% TO 200%	OUTSTANDING PERFORMANCE	Performance far exceeds the standard expected of a jobholder at this level. The review/assessment indicates that the jobholder has achieved <u>better than fully effective results against all</u> of the performance criteria and indicators as specified in the Performance Agreement and Work plan and maintained this in all areas of responsibility throughout the performance cycle.	CHERISHED

Summary of the KPI 2023/24

Key Performance Area	No KPI	150%-200%	101%-149%	95%-100%	50%-94%	0%-49%
Basic Service Delivery	58	54	3	1	0	0
Municipal Institution Development & Transformation	22	20	0	0	0	1
Municipal Viability Finance Management	22	21	1	0	0	0
Good Governance and Public participation	35	33	0	1	0	1
Local Economic Development	16	15	0	1	0	0
Spatial Rational Development	10	10	0	0	0	0
Total	159	153	4	3	0	2

Summary of KPI 2024/25

Key Performance Area	No..KPI	167% TO 200%	133% TO 169	100% to 132.99%	67% to 99.99%	33% to 69,99%
TAG 1	25	1	1	22	2	0
TAG 2	8	2	0	3	1	2
TAG 3	18	0	1	17	0	0
TAG 4	6	2	1	3	0	0
TAG 5	44	10	2	28	3	1
TAG 6	23	2	0	17	3	1
Total	124	17	5	90	9	4

TAG 1

SDBIP	Key Performance Indicator	Department	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rate	Compare	Reason for deviation	Remedy	POE
Capacity building facilitated												
Key Focus Area (KFA): Skills development and Job creation												
TAG1.1	Number of report on vacancy rate submitted to mayoral	HR	49%	Opex	49%	4	4	3,00	0,00	None	None	Reports
TAG1.2	Number of leave report submitted to Council	HR	4	Opex	4	4	3	2,25	-1,00	Unable to print the report due to the disaster that occurred and the unavailability of the leave system	Unable to print the report due to the disaster that occurred and the unavailability of the leave system	Reports
TAG1.3	Number of health and safety workshops conducted	HR	20	Opex	20	12	18	4,50	6,00	Additional workshops were done to ensure all employees were being workshopped during the year	None	Reports & attendance register
TAG1.4	Number of internal bursaries offered	HR	15	Opex	15	10	19	5,00	9,00	19 internal bursaries offered in the second quarter	None	Signed list of candidate & acceptance letter/form.
TAG1.5	Work-place skills plan submitted annually	HR	1	Opex	1	1	1	3,00	0,00	None	None	WSP
TAG1.6	Employment Equity Report submitted annually	HR	1	Opex	2	1	1	3,00	0,00	None	None	EE Report

SDBIP	Key Performance Indicator	Department	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rate	Compare	Reason for deviation	Remedy	POE
TAG1.7	% SLA and Contract ratification within 30 days	Legal	100%	Opex	100%	100%	100%	3,00	0,00	None	None	Register of SLA
TAG1.8	Number of litigation progress reports	Legal	100%	Opex	100%	4	4	3,00	0,00	None	None	Attendance Register
TAG1.9	% of Section 4 applications facilitated	Legal	100%	Opex	100%	100%	100%	3,00	0,00	None	None	Reports

SDBIP	Key Performance Indicator	Department	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rate	Compare	Reason for deviation	Remedy	POE
TAG1.10	Number of Municipal Newsletters compiled and submitted to the Accounting Officer.	Communication	4	Opex	4	4	4	3,00	0,00	None	None	Publication
TAG1.11	100% section 75(MFMA) documents published on the website	Communication	12	Opex	100%	100%	100%	3,00	0,00	None	None	Reports
TAG1.12	% of public enquires process within 14 days	Communication	New	Opex	100%	100%	100%	3,00	0,00	None	None	Reports
TAG1.13	% Media enquires resolved within 48hours (All General Managers)	Communication	New	Opex	100%	100%	100%	3,00	0,00	None	None	Reports
TAG1.14	Number of Assessments conducted to all General Managers	PMS	2	Opex	0	4	4	3,00	0,00	None	None	Quarterly & Assessment Report

SDBIP	Key Performance Indicator	Department	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rate	Compare	Reason for deviation	Remedy	POE
TAG1.15	Number of Quarterly Performance Reports submitted to Accounting Officer and Council	PMS	4	Opex	4	4	4	3,00	0,00	None	None	Scorecard & Minutes
TAG1.16	Performance agreement signed within 20 days and submitted to CoGTA within 30 days	PMS	6	Opex	6	6	6	3,00	0,00	None	None	Proof of submission
TAG1.17	Annual report submitted to Accounting Officer and Council	PMS	1	Opex	1	1	1	3,00	0,00	None	None	Contract Register
TAG1.18	Signing of SDBIP by Executive Mayor, 28 days after the budget approval	PMS	1	Opex	1	1	1	3,00	0,00	None	None	Signed SDBIP
TAG1.19	Number of PMS feedback sessions conducted (Ass. Report)	PMS	4	Opex	4	4	4	3,00	0,00	None	None	Quarterly report
TAG1.20	Number of quarterly risk monitoring reports submitted to management and Risk Management	Risk Management	4	Opex	4	4	4	3,00	0,00	None	None	Quarterly report
TAG1.21	Number of risk management and fraud prevention committee meetings held	Risk Management	4	Opex	4	4	4	3,00	0,00	None	None	Agenda & Minutes

SDBIP	Key Performance Indicator	Department	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rate	Compare	Reason for deviation	Remedy	POE
TAG1.22	Number of strategic risk assessment workshops conducted	Risk Management	1	Opex	1	1	1	3,00	0,00	None	None	Agenda & Minutes
TAG1.23	Number of quarterly internal audit reports submitted to Management and audit committee	Internal audit	4	Opex	4	8	8	3,00	0,00	None	None	Agenda & Minutes
TAG1.24	Number of Internal Audit Charter & Plans submitted for Approval by Audit Committee	Internal Audit	1	Opex	1	1	1	3,00	0,00	None	None	Quarterly report
TAG1.25	Annual Anti-Fraud and Anti-Corruption workshop	Risk Management	New	Opex	0	1	1	3,00	0,00	None	None	Attendance Register

TAG 2

No	Key Performance Indicator	Department	Baseline 2022/23	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for deviation	Remedy	POE
Growing Economy												
TAG 2.1	Number of special initiatives implemented	LED	1987	OPEX	0	2600	1858	2,14	- 742,00	Financial constrains 2 MIG Project Ended		Reports

No	Key Performance Indicator	Department	Baseline 2022/23	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for deviation	Remedy	POE
TAG 2.2	Poverty alleviation programmers coordinated	LED	5	Opex	0	20	21	3,15	1,00	None	None	Reports
TAG 2.3	Catalytic projects coordinated	LED	New	Opex	0	1	3	5,00	2,00	None	None	Reports
TAG 2.4	Number of SMMEs supported	LED	78	OPEX	175	100	191	5,00	91,00	90 Informal Traders trained on Economic Development for Informal Traders	None	Reports
TAG 2.5	LED FORUM meetings held	LED	4	OPEX	12	4	4	3,00	0,00	None	None	Reports

No	Key Performance Indicator	Department	Baseline 2022/23	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for deviation	Remedy	POE
TAG 2.6	Number of Hectors Establish	Forestry	121.1	Opex	105,9	150	4,9	1,00	- 145,10	Planting operations were delayed last financial year due to adverse weather and logistical challenges in securing seedlings and equipment on time	To prevent a recurrence, we have secured all necessary resources in advance, completed early site preparation, established a monitoring schedule, and allocated additional workforce as needed. These measures will ensure that the upcoming planting season proceeds efficiently and meets our targets	Reports

No	Key Performance Indicator	Department	Baseline 2022/23	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for deviation	Remedy	POE
TAG 2.7	Number of compartment maintained	Forestry	2000	Opex	3463,61	2000	1284,39	1,93	- 715,61	The shortage of skilled labor and equipment delayed scheduled operations, resulting in a shortfall against planned maintenance activities	To ensure timely and effective delivery going forward, a silviculture service provider will be appointed to augment internal capacity. This partnership will provide the necessary expertise, labor, and equipment to improve operational efficiency	Reports
TAG 2.8	Fire breaks	Forestry	170	Opex	342,3	170	170	3,00	0,00	None	None	Reports

TAG 3

SDBIP	KEY PERFORMANCE INDICATOR	DEPARTMENT	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
Sustainable Human Settlement												
TAG3.1	% of building plans processed within 30 days(Less than 500sqm)	Planning and Development	100%	Opex	100%	100%	100%	3,00	0,00	None	None	Letters
TAG3.2	% of building plans processed within 60 days(More than 500 Sqm)	Planning and Development	100%	Opex	100%	100%	100%	3,00	0,00	None	None	Letters
TAG3.3	% of building inspections conducted as per request	Planning and Development	100%	Opex	100%	100%	100%	3,00	0,00	None	None	Letters
TAG3.4	% of land development applications processed within 30 days	Planning and Development	100%	Opex	100%	100%	100%	3,00	0,00	None	None	Reports
TAG3.5	% of beneficiaries registered on the NHNR Database against received applications	Planning and Development	New	Opex	100%	100%	100%	3,00	0,00	None	None	Reports
TAG3.6	Number of Project Steering Committee meetings held with stakeholders	Planning and Development	New	Opex	0	1	1	3,00	0,00	None	None	Reports

SDBIP	KEY PERFORMANCE INDICATOR	DEPARTMENT	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
TAG3.7	Number of Monitoring reports to the Beneficiary Management process until the hand-over of title deeds.	Planning and Development	New	Opex	0	1	1	3,00	0,00	None	None	Reports
TAG3.8	No of consumer education conducted	Planning and Development	4	Opex	4	1	1	3,00	0,00	None	None	Reports
TAG3.9	Number of households inspected for illegal building activities	Planning and Development	5500	Opex	1550	6000	6000	3,00	0,00	None	None	Reports
TAG3.10	Number of households inspected for illegal land uses	Planning and Development	100%	Opex	1550	6000	6000	3,00	0,00	None	None	Reports
TAG3.11	Development of the IDP process plan	Planning and Development	IDP Process plan 2019/2020	Opex	1	1	1	3,00	0,00	None	None	Approved Process Plan
TAG3.12	Annual review of the IDP	Planning and Development	1	Opex	1	1	1	3,00	0,00	None	None	Approved IDP
TAG 3.13	Number of Business Inspection conducted (Formal & informal Business compliance	Public Safety	12	Opex	12	12	12	3,00	0,00	None	None	Reports

SDBIP	KEY PERFORMANCE INDICATOR	DEPARTMENT	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
TAG3.14	Number of streets cleaned in the CBD & BUS and TAXI Route	Environmental Management	Opex	25	25	25	25	3,00	0,00	None	None	Registers
TAG3.15	% of Graves prepared within 5 days from the date of request	Environmental Management	Opex	100%	100%	100%	100%	3,00	0,00	None	None	Job card
TAG3.16	Number of refuse collection trips from serviced areas disposed of at the landfill site	Environmental Management	Opex	1202	1202	830	1152	4,16	322,00	The target for waste collection was overachieved due to the effective use of a tractor in the month of April and May as a backup when the compactor truck experienced mechanical issues.	The truck was then taken to the mechanic, as a result that the truck was operational throughout June	Collection registers, schedule

SDBIP	KEY PERFORMANCE INDICATOR	DEPARTMENT	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
TAG3.17	Number of landfill sites compliance reports submitted to Mayoral committee	Environmental Management	Opex	4	4	4	4	3,00	0,00	None	None	Report
TAG3.18	Number of monthly waste reports submitted to Department of Environmental Affairs via South African Waste Information System	Environmental Management	Opex	12	12	12	12	3,00	0,00	None	None	Submitted volumes to SAWIS

TAG 4

# KPI	Key Performance Indicator	DEPARTMENT	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
Strategic Objectives			Reduce response time to complaints and emergencies									
To ensure effective law enforcement and compliance with municipal bylaws												
TAG4.1	% of ticket fine issued	Public Safety	New	Opex	97%	100%	334%	5,00	234%	The deviation is due to Easter operations collaborating with stakeholders on multiple initiatives	None	reports
TAG4.2	Number of report on structural fire incidents attended within 14 minutes (5 km from fire station)	Public Safety	12	Opex	12	12	12	3,00	0,00	None	None	Report
TAG4.3	No. of cultural events & exhibitions held	Social Cohesion	4	Opex	6	7	10	4,29	3,00	Honoured an invitation to be part of 16 Days Activism vs Abuse of Women & Children awareness campaign.	None	Reports
TAG4.4	% of Compliance Certificate issued (fire permit)	Public Safety	New	Opex	100%	100%	100%	3,00	0,00	None	None	reports

# KPI	Key Performance Indicator	DEPARTMENT	BASELINE	BUDGET	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
TAG4.5	Number of road block conducted for revenue collection	Public Safety	New	Opex	42	12	28	5,00	16,00	1. October was Transport Month and that meant road safety awareness had to be done. 2. Strengthening	None	Receipt printout
TAG4.6	Number of Business Inspection conducted (Formal & informal Business compliance)	Public Safety	12	Opex	115	12	12	3,00	0,00	None	None	reports

TAG 5

No KPI	Key Performance Indicator	Department	Budget	Baseline	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
Strategic Objectives			Eradication of basic services backlog									
KEY FOCUS AREA(WATER AND SANITATION)												
TAG5.1	% of New water connections	Water & Sanitation	Opex	100%	100%	100%	100%	3	0%	None	None	Application, proof payment and job card
TAG5.2	Number of Mega liters of water treated from water treatment works	Water & Sanitation	Opex	8783	8783	10548	9103,4	2,79	-1444,6	Amsterdam drought affected the water supply	Residents were supplied water through water tankers	Spreadsheets report

No KPI	Key Performance Indicator	Department	Budget	Baseline	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
TAG5.3	% of new waste water connections	Water & Sanitation	Opex	100%	100%	100%	100%	3	0	None	None	Application, proof payment and job card
TAG5.4	Number of Mega liters of waste water treated from waste water treatment	Water & Sanitation	Opex	3812	3812	2808	3400	3,63	592	During the Taking legislature to the people program, the municipality has added	None	Spreadsheets report
	works and septic tanks									yellow fleet which assisted		
TAG5.5	No of report on drinking water samples reports complying to SANS241	Water & Sanitation	Opex	4	4	4	4	3	0	None	None	Publication reports
TAG5.6	% of water meters replaced	Water & Sanitation	Opex	100%	100%	100%	100%	3	0	None	None	Job cards
KEF FOCUS AREA (ELECTRICITY)												
TAG5.7	% of new electricity meters installed	Electricity Unit	Opex	100%	100%	100%	100%	3	0%	None	None	Job cards
TAG5.8	% of electricity meters replaced	Electricity Unit	Opex	100%	100%	100%	100%	3	0%	None	None	Job cards

No KPI	Key Performance Indicator	Department	Budget	Baseline	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
TAG5.9	Replacement of conventional meter to prepaid meters	Electricity Unit	Opex	100%	100%	700	30	1	-670	Shortage of 3 phase prepaid meters	Purchase order issued	Job cards
KEY FOCUS AREA (ROADS AND STORM WATER)												
TAG5.10	KMs of roads maintained and graded	Roads & Storm water	Opex	581,4 Km	581	160	830	5	670	During the Taking legislature to the people program, the municipality has added yellow fleet which assisted	None	Job card
TAG5.11	Square meters (M²) of tar road potholes repaired	Roads & Storm water	Opex	41317,23m²	41317	16800	29159	5	12358,73	During the Taking legislature to the people program, the	None	Job card
										municipality has added yellow fleet which assisted		

TAG 5 PMU

No KPI	Key Performance Indicator	Project Number	Project Management	Budget	Baseline	Prior Year 23/24	Annual Target	Actual	Score	Compare	Reason for deviation	Remedy	Expenditure to date	POE
Strategic Objectives			Improve infrastructure maintenance and ensure sustainable access to basic services											
TAG5.12	Construction of KwaThandeka Main Access Road	MKHO 07/2023/24/01	Project Management	R 16 609 769.00	Construction 50%	Construction 50%	100%	100%	3,00	0	None	None	R 16 609 769.00	Progress Reports and completion certificate
TAG5.13	Installation of Pour Flush Toilets in rural villages of Mkhondo LM	MKHO 08/2024/25	Project Management	R 6 151 703.00	220 units completed	220 units completed	100%	100%	3,00	0	None	None	R 6 151 703.00	Progress Reports and completion certificate
TAG5.14	Construction of 3km Bus and Taxi route at Kempville	MKHO 17/2023/24(3)	Project Management	R 15 215 342.16	New	–	85%	95%	3,35	10%	None	None	R 15 215 342.16	Progress reports
TAG5.15	Planning, Design and construction supervision of Ethandakukhanya bulk sewer outfall upgrade	MKHO 07/2024/25	Project Management	R 13 322 039.85	New	–	25%	37%	4,44	12%	Contractor worked more than planned	None	R 13 322 039.85	Progress reports
TAG5.16	Eradication of water backlog drilling, equipping and electrification of boreholes in rural villages of Mkhondo Local Municipality	MKHO 06/2024/25	Project Management	R 18 976 077.00	New	–	85%	92,50%	3,26	8%	Contractor worked more than planned	None	R 18 976 077.00	Progress Reports
TAG5.17	Electrification of rural villages (ward 15 and ward 17) in Mkhondo Local Municipality	MKHO18/2023/24(2)	Project Management	R 292 391.00	New	–	1	1	3,00	0	None	None	R 292 391.00	Detailed Design report
TAG5.18	Electrification of rural villages (ward 09) in Mkhondo Local	MKHO 18/2023/24(1)	Project Management	R 397 077.65	New	–	1	1	3,00	0	None	None	R 397 077.65	Detailed Design report

No KPI	Key Performance Indicator	Project Number	Project Management	Budget	Baseline	Prior Year 23/24	Annual Target	Actual	Score	Compare	Reason for deviation	Remedy	Expenditure to date	POE
	Municipality Villages of Mkhondo Local Municipality													
TAG5.19	88/11KV upgrade 2MVA-10MVA Amsterdam Substation	MKHO 18/2023/24 (3)	Project Management	R 4 641 450.60	2MVA	2MVA	10%	10%	3,00	0	None	None	R 4 641 450.60	Detailed Design report
TAG5.20	Planning, Design and Construction of Amsterdam Sewer Reticulation Network	MKHO 07/2024/25	Project Management	R 15 396 440.84	Construction 85.6%	Construction 85.6%	100%	68%	2,04	-32%	Hard rock and underground water	A revised scope technical report to be approved	R 15 396 440.84	Completion certificate
TAG5.21	Rehabilitation of Bus and Taxi Route in ward 10 Emagadeni eThandukukhanya	MKHO 07/2023/24 (2)	Project Management	R 15 000 000.00	Construction 10%	Construction 10%	100%	100%	3,00	0%	None	None	R 15 000 000.00	Completion Certificate
TAG5.22	Rehabilitation of Internal Street in ward 11 eThandukukhanya	MKHO 03/2023/24 (10)	Project Management	R 3 000 000.00	Construction 40%	Construction 40%	100%	100%	3,00	0%	None	None	R 3 000 000.00	Completion Certificate
TAG5.23	Electrification of rural villages 102 households Sqintini and Bazane.	MKHO 01/2023/24	Project Management	R 1 190 046.38	Construction 73,5%	Construction 73,5%	100%	100%	3,00	0%	None	None	R 1 190 046.38	Completion certificate
TAG5.24	Construction of the Driefontein Sanitation Infrastructure	MKH018/2020/21	Project Management	R 0.00	Construction 94%	Construction 94%	100%	94%	2,82	-6%	Hard rock and underground water	Works to be completed October 2025	R 0.00	Completion certificate
TAG5.25	Construction of Steel Pedestrian Bridge at Mafred in eThandukukhanya	MKHO 41 2022/2023	Project Management	R 0.00	Construction 85%	Construction 85%	100%	100%	3,00	0%	None	None	R 0.00	Completion Certificate
TAG5.26	Retrofitting of Mkhondo 250W HPS with 100W LED Lights	MKHO 18/2023/24(04)	Project Management	R 2 611 800.00	New	-	160	160	3,00	0	None	None	R 2 611 800.00	Completion certificate

No KPI	Key Performance Indicator	Project Number	Project Management	Budget	Baseline	Prior Year 23/24	Annual Target	Actual	Score	Compare	Reason for deviation	Remedy	Expenditure to date	POE
TAG5.27	Retrofitting of Thanda 250W HPS with 100W LED Lights	MKHO 18/2023/24(04)	Project Management	R 1 507 700.00	New	–	388	388	3,00	0	None	None	R 1 507 700.00	Completion certificate
TAG5.28	Retrofitting of Kwa Thwandeke 250W HPS with 100W LED Lights	MKHO 18/2023/24(04)	Project Management	R 647 600.00	New	–	85	85	3,00	0	None	None	R 647 600.00	Completion certificate
TAG5.29	Highmast lights: Ward 1 to 19: Retrofit 400w to 200W	MKHO 18/2023/24(04)	Project Management	R 2 231 900.00	New	–	232	232	3,00	0	None	None	R 2 231 900.00	Completion certificate
TAG5.30	Re-gravelling and storm water management for 600m road at ward 17 Welverdiend	MKHO 03/2023/24(11)	Project Management	R4 065 325,70	New	–	100%	100%	3,00	0%	None	None	R4 065 325,70	Completion Certificate
TAG5.31	Re-gravelling and storm water management for 2km road at ward 8 Dr Pols village	MKHO 03/2023/24(13)	Project Management	R3 634 084,25	New	–	100%	100%	3,00	0%	None	None	R3 634 084,25	Completion Certificate
TAG5.32	Re-gravelling and storm water management for 1900m x5m road at ward 13 Mangosuthu	MKHO 03/2023/24(12)	Project Management	R2 745 074.45	New	–	100%	100%	3,00	0%	None	None	R2 745 074.45	Completion Certificate
TAG5.33	Re-sealing a 1km of Pretorius street in Harmony Park ward14	MKHO 07/2023/24(4)	Project Management	R6 522 515,60	New	–	100%	100%	3,00	0%	None	None	R6 522 515,60	Completion Certificate
TAG5.34	Re-gravelling of 3000m bus and taxi route in Driefontein ward 1)	MKHO 03/2023/24(8)	Project Management	R 0.00	Construction 94%	Construction 94%	100%	100%	3,00	0%	None	None	R 0.00	Completion Certificate

No KPI	Key Performance Indicator	Project Number	Project Management	Budget	Baseline	Prior Year 23/24	Annual Target	Actual	Score	Compare	Reason for deviation	Remedy	Expenditure to date	POE
TAG5.35	Re-gravelling of 2200m bus and taxi route in Driefontein ward 2	MKHO 03/2023/24(9)	Project Management	R 0.00	Construction 93%	Construction 93%	100%	100%	3,00	0%	None	None	R 0.00	Completion Certificate
TAG5.36	Refurbishment of Piet Retief Water Treatment works	MKHO 09/2024/25(1)	Project Management	R 9 364 164.21	New	–	20%	30%	4,50	10%	Contractor worked more than planned	Completion date remains same	R 9 364 164.21	Progress Report
TAG5.37	Replacement of Harmony Park 11KV T3 RMU	MKHO 11/2024/25(3)	Project Management	R 1 000 000.00	New	–	20%	100%	5,00	80%	Contractor worked more than planned	Project is completed	R 1 000 000.00	Advert, appointment letter and progress report
TAG5.38	Replacement of Kempville combine school 11KV T3 RMU	MKHO 11/2024/25(4)	Project Management	R 1 000 000.00	New	–	20%	100%	5,00	80%	Contractor worked more than planned	Project is completed	R 1 000 000.00	Advert, appointment letter and progress report
TAG5.39	Ward 7: Ajax Line 11kv T4 RMU Switchgear	MKHO 11/2024/25(3)	Project Management	R1 000 000,00	New	–	10%	100%	5,00	90%	Contractor worked more than planned	Project is completed	R 1 000 000.00	Completion Certificate
TAG5.40	Salinga Road (Body builders) 11kv T3 RMU	MKHO 11/2024/25(4)	Project Management	R1 000 000,00	New	–	10%	100%	5,00	90%	Contractor worked more than planned	Project is completed	R 1 000 000.00	Completion Certificate
TAG5.41	Luneburg Street 11kv Switching Station	MKHO 11/2024/25(3)	Project Management	R2 000 000,00	New	–	10%	100%	5,00	90%	Contractor worked more than planned	Project is completed	R2 000 000,00	Completion Certificate
TAG5.42	Ward 7: Engelbrecht Substation	MKHO 11/2024/25(4)	Project Management	R500 000,00	New	–	10%	100%	5,00	90%	Contractor worked more than planned	Project is completed	R500 000,00	Completion Certificate
TAG5.43	Design and Electrification of rural villages ward 9 (92 Connections)	MKHO11/2024/25 (2)	Project Management	R 3 758 757.99	New	–	10%	64%	5,00	54%	Contractor worked more than planned	Completion date remains same	R 3 758 757.99	Advert, appointment letter and progress report

No KPI	Key Performance Indicator	Project Number	Project Management	Budget	Baseline	Prior Year 23/24	Annual Target	Actual	Score	Compare	Reason for deviation	Remedy	Expenditure to date	POE
TAG5.44	Electrical Infrastructure upgrade of 11kv Amsterdam Switching station from 1.9MVA to 10MVA and associated OHM Network.	MKHO11/2024/25 (1)	Project Management	R 14 358 298.95	New	–	10%	24%	5,00	14%	Contractor worked more than planned	Completion date remains same	R 14 358 298.95	Advert, appointment letter and progress report

TAG 6

SDBIP	Key Performance Indicator	Department	BASELINE	Budget	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
Strategic Objectives				Intensify collaboration with partners.								
TAG6.1	Number of monthly offsite backups conducted	ICT	12	Opex	12	12	12	3,00	0,00	None	None	Back reports
TAG6.2	Number of complains reports compiled and submitted to Council	ICT	2	Opex	0	4	4	3,00	0,00	None	None	Reports
TAG6.3	Number of reports on implemented of Council resolution	CC	2	Opex	2	2	2	3,00	0,00	None	None	Reports
TAG6.4	Number of Council meeting Coordinated	CC	13	Opex	15	9	16	5,00	7,00	There were Special Council Meetings	None	Register, minutes
TAG6.5	Number of Section 80 meeting Coordinated	CC	60	Opex	60	60	55	2,75	-5,00	One Department could not sit in May 2025	None	Register, minutes
TAG6.6	Number of Mayoral meeting Coordinated	CC	12	Opex	11	12	11	2,75	-1,00	In December there was no Mayoral	To be conducted in January	Register, minutes

SDBIP	Key Performance Indicator	Department	BASELINE	Budget	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
TAG6.7	Number of Section 79A meeting Coordinated(MPAC)	CC	10	Opex	0	10	21	5,00	11,00	There was also Oversight meeting held	None	Register, minutes
TAG6.8	Number of Section 79 meeting Coordinated	CC	20	Opex	21	20	9	1,35	-11,00	One Department sat twice in the quarter		Register, minutes
TAG6.9	Number of Troika meeting Coordinated	Mayoral	12	Opex	15	12	13	3,25	1,00	None	None	Register, minutes
TAG6.10	% of Complains received and Resolved	GM	New	Opex	100%	100%	100%	3,00	0,00	None	None	Reports
TAG6.11	Number of Council Committees Scheduled approved	GM	New	1	1	1	1	3,00	0,00	None	None	Approved Scheduled
Strategic Objectives			Intensify Revenue generation									
TAG6.12	Number of Section 71 reports submitted to National Treasury	Finance Department	12	Opex	12	12	12	3,00	0,00	None	None	Section 72 report
TAG6.13	Number of Section 72 reports submitted to National Treasury	Finance Department	1	Opex	1	1	1	3,00	0,00	None	None	Section 72 report
TAG6.14	Number of SCM quarterly reports completed	Finance Department	4	Opex	4	4	4	3,00	0,00	None	None	Quarterly reports
TAG6.15	GRAP compliance report compiled	Finance Department	4	Opex	1	4	4	3,00	0,00	None	None	Reports
TAG6.16	% of monthly revenue collected	Finance Department	62%	Opex	58%	80%	60%	2,24	-0,20	High no reaction from customers	Continue enforcing debit & credit control policy	Monthly Report
TAG6.17	Development of Asset Management Strategy	Finance Department	New	Opex	0	1	1	3,00	0,00	None	None	Approved Asset Management Strategy

SDBIP	Key Performance Indicator	Department	BASELINE	Budget	Audited Prior Year 23/24	Annual 2024/25	Annual Actual	Rating	Compare	Reason for Deviation	Remedy	POE
TAG6.18	Number of financial viability blue print meeting coordinated	Finance department	New	Opex	0	1	1	3,00	0,00	None	None	Minutes & Attendance Register
TAG6.19	Number of report on council resolution on cellphone reports	Finance department	New	Opex	0	1	1	3,00	0,00	None	None	Reports
TAG6.20	Number of 1% contribution tender report	Finance department	New	Opex	0	1	1	3,00	0,00	None	None	Reports
TAG6.21	Number of monthly cut-off	Finance department	New	Opex	0	1	1	3,00	0,00	None	None	Reports
TAG6.22	Number of revenue steering committee meeting	Finance department	New	Opex	0	1	1	3,00	0,00	None	None	Reports
TAG6.23	% of approved and registered indigent households receiving free basics services.	Finance department	1043	Opex	100%	100%	100%	3,00	0,00	None	None	Reports

3.2 WATER PROVISION AND SANITATION

INTRODUCTION

The Constitution of the Republic of South Africa guarantees every person the right to access safe drinking water and dignified sanitation. In accordance with the Municipal Structures Act (No. 117 of 1998), Mkhondo Local Municipality is designated as the sole Water Services Authority (WSA) within its area of jurisdiction. In this capacity, the Municipality bears the responsibility of providing water and sanitation services to all consumers and potential consumers, while ensuring the progressive realisation of access that is efficient, affordable, economical, and sustainable.

The Municipality's mandate is to supply high-quality potable water to all households within its jurisdiction (MP303). Performance outcomes reflect both progress and existing challenges. Mkhondo Local Municipality achieved 54.46% in the 2023 Blue Drop assessment, 55% in the 2021 Green Drop assessment, and 64% in the 2025 No Drop report. The Municipality's strategic objective is to attain full compliance and secure all three Drop Certifications.

To strengthen operational excellence, Process Controllers undergo continuous training and refresher programmes to remain aligned with regulatory requirements and technological advancements. Currently, 99% of Process Controllers are trained and classified by the Department of Water and Sanitation in accordance with Regulation 3630, with 90% holding Class IV qualifications and 10% holding Class III qualifications. This represents a significant improvement compared to previous years and demonstrates the Municipality's commitment to skills development and compliance.

Despite these advances, ageing infrastructure and increasing population-driven demand remain critical challenges. These pressures necessitate ongoing refurbishment, system upgrades, and capacity expansion. The Piet Retief Water Treatment Works is presently undergoing refurbishment, with completion scheduled for February 2026. At present, water demand in Mkhondo and Saul Mkhizeville exceeds available supply capacity, highlighting the urgency for infrastructure investment and demand management interventions. Mkhondo Local Municipality supplies treated bulk water to Amsterdam, Mkhondo, and Saul Mkhizeville through four Water Treatment Works. Rural villages are predominantly served through groundwater abstraction via boreholes, supplemented by water tanker services. The Municipality operates five water tankers to support rural water supply, with additional assistance from Gert Sibande District Municipality, which has provided an additional tanker to service Wards 1, 2 and 18.

Bulk sanitation services are provided to Mkhondo and Amsterdam through two Wastewater Treatment Works. Furthermore, the construction of a 1 ML/day Wastewater Treatment Works and associated reticulation system for Saul Mkhizeville is nearing completion, which will significantly improve sanitation service delivery and environmental compliance in the area.

SUCSESSES

A total of 9 992 ML of treated potable water was produced and supplied to communities across the Municipality.

57 new households were successfully connected to the municipal water supply network, expanding access to basic services.

297 ageing and non-functional water meters were replaced to improve metering accuracy and revenue protection.

Approximately 3 400 ML of wastewater was treated at the Mkhondo and Amsterdam Wastewater Treatment Works, supporting environmental compliance.

The refurbishment of the Piet Retief Water Treatment Works is progressing well and remains on track for completion in February 2026.

Sixty (60) boreholes were constructed across rural wards, together with the completion of three natural spring developments, improving rural water security.

Routine operation and maintenance of rural boreholes continued to ensure reliability and sustainability of supply.

The ongoing extension of rural water reticulation networks enhanced access to potable water in previously underserved areas.

Regular water quality sampling and laboratory testing were conducted to ensure compliance with drinking water standards.

Water and wastewater quality performance reports were successfully compiled, published, and continuously improved, strengthening regulatory compliance and transparency.

CHALLENGES

Performance shortfalls in water and sanitation service delivery are influenced by a combination of operational, financial, and infrastructure-related constraints. Key challenges include the following: High water losses, which continue to negatively impact system efficiency, financial sustainability, and overall service reliability.

Rapidly increasing water demand that exceeds existing treatment and distribution capacity, creating an urgent need for upgrades and capacity expansion at water treatment works.

Frequent mechanical breakdowns and an ageing vehicle fleet, resulting in service interruptions and delayed response times.

Deterioration of bulk and reticulation infrastructure, particularly within the water distribution networks, due to ageing assets and historical underinvestment.

Budgetary constraints, which limit the Municipality's ability to implement required refurbishment, upgrades, and preventative maintenance programmes.

Shortages of critical technical staff, affecting operational efficiency, compliance, and oversight. Insufficient operational vehicles, constraining field operations, maintenance response, and rural service delivery.

Outstanding laboratory service debt owed to Gert Sibande District Municipality, impacting timely access to water quality testing services.

Recent severe storm events, which caused damage to both water and wastewater infrastructure, placing additional strain on already constrained systems.

3.3 ELECTRICAL SERVICES

INTRODUCTION

According to Statistics South Africa, the population of Mkhondo Local Municipality increased from 171 982 in 2011 to 255 411 in 2022, representing an average annual growth rate of approximately 4.4%. This rapid and sustained population growth has placed increasing pressure on the provision of basic services, particularly electricity supply.

The Municipality owns and operates two electricity supply points, namely the Mkhondo Main Substation and the Amsterdam Switching Station. Based on projected growth over the next 40-year planning horizon, the Municipality will be required to upgrade its Notified Maximum Demand (NMD) from 18 MVA to 40 MVA at Mkhondo, and from 1.9 MVA to 10 MVA at Amsterdam, in order to meet future demand and ensure network reliability.

The Electricity Services Division is responsible for the operation and maintenance of the municipal electricity grid and also supports the establishment of new household connections within Piet Retief and Amsterdam. Currently, approximately 86% of urban households have access to electricity, while the remaining 14% of households are still without adequate access to electricity services.

SUCSESSES

INEP Funding available for the upgrade Notified Maximum Demand in Piet Retief and Amsterdam, currently await the budget quote from Eskom. Integrated National Electrification Programme (INEP) has funded the following electrical projects:

Project Name	Budget
Electrification of rural villages 102 households Sqintini and Bazane.	R 11 316 587.85
Design and Electrification of rural villages ward 9 (92 Connections)	R 3 758 757.99
Electrical Infrastructure upgrade of 11kv Amsterdam Switching station from 1.9MVA to 10MVA and associated OHM Network.	R 14 358 298.95

The Installation of Energy saving street lights & High mast lights (Implementation of EEDSM) The below projects were implemented at an amount of R 7 000 000.00.

Villages Name	Number of lights
Retrofitting of eThandakukhanya 250W HPS with 100W LED Lights	-Installed 170: 100W LED
Retrofitting of Mkhondo Town 250W HPS and Mercury Viper street lights with 100W LED Streetlights	-Installed 353: 100W LED
Retrofitting of Amsterdam 250W HPS with 100W LED Lights	-Installed 82: 100W LED
Highmast lights: Ward 1 to 19: Retrofit 400w to 200W	-Installed 222: 200W LED

Municipal Disaster Recovery Grant (MDRG) has successfully funded the following electrical projects were completed:

Project Name	Budget
Harmony Park 11kV T3 RMU	R 1 000 000.00
Ajax Line 11kv T4 RMU Switchgear	R 1 000 000.00
Salinga Road (Body builders) 11kv T3 RMU	R 1 000 000.00
Kempville Combined School 11kv T3 RMU	R 1 000 000.00
Lunenburg Street 11kv Switching Station	R 2 000 000.00
Ward 7: Engelbrecht Substation	R 500 000.00

CHALLENGES

The effective provision and sustainability of electricity services are constrained by several operational, financial, and institutional challenges, including:

Severe financial constraints, which limit the Municipality's ability to implement adequate preventative, corrective, and planned maintenance on substations, transformers, and electricity distribution networks.

Notified Maximum Demand (NMD) shortfalls at both Mkhondo and Amsterdam, posing a significant risk to supply reliability and future load growth.

Inadequate availability of specialised equipment and operational resources, including critical plant such as cranes and cherry pickers, which hampers timely maintenance and fault response.

High vacancy rates within the Electricity Services Division, coupled with slow recruitment processes, resulting in capacity constraints and increased operational risk.

Total No of HH	HH with access	Percentage with access	HH without access	Percentage without access
58 504	50 313	86%	8 191	14%

3.4 ROADS AND STORMWATER DIVISION

INTRODUCTION

The road network within the jurisdiction of Mkhondo Local Municipality comprises national, provincial, district, and municipal roads. The responsibility for the majority of urban roads and streets, many of which remain unsurfaced, rests with the Municipality through the Roads and Stormwater Division.

A key national transport corridor, the N2, traverses the town of eMkhondo, providing a strategic linkage between KwaZulu-Natal and Mpumalanga Province. In addition, the R33 and R345 serve as important provincial routes within the municipal area. Traffic volumes along these corridors are high, placing sustained pressure on the road network. As a result of ageing infrastructure, historical underinvestment, and increased traffic loading, a significant portion of the road network is in a dilapidated condition, with many roads requiring full rehabilitation rather than routine maintenance. The situation was further exacerbated by severe storm and flood events experienced in November 2024, which caused extensive damage to municipal road and stormwater infrastructure. In some areas, road conditions deteriorated to the extent that communities experienced restricted or unsafe access to their homes, highlighting the vulnerability of the network to extreme weather events.

Despite these challenges, the Municipality has made progress in addressing critical backlogs through the completion and initiation of targeted road construction and rehabilitation projects. Financial support through the Municipal Infrastructure Grant (MIG) and the Municipal Disaster

Recovery Grant (MDRG) continues to play a critical role in enabling the Municipality to implement priority road rehabilitation and stormwater management interventions aimed at restoring access, improving safety, and enhancing network resilience.

SUCCESES

A total of 830 km of roads were maintained and graded.

A total of 100% of graves were prepared, and burials occurred in cemeteries controlled by the Mkhondo Local Municipality.

A total of 354 catch pits were cleaned in the 2024/25FY.

Pothole repair is 35 859 m² of tar road repairs.

A total of 9112 m of stormwater system was maintained and cleaned Municipal Infrastructure Grant (MIG) has funded the following roads projects:

Project Name	Budget
Construction of KwaThandeka Main Access Road	R 15 636 588.72
Construction of 3km Bus and Taxi route at Kempville	R 15 215 342.16

Municipal Disaster Recovery Grant (MDRG) has funded the following roads projects:

Project Name	Budget
Re-gravelling and storm water management for 600m road at ward 17 Wilverdiend	R 4 065 325,70
Re-gravelling and storm water management for 2km road at ward 8 Dr Pols village	R 3 634 084,25
Re-gravelling and storm water management for 1900m x5m road at ward 13 Mangosuthu	R 2 745 074.45
Re-sealing a 1km of Pretorius street in Harmony Park ward 1	R 6 522 515,60
Rehabilitation of Bus and Taxi Route in ward 10 Emagadeni eThandakukhanya.	R 15 000 000.00
Rehabilitation of Internal Street in ward 11 eThandakukhanya	R 3 000 000.00
Re-gravelling 3000m bus and taxi route in Driefontein ward 1	R 2 500 000.00
Re-gravelling of 2200m bus and taxi route in Driefontein ward 2.	R 2 100 000.00

CHALLENGES

The Municipality continues to face significant structural and financial constraints in maintaining and rehabilitating its roads and stormwater infrastructure. The key challenges impacting service delivery are as follows: Inadequate financial resources, which significantly limit the Municipality's ability to implement sustainable preventative, routine, and corrective maintenance programmes across the roads and stormwater network.

Advanced deterioration of tarred road infrastructure, with a substantial portion of the network having exceeded its original design life, necessitating urgent rehabilitation, resealing, and, in some cases, full reconstruction. Deterioration of paved road surfaces in identified areas, requiring targeted intervention to restore safety, accessibility, and serviceability.

Degradation of gravel roads within urban and residential areas, where the wearing course has been lost, requiring systematic replacement to maintain functionality and reduce further asset deterioration.

An ageing and unreliable yellow plant fleet, characterized by frequent mechanical failures, which disrupt planned maintenance schedules and adversely affect operational efficiency. Ineffective and failing stormwater systems, resulting in inadequate drainage, accelerated road damage, erosion, and increased maintenance costs across the road network

3.5 WASTE

INTRODUCTION

The Office of Community Services presents the 2024/2025 Annual Report, providing an overview of the operational performance and key activities undertaken across its core divisions: Waste Management, Forestry, Traffic Services, Social Cohesion, and the Fire & Rescue Unit. The report reflects the Directorate's ongoing commitment to delivering reliable, community-focused services that enhance public safety, environmental management, emergency preparedness, and social development within Mkhondo Local Municipality.

During the reporting period, each division faced varying degrees of resource limitations, infrastructure challenges, and environmental issues. Despite these obstacles, the Directorate stayed committed to enhancing service delivery, building stronger community partnerships, and protecting municipal assets. Notable achievements included the expansion of household

waste collection services, improvements in fire protection measures within the plantation, enhanced traffic law enforcement, and the successful delivery of sports, arts, and cultural programs that promote social cohesion. The Fire & Rescue Unit plays a vital role in this service delivery framework, ensuring a swift response to incidents while safeguarding lives, property, and municipal infrastructure.

This report highlights the progress achieved across all units, outlines key challenges encountered, and identifies areas for improvement to guide future planning and decision-making. The Directorate remains focused on promoting accountable governance, enhancing service efficiency, and ensuring that the needs of Mkhondo communities remain at the centre of municipal service delivery.

WASTE MANAGEMENT UNIT

This section presents the performance of the Waste Management Division for the 2024/2025 financial year. It outlines the core services delivered, operational achievements, and the challenges that impacted service delivery. Despite resource limitations and infrastructure constraints, the Division continued to prioritise reliable waste services, environmental cleanliness, and collaborative community engagement.

2. OPERATIONAL PERFORMANCE

2.1 HOUSEHOLD COLLECTION

Household refuse collection was carried out in all scheduled residential areas, ensuring once-weekly collection for each service point. During the reporting period, Mangosuthu Phase 1 and Phase 2 were incorporated into the collection programme. This expansion increased service coverage to 33 261 households, reflecting an additional 363 households compared to the previous financial year. The continued expansion demonstrates the Division's commitment to improving access to basic waste management services for all communities.

2.2 TOWN AND TOWNSHIP REFUSE REMOVAL

Refuse removal in town and township areas was undertaken through the deployment of waste containers transported by tractor-drawn trailers. While this method ensured continuity of service, the current number of containers remains inadequate to meet growing service

requirements. Additional containers are necessary to enhance efficiency, reduce turnaround times, and ensure reliable service coverage.

2.3 LANDFILL SITE OPERATIONS AND CHALLENGES

The landfill site continued to show gradual improvement in overall management practices. However, operations remain hindered by the shortage of appropriate and compliant equipment, limiting full adherence to operating permit conditions. The availability of an excavator during the period made a noticeable positive impact on daily operations, improving waste compaction, covering, and general site management. Further investment in suitable heavy-duty machinery is essential to ensure long-term compliance and operational stability.

2.4 VEHICLE CONSTRAINTS

The Division faced significant vehicle-related challenges throughout the year. Frequent breakdowns, extended repair times, and ageing fleet structures— characterised by severe metal fatigue—contributed to a decline in container removal service performance. Despite these constraints, alternative operational measures were introduced to minimise service interruptions and ensure the continuation of essential waste collection activities.

2.5 STREET CLEANING

Street cleaning operations were carried out daily within the Central Business District (CBD) and along all major roadways. To maintain consistent cleanliness across hightraffic areas, two dedicated teams were deployed on both day and night shifts. The bus and taxi route at eThanda was added to the daily cleaning programme to address increased waste generation and improve overall environmental hygiene in the area.

2.6 ILLEGAL DUMPING

Illegal dumping remains a persistent and escalating challenge across the municipality. The number of informal dumping points continues to rise, placing additional pressure on already limited resources. While the Division's current capacity is insufficient to address all affected areas, awareness campaigns and targeted clean-up initiatives were conducted to mitigate environmental and health impacts. Ongoing community education and increased law enforcement support will be critical in reducing the prevalence of illegal dumping.

2.7 STAKEHOLDER COLLABORATION

Strong partnerships with stakeholders played a vital role in supporting waste management activities during the year. The Division collaborated with the Community Work Programme (CWP), schools, private sector partners, and the Mkhondo Environmental Forum to clear problem areas and promote community-led environmental stewardship.

A notable contribution was the donation of refuse bins to Ward 4 by NTE in Iswepe, significantly improving waste containment and cleanliness within the area. These partnerships remain essential for expanding service impact and enhancing community participation in responsible waste practices

2.8 CLIMATE CHANGE RESPONSE

Strategy and Resilience Planning

A comprehensive Climate Change Strategy and Resilience Plan was successfully developed and adopted, providing an integrated framework for mitigating climate-related risks and guiding adaptation measures across the municipality.

Alien Invasive Species Control

Alien invasive species were removed in accordance with the approved control plan. This intervention contributed significantly to biodiversity protection, improved ecosystem functioning, and strengthened landscape resilience.

Tree Planting Initiatives

Indigenous tree planting was conducted in selected community and municipal areas to enhance urban greening efforts. Furthermore, spekboom trees were distributed to households to promote carbon sequestration and encourage community-led climate action. In total, 131 indigenous trees and 718 spekboom trees were planted.

Awareness Campaigns

A series of climate change awareness campaigns were conducted in collaboration with key stakeholders. These initiatives focused on education, advocacy, and community mobilisation to strengthen environmental stewardship and enhance local climate resilience.

3. IN SUMMARY

The 2024/2025 financial year highlighted both progress and persistent challenges for the Waste Management Division. Service expansion strengthened stakeholder collaboration, and the successful integration of climate change response initiatives demonstrates the Division's commitment to sustainable environmental management. The adoption of the Climate Change Strategy, implementation of greening projects, promotion of community awareness, and biodiversity protection initiatives have enhanced the municipality's long-term resilience.

However, operational limitations, particularly vehicle constraints, insufficient waste containers, limited landfill equipment, and rising illegal dumping, continue to hinder full efficiency. Addressing these constraints will be crucial to enhancing service reliability, meeting compliance standards, and achieving the municipality's environmental sustainability targets.

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The purpose of the indigent policy is to implement the national initiative to improve the lives of indigents and to improve access to free basic services. The policy is aimed at providing a social safety net to relieve poverty within communities. The indigent policy has three (3) parts namely:

- Physical access to the municipal services;
- Functional and maintenance of services provided; and Access to services must be properly targeted.

Council does not have a division to specifically cater for social welfare to keep register of and to evaluate all applications for indigent support. However, the finance section provides a control system in the form of a questionnaire contained in the application form for indigents. The following free basic services are provided to qualifying indigents:

- 50 kWh (units) of free basic electricity per month.
- Six (6) kilolitre of free water per month.

- 100% rebate on assessment rates.
- The waste removal rate in respect of indigents will be fully discounted.
- The sewerage rate in respect of indigents will be fully discounted.

The Municipality had 3 227 registered indigent households as at the 30 June 2025. The Municipality is targeting to have 6000 registered indigents households at the end of June 2026. The Municipality is procuring a system that will assist with the verification of the indigent households this includes, ID verification, deceased persons, household income, employment status, contact details amongst other information. The system will assist in ensuring that eligible applications are processed promptly whilst ensuring that only qualifying applications are approved.

3.7 PLANNING

The Planning and Development Department comprises mainly two divisions, namely the IDP, LED, Special Projects & Tourism Division and the Town Planning, Human Settlements and Building Control Division. The core mandate of this Department is to ensure sustainable and integrated human settlements; compliance with town planning and building control regulations; and, to ensure local economic growth and attract investment to the municipality.

The Local Economic Development Unit is a directorate in the Planning and Development Department. LED aims to enable local stakeholders to mutually devise and implement a development strategy that fully exploits local resources and capacities and effectively utilises the area's comparative advantages. It is also mandated to promote economic development; job creation, economic transformation, and economic intelligence within the municipal area. It is guided by policies established by the National and Provincial Governments and articulates the approach to economic development through the Municipality's.

3.8 SPECIAL PROJECTS / LOCAL ECONOMIC DEVELOPMENT

3.8.1. INTRODUCTION

Local economic development is the responsibility of the Office of the Executive Mayor and falls under the Planning and Economic Development Department. The Integrated Development Plan (IDP) outlines the full responsibilities of each department. The Plan seeks to "enhance the economic prosperity of the eMkhondo region to ensure the material welfare

of all its residents." The expected outcomes include "sustained job creation, robust economic expansion, and poverty alleviation."

The LED unit promotes economic development by supporting Small, Medium and Micro Enterprises (SMMEs) and cooperatives. It also aids the informal economy through the facilitation and monitoring of informal street traders and tuck shops/spaza shops. The unit supports Business Development by assisting new businesses, promoting investment within the municipality, and facilitating business retention and expansion. Additionally, it handles Business Licensing by processing licensing applications, conducting inspections, and managing business registrations, distinct from Business Development activities.

3.8.2. RED TAPE REDUCTION

Business development in the municipal sector is essential, requiring regulations and processes that foster growth to support employment and income-generating activities. Efforts are ongoing to minimize and eventually eliminate all bottlenecks, commonly known as "Red Tape," that hinder business development (Mkhondo LED strategy 2023). The table below outlines the Red Tape Reduction Plan:

INDICATORS	OBJECTIVE	RED TAPE CHALLENGE	EXPECTED OUTCOME	ACTION PLAN
1. Communication of Information	Enhancing communication with both formal and informal businesses, as well as the public, is essential for effective information dissemination and raising awareness.	Inadequate or ineffective communication systems, processes, and channels lead to challenges in accessing municipal information pertinent to residents and businesses.	Enhanced communication to facilitate service delivery and information dissemination.	Establish multiple channels of communication. It is recommended to consider forums and committees.
2. Percentage expenditure on the procurement of local SMMEs	No percentage specified for municipal procurement is set aside for local SMMEs.	Municipalities lack policies or regulations aimed at promoting SMME development or prioritizing local suppliers.	Services are obtained from SMMEs or cooperatives within the municipality.	SCM Policy reviewed and approved.
3. Enhancing the functionality of the Licensing system to optimize service delivery.	Licenses and permits are issued within a 21-day timeframe. Nonetheless, a system for tracking applications is absent.	Many municipalities do not adhere to the 21-day timeframe for approving applications and permits.	Effective administration of business licensing and permit applications.	Development of a register and tracking system for all received applications.

4. Enforcement of Municipal Bylaws	Enforcement of Municipal Bylaws.	Many municipal policies, regulations, and by-laws frequently suffer from obsolescence, and/or their associated costs may surpass their benefits due to unintended consequences	The compliance and enforcement of municipal bylaws should be both effective and efficient.	Council decision to recruit Peace Officers.
		on businesses or the manner of their implementation and enforcement. This leads to avoidable expenses, delays, and ultimately, the loss of business and jobs.		

3.8.3. ACHIEVEMENTS OF THE SPECIAL PROJECTS / PROGRAMMES

Mpumalanga Regional Training Trust secured the CRDP training project with the Mpumalanga Department of Agriculture to train youth in Mkhondo, Ward 02 and 06. MRTT secured a total of 44 youth (males and females) targeted for the 2024/25 FY.

Program	No F	M	
Mix Farming	22	15	07
Carpentry	22	14	08

3.8.3.1. SIYATHUTHUKA PROJECT

This is a Gert Sibande District Municipality initiative to support Local Municipalities in poverty alleviation and job creation. It is an EPWP initiative and provides a safety net for participants.

In the 2024/25 FY, we had 30 participants employed on the programme. Contracts are on an annual basis.

3.8.3.2. COMMUNITY WORKS PROGRAMME (CWP)

This programme is implemented in all 19 wards with an allocation of 1420 participants. It is ward-based, and participants are expected to perform general work, including assisting with gardening and cleaning of schools and clinics, supporting pensioners, waste removal, and other tasks as prescribed in the CWP Business Plan.

3.8.3.3. EPWP

The Expanded Public Works Programme (EPWP) is a South African Government initiative aimed at creating and enhancing work opportunities. It is a short-term programme and should not be implemented in isolation but as a support to existing Government strategic job creation initiatives and poverty alleviation projects.

The main purpose of this programme in Mkhondo Local Municipality is to improve job creation opportunities and skills levels through existing infrastructure and other projects identified by the Municipality. The programme targets the unemployed within the Municipal area, with the overall outcome of enhancing skills levels and reducing poverty in Mkhondo. If effectively implemented and reported, Mkhondo Local Municipality benefits from incentives and grants that reward labour-intensive methods. Overall, 258 jobs were created through EPWP projects in 2023/24, including projects in the Project Management Unit and Incentive Grant work opportunities.

3.8.4. LED PROJECTS

The Local Economic Development Unit oversees the delivery of municipal LED Services, which include:

- Business development and investment promotion
- SMME Development
- Creation of an SMME database
- Formulation of poverty alleviation plans

- The advancement of local economic development, including job creation, economic transformation, and targeted economic interventions within the municipal constituency. LED is guided by policies established by the National and Provincial Governments.
- This section delineates the methodology for economic development as outlined in the Municipality's Integrated Development Plan (IDP) and the Economic Development Strategy (EDS), which serve as guiding frameworks for all activities. Additionally, it addresses the wider challenges confronting the municipal constituency by supporting complementary initiatives, including the Provincial Growth Development Strategy.
- The advancement of Small Businesses is increasingly acknowledged as a prevalent approach for Local Economic Development in South Africa. The municipality is actively facilitating government initiatives aimed at supporting SMMEs while also providing the essential infrastructure required for business growth.
- SEDA has assumed a pivotal role in the advancement of SMME development, ensuring that both financial and non-financial support is effectively allocated to the sector, thereby fostering its enduring success and that of the nation at large.
- Seventy-five (75) small, medium, and micro enterprises (SMMEs) participated in development programmes focused on financial business management and access to a variety of products and services that enhance financial access, including loans and incentive grants.

Three expos have been convened to focus on the benefits of SMME growth, including employment creation, economic growth enhancement, and poverty alleviation, thereby underscoring the importance of prioritizing this sector. The development of SMMEs is critically important for overall development. This programme examined the factors influencing the performance and growth of SMMEs, with a specific focus on education and skills. Education and skills significantly influence the financial performance of SMMEs and their capacity to access market opportunities.

Local economic development is the responsibility of the Office of the Executive Mayor and is subject to the Planning and Economic Development Department. The Integrated Development Plan (IDP) provides complete descriptions of each department's obligations. The Plan aims to "enhance the economic prosperity of the eMkhondo region to ensure the material welfare of all its residents." The anticipated results are "sustained job creation, robust economic expansion, and poverty alleviation."

3.9 BUILDING CONTROL

The Building Control Unit is tasked with ensuring compliance with the National Building Regulations and Building Standards Act (No 103 of 1977) as amended and other applicable laws.

Its main task is to protect interest of members of the public against all what may possibly go wrong in the construction and refurbishment of their structures including dwelling houses. The team has been actively engaged in the consideration of building plan applications, inspections of building works, and monitoring of demolition works. Various developments require submission of building plans prior to construction. This municipal service/activity is a major revenue generator, through the application fees collected.

Regrettably, the Mpumalanga Department of Human Settlements has not yet involved the municipal building inspectors in the quality assurance during the processes of constructing the low-income houses commonly known as RDP houses. This is creating a challenge for the municipality as the latter takes all quality questions from the community beyond the construction process.

3.10 TOWN PLANNING

REVIEW OF SPATIAL DEVELOPMENT FRAMEWORK (SDF)

The municipality is currently reviewing its Spatial Development Framework, through the assistance of the Mpumalanga Department of Land Reform & Rural Development (DALRRD). Mkhondo Local Municipality was part of the Project Steering Committee (PSC) that facilitated the appointment of a suitably qualified and experienced service provider to undertake the review processes. The appointment was finalised and the service provider commenced with the process during the second quarter of the 2024/25 financial year. Currently a Phase 3 report is in place.

3.11. SPLUMA IMPLEMENTATION

The Municipality through the assistance of Gert Sibande District Municipality can comfortably claim to be implementing a SPLUMA compliant (wall-to-wall) Land Use Scheme. The Spatial Planning and Land Use Management Act, No. 16 of 2013 (SPLUMA) is being implemented by the municipality as expected.

The municipality is part of the Gert Sibande District Municipal Planning Tribunal and all applications referred to the tribunal are processed with diligence and efficiently. Applications

that are categorised for consideration by the Authorised Official were delayed as a result of staff shortage (town planners) within the planning department - but with assistance from EPWP Interns applications are being processed. Plans are in place to receive an ISDG Town Planner in January 2026 from Gert Sibande District Municipality whereby the rate and speed of application considered is anticipated to increase.

COMPONENT D: COMMUNITY SERVICES

3.12 LIBRARIES

The Mkhondo Local Municipality has 3 operational libraries under it, the Amsterdam Public Library, Driefontein Public Library and Mkhondo Public library. These 3 libraries are all monitored by the Senior Librarian of Mkhondo Local Municipality under the Community Services Department. Thandukukhanya Library is currently under construction. The library is at 90% completion as at October 2025. It is expected to re-open after completion in November 2025.

The municipality works together with Mpumalanga Library and Information (MPLS) to provide collections of library material to affiliated public libraries under the jurisdiction of both the municipalities and private institutions.

Most of the library books collection is provided by the Mpumalanga Department of Culture, Sports & Recreation and the municipality signs a binding agreement with the Province to monitor and guard the assets. The provincial department provides Wi-Fi and all other information technology services.

LIBRARY MISSION

Provide access to library and information services which assist in meeting the recreational, information and cultural needs of the Mkhondo community.

GOALS AND OBJECTIVES OF THE LIBRARY

- Provide and maintain resource collections which are responsive to the needs of the community
- Provide a set of library outreach services, activities and programs that will empower the community.
- Increase awareness and usage of library services.
- Provide library facilities appropriate to the needs of the people of Mkhondo.

Mkhondo Public Library

- Total number of registered users - 3510
- 11 computers for public use.
- Library work with different schools, stakeholders and community members within the municipality to promote a culture of reading and also create awareness on key issues that affect our community, especially early child development.
- There is always Wi-Fi that is accessible to all our users.
- The library also caters for vision impaired/blind users.

Mkhondo Public Library Activities

- To bridge the gap between the local and remote schools, do library campaigns in remote areas and monthly school visits.
- Visiting at least 4 remote schools per quarter, lending books and encouraging principals to open classroom libraries and assist in set up.

Drifontein Public Library

The library was built by the Mpumalanga Department of Culture, Sport & Recreation at Saul Mkhizeville in 2015/16. The library was handed over to the Mkhondo Local Municipality in March 2021 after lengthy negotiations and delays. It is being operated by the Mkhondo Local Municipality in association with the department.

The Library was also renovated with the help of the Mpumalanga Department of Culture, Sports & Recreation to the value of R12 Million rand. The renovations finished in May 2023.

Challenges

The library is expected to abide to the above-mentioned goals and objectives and as per the SDBIP. Each library is supposed to visit at least 4 remote schools per quarter. There are however challenges within our scope of work including:

- Transport, especially a bakkie to load all the equipment's we take with when visiting remote areas.
- Marketing tools for doing library outreach programs.
- Training programs, they are an important part of organisation growth as it enables staff to learn more about their work.

- Budget to carry out other library services and doing outreach programs.
- Office space to accommodate the studio for the blind. There is no enough room to accommodate all the equipment for the blind.
- An upgrade of the Mkhondo Public Library is essential because the current one is very old, roof is leaking and the electrical wiring is hazardous.
- Transport to visit remote areas, a budget for doing library marketing per quarter, assist the senior librarian to do monitoring and evaluation per month in all the libraries and the above-mentioned activities should be covered by the municipality.

Recommendations/Conclusion

There is a need to work and help fix the challenges highlighted above, the libraries would run effectively through consultation, planning, budgeting and conducting training courses for staff to also assist in service delivery.

Transport is a common factor for all the 3 libraries and with the assistance of the municipality by providing a library vehicle to visit remote schools can also assist to bridge the gap between the surrounding and remote schools.

There is also a need for the municipality to work together with DCSR in implementing library projects that can better the community of Mkhondo. DCSR is willing to assist in any way possible for these 3 libraries to run effectively

3.13 YOUTH DEVELOPMENT

3.13.1 Introduction

Youth development remains the key activity for Mkhondo Local Municipality, it remains a priority the Municipality's contribution to the development of Mother South Africa. Mkhondo Local Municipality has prioritised youth empowerment, development and beneficiation. The office of the executive Mayor houses the target group office, the Target Group office deals directly with youth empowerment, development and beneficiation thereof.

Mkhondo Local Municipality, located in the Gert Sibande District of Mpumalanga, South Africa, has a total population of approximately 189,036 people. The youth, aged 15-34, make up around 43% of the population. In terms of education, about 28% of the youth (aged 15-24) have completed secondary education, while around 12% have completed tertiary education. Approximately 14% of the youth (aged 15-24) are currently attending educational institutions. However, the municipality faces significant challenges in terms of youth unemployment, with an unemployment rate of around 55% among the youth (aged 15-34), and an expanded unemployment rate of approximately 63% when including discouraged work-seekers.

Mkhondo Local Municipality recognizes the contributions young people make to our society and Mkhondo strives to build upon the imagination, energy, vibrancy and talents of all young women and men within the Municipality.

Mkhondo has developed a more economical approach in terms of youth development, it is highly noted that most of the social ills engaged by the youth are caused by lack of economic opportunities. This is done in order to squarely address the factors which threaten the development of young people. Whether these exist as a legacy of apartheid or as a result of our own social practices, young women and men deserve fair treatment, a safe environment and a nurturing community.

3.13.2 Priority Target Groups for Youth in Mkhondo Local Municipality.

Mkhondo Municipality considers strongly the fact that the youth are not a homogeneous group and as such, the Mkhondo programmes, projects and strategies provide specific attention to the following youth groups that are more vulnerable:

- Young women
- Youth with disabilities
- Unemployed young women and men
- in and Out-of school youth
- Rural and urban youth
- Youth at risk
- Youth in conflict with the law
- Young

entrepreneurs who are already in the field and those intending to be part of business •
Unemployed graduates.

3.13.3 Streamlines for youth development

As stated above the youth is not a standardized group and as such, the plans for the Youth in Mkhondo, provide specific attention to the following streams for youth groups:

Hard Expertise Training; entails theoretical and practical training in relevant fields to enable the youth to render services in the locality and abroad;

Professional progress: entails creating access to education leading up to a qualification. The purpose is also for youth exposure to opportunities;

Youth as entrepreneurs: involves youth development as entrepreneurs in all sectors of the business economy and can be as contractors, project managers and professional service providers.

Making profitable art: Involves youth in the creative industry ranging from Poetry, Music, Craft artists, Traditional dancers and all relevant artistic work.

Youth development in essence.

The National Youth Development Agency (NYDA) remains a committed agent of change for youth development. The NYDA have collaborated with the municipality in the process of providing various trainings for both youth-owned SMMES and cooperatives. Furthermore, the NYDA have funded Business with a minimum of R400 000 with grants of either R50 000 or R10 000.

The municipality have collaborated with the office of the premier through the Mpumalanga Youth development Fund. Two businesses have been funded up to this far. One business received a funding of above 2,6 million Rand and Currently there are 5 businesses that were interviewed for funding.

Matric Academic Awards

Mkhondo Municipality's partnership with the Department of Education to host academic awards for Mkhondo East Circuit, Mkhondo West Circuit, and Amsterdam Circuit is a great way to recognize and reward outstanding academic achievements. The ceremony aims to celebrate the hard work and dedication of learners, teachers, and schools in the area ¹.

It's impressive that the municipality awarded special awards to learners who excelled nationally and provincially and provided them with practical amenities like travel bags and toiletry bags to support their tertiary education. The event also featured motivational speakers to inspire both teachers and learners.

The municipality's efforts to promote education and recognize academic excellence are commendable. By working together with the Department of Education, they can help create a supportive and motivating environment that encourages learners to strive for excellence.

University applications and funding application (NSFAS Drive)

Mkhondo Local Municipality has taken proactive steps to support the educational pursuits of its youth. By providing a daily platform for both in-school and out-of-school youth to apply for university admission and funding, the municipality is helping to bridge the gap to higher education.

The compulsory NSFAS (National Student Financial Aid Scheme) application drive, which involved visiting all Mkhondo schools, demonstrates the municipality's commitment to ensuring that no deserving student is left behind due to financial constraints. This initiative aims to empower young people to pursue their academic dreams and create a brighter future for themselves and their communities.

Learnership Programs

Mkhondo Local Municipality has collaborated with government agencies and departments to offer various learnership programs, empowering the youth with valuable skills and experience. Notably, the municipality's partnership with WBHO has provided training opportunities in multiple trades, including:

- Carpentry
- Bricklaying
- Painting
- Shutterhand
- Tiling
- Concrete hand
- Re-enforcing

At least 19 young men and women have been trained in each skill, equipping them with marketable skills.

Additionally, the municipality has partnered with the National Youth Service (NYS) program, which aims to engage young South Africans in community service activities. Approximately 20 unskilled and unemployed youth have benefited from this program, gaining occupational skills and experiencing civic responsibility.

The Community Work Program (CWP) and the Expanded Public Works Program (EPWP) have demonstrated a strong commitment to empowering the youth of Mkhondo Local Municipality. Notably, these programs have prioritized the employment and training of young people, with a significant majority - over 70% - of participants falling within the 18-35 age range. This targeted approach is helping to address youth unemployment and provide valuable work experience and skills development opportunities.

Career Guidance Workshops

Mkhondo Local Municipality, in collaboration with the Department of Social Development, has taken a proactive approach to empowering the youth by hosting career guidance workshops in schools and youth centres across the municipality. The primary objectives of these workshops were:

1. Addressing skills shortages among the youth.
2. Providing knowledge on critical skills in demand in the labour market.

By doing so, the municipality aims to mitigate the issue of unemployed graduates, ensuring that young people are equipped with the necessary skills and knowledge to secure meaningful employment and contribute to the local economy.

Gender Based Violence dialogue

Mkhondo Local Municipality has taken a proactive stance against Gender-Based Violence (GBV) by hosting a series of dialogues aimed at raising awareness and reducing the prevalence of this national crisis. These dialogues brought together:

- Survivors of GBV

- Organizations specializing in GBV support and services
- Key stakeholders in the justice system

By creating a platform for open discussion and collaboration, the municipality aims to combat GBV and promote a safer, more supportive community for all

3.14 TRAFFIC

This section details the operations conducted by the Traffic unit during the 2024/2025 financial year. Moreover, the report aims to outline the goals and objectives of the Traffic Department. Lastly, recommendations will be made to better the operations of the traffic unit and ensure that the unit continues to be committed to executing traffic management within the broader boundaries of Mkhondo Local Municipality.

The unit has a two-shift system that operates as follows; Shift A: 06:00 am to 14:00 pm and Shift B: 14:00 pm to 22:00 pm. On weekends, the shifts alternate and operate from 08:00 am to 13:00 pm. A one-week standby is also made available in order to ensure that traffic officers respond to emergencies promptly.

MISSION

- The unit has a legislative mandate to provide Traffic Services in terms of Section 156 and Schedule 4 and 5 of the Constitution of South Africa.
- To create a safe environment for the general public, commuters and road users.

GOALS & OBJECTIVES

The objective of the unit is to provide safe road usage within Mkhondo Local Municipality and improve road safety by providing effective traffic law enforcement by:

- ensuring roadworthy compliance of motor vehicles,
- increase voluntary compliance of road users,
- reduce Traffic offence rates, crash and fatalities,

- as well as to provide quality backend office services such as proper office administration, payment of fines, ensuring the court roll is done, issue warrant of arrests, etc.

ACHIEVEMENTS

- Reduced accidents on the N2 near truck stop due to the static and zone wide patrols,
- Lowered the general and traffic crime rate,
- Empowered road users with knowledge through successful road safety and awareness campaigns,

IN SUMMARY

The traffic unit has reduced the response time to emergencies, reduced road accidents and fatalities, improved pedestrian safety, reduced congestion and optimised travel time. Should the recommendations be achieved, Mkhondo Local Municipality through its Traffic department, will ensure that proper traffic law enforcement and harmony through the broader boundaries of the municipality.

with their vehicles.

3.15 LAW ENFORCEMENT

The Mkhondo Municipal law enforcement is responsible for maintaining order, enforcing local bylaws, and ensuring public safety within a municipality. It operates under the authority of municipal councils and works in coordination with national and provincial law enforcement agencies. The Mkhondo law enforcement has shown commitment to supporting all departments within the municipality from land encroachment to being on the front line during protests

The unit supports crime prevention initiatives, conducts patrols, and collaborates with other law agencies to promote awareness programs, working with communities, and fostering partnerships with local stakeholders.

The unit has some challenges that hinder the progress to fully operating successfully;

- Bylaws that are not promulgated to ensure compliance with municipal bylaws, such as noise control, illegal dumping, informal trading regulations, and building codes.
- Staff compliment, the unit is severely understaffed
- The lack of resources to carry out the duties of the division.

The law enforcement unit does campaigns and engagements with the community to teach them on the laws of the municipality.

3. 16 FIRE AND RESCUE

The unit operates tirelessly, maintaining a state of constant vigilance for accidents or incidents that may arise. It responds to a wide array of events categorized as significant risks, including devastating house fires, hazardous veld fires, and the potential dangers posed by spills of dangerous goods. The team is also ready to assist during vehicle spillages and accidents involving motorists on the road, as well as managing situations with stray animals or pedestrians in distress. This dedicated unit plays a crucial role in mitigating risks that could threaten human lives, the safety of animals, and the integrity of municipal properties, ensuring a swift and effective response to safeguard the community.

3.17 SOCIAL COHESION UNIT

This section outlines the operational activities of the Social Cohesion Unit for the 2024/2025 financial year. It summarises the key activities that happened during this period in Sports, Arts & Culture. The KPIs set at the beginning of the financial year were met through engagement and working together with relevant stakeholders. To achieve our targets we sought to work closer with organisers of events who included the members of the Mkhondo Sports Council and the Mkhondo CCIFSA representing the arts. **Overview**

- The Social Cohesion Unit provide support to sports, arts and culture activities including Library and Information Services.
- The Unit is committed to fostering a vibrant, inclusive community through the strategic promotion of sports, arts, and culture activities.
- The key focus areas include improving access to information, facilities, increasing participation, supporting talent development, and ensuring sustainability of facilities.

Objectives

- Foster social cohesion and community engagement through sports, arts, and cultural activities

2. Key Focus Areas Sports Development

- Supported tournaments (e.g. Mpumalanga August Horse Racing, Mkhondo Promotional Playoffs 2024/25, and PG Bison Knockout 2025).

Arts and Culture

- Supported the Full Moon Festival 2024 held at Kempville Stadium.
- Support given to local artists to perform during government events and paid performance fees.

Libraries

The Mkhondo Local Municipality is home to four libraries; however, only three were operational during the 2024/25 fiscal year. The Mkhondo Town Library, Driefontein Library, and Amsterdam Library were actively serving the community, while the Thandukukhanya Library was currently under construction.

Despite this, library services continued seamlessly at the three open locations. In addition, there were community engagement initiatives and meetings held to prepare for the opening of the Thandukukhanya Library. Library services are available from Monday to Saturday.

Key Performance Indicators

No	Key Performance Indicator	Department	Baseline	COMMUNITY SERVICES SDBIP 2024/25						
				Budget	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Performance	POE
TA G 4.3	No. of cultural events & exhibitions held	Social Cohesion	16	Opex	4	5	3	6	18	Reports

3. Achievements and Impact (2024/25 Financial Year)

- The Unit was involved in a number of successful events during the FY by:
- Partnerships with schools, sports clubs, or business to provide different recreational activities.
- Notable projects, like participating in the 16 Days Activism Campaign Games.

No. of Sport, Art, recreational and cultural events/exhibitions held and/or supported

REF	Activity	Quarter	Date	Venue	Code	No. of participants
SAR-01	Arts & Culture Performance Support	Q1	Sunday, 08 September 2024	Maphepheni/Ajax Ward 8	Performing arts	20 artists coming from 5 groups
SAR-02	Supported the Mpumalanga August Horse Racing 2024	Q1	Sunday, 08 September 2024	Maphepheni/Ajax Ward 8	Horse Racing	5 artists
SAR-03	Ingoma Traditional Dance Competition	Q1	Saturday, 21 September 2024	NCT Ground, Ntombe Ward 15	Performing arts	28 traditional dance groups
SAR-04	SAMSRA Wellness Games 2024	Q1	22 - 27 September 2024	City of Mangaung, Free State	Multi sports	80 Municipal Employees
SAR-05	16 Days of Activism Campaign for No Violence vs Women & Children: Sports Tournament	Q2	Sunday, 08 December 2024	Mabola Sports Ground, Dirkiesdorp Ward 3	Netball & Football	160 football & 60 netball players
SAR-06	Supported the Yeshua Sport Tournament: Netball & Football	Q2	21 & 22 December 2024	KwaThandeka Stadium, Amsterdam Ward 5	Netball & Football	160 football & 120 netball players
SAR-07	Supported the Full Moon Festival 2024	Q2	Sunday, 15 December 2024	Kempville Stadium, Mkhondo Ward 10	Performing arts	21 Mkhondo Artists performed
SAR-08	Supported the Mkhondo Festive Cup 2024	Q2	13 to 20 December 2024	Mandla Magudulela Stadium, Ward 13	Football	400 participating players
SAR-09	Supported the Mkhondo Xmas Challenge 2024	Q2	17 to 26 December 2024	Mandla Magudulela Stadium, Ward 13	Football	600 participating players
SAR-10	Supported the PR Combined Athletics Inter Houses	Q3	Friday, 31 January 2025	Kempville Stadium, Mkhondo Ward 10	Athletics	200 participating school kids
SAR-11	Supported Sisonke Golf Tournament	Q3	Sunday, 8 February 2025	Piet Retief Golf Club, Mkhondo	Golf	38 golfers
SAR-12	Supported the Mkhondo Circuit Athletics Meeting	Q3	Monday, 10 February 2025	Hoerskool Piet Retief Stadium, Ward 7	Athletics	800 participating school kids
SAR-13	Supported the Mkhondo Netball League Open Day	Q4	Saturday, 26 April 2025	Thokozani Sports Center, Ward 11	Netball	400 netball players coming from 12 teams
SAR-14	Supported the Mkhondo Football Easter Tournaments.	Q4	18 - 28 April 2025	Nohhemu Sports Ground, kwaNgema, Ward 3	Netball & Football	500 football (20 teams) & 60 netball players (4 teams)
SAR-15	Supported the PG Bison Fam-Fest Netball & Football Tournament	Q4	10 & 11 May 2025	Kempville Stadium, Mkhondo Ward 10	Netball & Football	250 football (10 teams) & 120 netball players (8 teams)
SAR-16	Supported the Schools Sports Wednesday program.	Q4	Wednesday, 21 May 2025	Kempville Stadium, Mkhondo Ward 10	Netball & Football	225 football (9 teams) & 100 netball players (9 teams)



State of Facilities

- The lack of facilities for sport codes like Netball, Basketball, and Volleyball & Tennis continues to delay the development of the sport codes.
- Mkhondo has active playing courts at Driefontein (Ward 2), KwaThandeka Stadium in Amsterdam (Ward 5) and at Thokozani.

Facilities that need urgent attention

NO	Name of the facility	Ward	Facility Use/Users	Type	Status	Urgent attention needed	Daily/Monthly/Quarterly maintenance need
1	Malibongwe Playing Courts	1	Netball & Basketball: Community members	Combi Courts: Basketball, Netball & Futsal	Playable courts for Netball & Basketball including Futsal.	- Replacement of basketball & netball goalposts - Ground markings	Cleaning, grass cutting, weed removal & ground marking.
2	Lindelani Tennis Court	2	Multi codes: Basketball, Netball & Volleyball	Combi Courts: Basketball, Netball & Volleyball	Playable Gravel Ground	- Repair playing surface. - Reapair goal posts - Repair ablution facilities Repair fence.	Cleaning, grass cutting, weed removal & ground marking.
3	KwaThandeka Stadium	5	Multi codes: Basketball, Football, Netball, Tennis & Volleyball teams	Multi Sport Ground missing grass pitch	Playable courts but need surface repairs, goalposts, nets and fencing. Soccer/Rugby pitch need to planting of grass.	- Rehabilitation of the Stadium: - Fencing - Grass pitch - Ablution facilities& change rooms. - New grand stand.	Cleaning, grass cutting, weed removal & ground marking.
4	Retiefville Sport Ground	10	Football: Thandukukhanya Promotion League	Sport Ground missing grass pitch	Playable grass pitch but need fencing behind goalposts.	- Repair ablution facilities. - Repair security fence & access gates. - Backstop netting - Replant grass in pitch.	Cleaning, grass cutting, weed removal & ground marking.
5	Masenkeni Sport Ground	10	Football Thandukukhanya Promotion League	Sport Ground missing grass pitch	Playable Gravel Ground but need fencing, fence, backstop netting and planting of grass in pitch.	- Repair security fence& access gates. - Backstop netting - Plant grass in pitch.	Cleaning, grading, grass cutting& weed removal.
6	Kempville Stadium	10	Multi codes: Basketball, Cricket, Football, Netball, Tennis & Volleyball teams	Multi Sport Ground with grass pitch	Playable courts but need to be painted to accommodate Tennis & Basketball	- Connect irrigation pump. - Finish cricket pitch. - Fix damaged goal posts for Basketball & Netball. - Fix damaged fencing and grand stand roof. - Get rid of termites colonies.	Cleaning, grass cutting, weed removal, ground marking, irrigation & floodlights maintenance.



Sports Facilities that need urgent attention

7	Thokozani Sports Centre	11	Multi codes: Basketball, Netball, Tennis & Volleyball teams	Combi Courts: Basketball, Netball, Tennis & Volleyball	Playable but need resurfacing, fencing for tennis & change room showers	- Repair ablution facilities & Install showers. - Install playing court stop ball fencing. - Resurface courts with acrylic paint.	Cleaning, grass cutting, weed removal & ground marking.
8	Mandla Magudulela Stadium	13	Football Hollywoodbets Regional League & Mkhondo LFA Tournaments	Sport Ground with grass pitch	Playable grass pitch but needs new grandstand	- Demolish old steel grand stand - Build concrete grand stand. - Install 3x Combi Courts	Cleaning, grass cutting, weed removal, borehole & floodlights maintenance.
9	Mabola Sport Ground	3	Football: Ngema-Dirkiesdorp Promotion League	Gravel open ground	Not Playable due to lack of steel goalposts	Procure set of white steel goalposts.	Grading of gravel ground
10	Madanca Sport Ground	3	Football: Hollywoodbets Regional & Promotion League	Gravel open ground	Playable Gravel Ground but need steel goalposts	Procure set of white steel goalposts.	Grading of gravel ground
	Ndawonye/Congo Sport Ground	11	Football: Regional & Promotion League			Procure set of white steel goalposts.	



Challenges and Opportunities Challenges

- Resource limitations (funding, infrastructure).
- Community participation gaps e.g. Basketball, Volleyball, and Tennis tec.
- Financial constraints in respect of performance vouchers for artists.

Opportunities

- Strengthening partnerships for funding and outreach.
- Expanding digital library services.
- Leveraging tourism and cultural heritage potential (e.g. Ntombe Battlefields, heritage trails).
- There are three tennis courts situated in Town (Ward 7) next to the PR Golf Club that are now unused, which can be revamped.
- Three Combi courts behind Ndlela Secondary School (Ward 11) can be revamped to provide more facilities for the sport codes.
- Construction of Combo Courts at mostly rural wards can rapidly help develop the sport codes.

CONCLUSION

The 2024/2025 financial year demonstrated meaningful progress across all divisions under Community Services, despite ongoing resource, infrastructure, and environmental challenges. Each unit contributed significantly to improving service delivery: Waste Management reinforced operational efficiency and expanded climate-response initiatives; Forestry strengthened fire management and asset protection; Traffic Services enhanced road safety; Social Cohesion enriched sports, arts, culture, and library participation; and the Fire & Rescue Unit maintained a high-level emergency response capability, safeguarding lives, property, and municipal assets. While resource shortages, ageing equipment, infrastructure gaps, and rising service demands continue to pose obstacles, the year's achievements affirm the Directorate's resilience and commitment to fulfilling its mandate.

The Directorate remains fully dedicated to supporting a cleaner, safer, and more socially cohesive municipality, and will continue to build on the foundations laid during this reporting period to advance long-term developmental priorities for the people of Mkhondo.



CHAPTER

4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT II)

CONPONET A

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The municipal organisation structure provides for 947 permanent positions. At financial year end, 516 positions were filled with a staff turnover of 3.68%. All new appointments are made taking into consideration the implementation of the Employment Equity Act 55, 1998, and according to the demographic profile of the municipality, Black employees constitute 96.71%, Coloured 1.16%, Asian 0.40% and White employees at 1.73 % of the total workforce at the end of the financial year. Male employees constitute 64.15% whilst female employees are 35.85 %.

The Municipal Manager is the head of the organisation, supported by General Managers. The organisational structure provides for five General Managers, each responsible for a service delivery area. One Senior Manager supports the Municipal Manager on internal audit, whilst the General Manager: Financial Services is supported by five Senior Managers to perform the financial functions as per the Municipal Systems Act (MSA) and Municipal Finance Management Act (MFMA). The General Manager: Technical Services is further supported by the Senior Manager: Project Management to implement MIG projects.

Workforce Profile

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	3	0	0	0	2	0	0	0	0	0	5
Senior management	10	1	0	1	4	0	0	1	1	0	18

Professionally qualified and experienced specialists and mid management	16	0	0	0	17	0	0	0	0	0	33
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	51	0	0	5	26	0	1	0	0	0	83
Semi-skilled and discretionary decision making	109	1	1	1	63	2	0	0	0	0	177
Unskilled and defined decision making	130	1	0	0	68	1	0	0	0	0	200
TOTAL PERMANENT	319	3	1	7	180	3	1	1	1	0	516

4.1.1 COMMENT ON VACANCIES AND TURNOVER:

All vacancies are being advertised in the press according to policies in this regard. All Senior Management positions are being occupied; acting appointments were made where there were vacancies. Internal staff can apply for promotional positions where they are qualified, skilled and experienced. Internal promotions were done where our internal candidates were found to be more capable. The Employment Equity plan is always taken into consideration with appointments. Depending on the scarcity of skills in the labour market, the filling of positions varies depending on what qualifications and experience are required. The target is to fill a vacancy within a time span of three months after requests to fill such positions are received.

The reason for turnover is mainly because of resignations, retirements, death, and dismissals. Employees mainly resign as a result of career advancement. We have an active Employee Assistance Programme in place. There is also a long service recognition award system in place, which was implemented in terms of the conditions of service. However, due to other institutions offering more benefits than we can afford, it is not always possible to retain scarce and critically skilled employees through efforts made.

The Organization structure was approved in August 2023. The structure indicates the ideal number of employees required to ensure optimal service delivery to the community of Mkhondo Local Municipality. Due to this being an ideal structure, there are a number of vacancies that are yet to be filled.

All vacancies currently on the structure as well as a report indicating the position in the process of being filled or already filled in the 2024/2025 financial year.

DEPARTMENT	POSITIONS	VACANT	FILLED
Office of the Municipal Managers	31	11	20
Community Services	298	149	149
Corporate Services	125	45	80
Financial services	116	30	86
Planning & Economic Development	38	23	15
Technical Services	342	170	172
Totals	950	428	522
Vacancy Rate %	45,05%		

Disciplinary actions taken during 2024/25

File Number	Financial year	Suspended	Allegation(s)	Current status
2024-25/01	03 July 2024	11 July 2024	Misrepresented themselves in a curriculum vitae at the time of their appointment as Meter Reader	Appeal hearing finalised. Employees returned to work on 9 June 2025

2024-25/001	03 July 2024	11 July 2024	Misrepresented themselves in a curriculum vitae at the time of their appointment as Meter Reader	Matter postponed sine die
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Municipal Systems Act 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair, efficient, effective, and transparent personnel administration in accordance with the Employment Equity Act 1998.

An Employment Equity Plan has been developed and implemented, and annually reviewed. Annual reports are being sent to the Department of Labour annually as required by law. Regular OHS inspections and safety audits are done during the year to ascertain health and safety risks. Departments were advised in terms of their safety risks. OHS-related training was done on a regular basis (e.g. first aid, safety representative, etc.). Accidents and injuries on duty were investigated in terms of relevant legislation. Sick leave was monitored by Heads of Departments, and proper records were kept of all leave and sick leave taken. Where necessary, officials may be sent to a Council-appointed medical practitioner for clarity in cases of extended sick leave. In order to ensure that the organisation's effectiveness is increased, the Municipality annually conducts a personal needs analysis and makes the necessary provision in the Municipal Budget. Since the existence of human resources is not only sufficient towards effectiveness and efficiency of the organisation, the Municipality annually develops a Workplace Skills Plan after conducting the training needs analysis and provides the necessary training depending on the available financial resources. Training also assists in adapting to environmental changes. The employees are also provided with all the necessary tools, including, but not limited to, ICT tools, furniture, machinery, etc.

The employees are trained as per the Workplace Skills Plan adopted by the employer and labour. The budget allocated is never sufficient to assist with all the training needs, and the allocation is as far as possible at $\pm 1\%$ of the personnel budget. All the General Managers are trained to be compliant with the MFMA competency regulations.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.2 POLICIES

Necessary policies, systems, procedures and mechanisms are put in place to ensure organizational development. These include, but also not limited to, Recruitment, selection, training, discipline, retention of staff, External Bursaries. The development of employees assist them to function as sustainable human beings, to develop to their full potential, assist to create an environment to find exciting and challenging work, increase the effectiveness of

the organization in terms of its goals. Changes in business process and changing environment requires the organization to review its organizational structure.

4.3 INJURIES, SICKNESS AND SUSPENSIONS

TERMINATED EMPLOYEES

Occupational Level	Male	Female	
	African	African	TOTAL
Top Management	0	0	0
Senior Management	0	0	0
Professionally Qualified and Experienced Specialists and Mid-Management	0	0	0
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	3	0	3
Semi-skilled and Discretionary Decision Making	4	1	5
Unskilled and Defined Decision Making	5	6	11
Occupational Level	Male	Female	
	African	African	TOTAL
Total Permanent	12	7	19

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.4 SKILLS DEVELOPMENT AND TRAINING

In order to ensure that the organization's effectiveness is increased, the Municipality annually conducts personal need analysis and makes the necessary provision in the Municipal Budget. Since the existence of the human resources is not only sufficient towards effectiveness and efficiency of the organization, but the Municipality also annually develops Workplace Skills Plan after conducting the training needs analysis and provide the necessary training depending on the available financial resources. Training also assists in adapting to environmental changes. The employees are also provided with all the necessary tools including, but not limited to, ICT tools, furniture, machinery etc. The employees are trained as per Workplace Skills Plan adopted by the employer and labour. The budget allocated is never sufficient to assist with all the training needs and the allocation is as far as possible at $\pm 1\%$ of the personnel budget. All the General Managers are trained to be compliant with the MFMA competency regulations.

TRAINING PROGRAMMES ATTENDED BY MANAGERS

TRAINING PROGRAMME	NUMBER OR ATTENDEES	MALE	FEMALE	NQF LEVEL
SALGA Municipal Legal Practitioners Capacity Building Session	2	-	2	Not NQF Aligned
7th Annual Local Government Governance and Performance Management Seminar	1	-	1	Not NQF Aligned
Project Finance Training	1	1	1	5
Audit Committee Training	1	1	-	5
Executive Development Programme	2	1	1	6
How to prepare GRAP AFS and Manage the Audit Process and Improvement	1	0	1	5
Consumer Debtors	1	-	1	Not NQF Aligned
2024/25 FMS Year End Closure/AFS Workshop	1	-	1	Not NQF Aligned

TRAINING PROGRAMMES ATTENDED BY OFFICIALS

TRAINING PROGRAMME	NUMBER ATTENDEES	MALE	FEMALE	NQF LEVEL
Local Government Women in Leadership Development Programme (LGWLDP)- Facilitated virtual	3	-	03	5
Matric	5	2	03	4
Multi-Stream Municipal Governance	2	2	-	5
Municipal Monitoring Support System	2	-	2	Not NQF Aligned
Gapskill Training (facilitated online)	2	-	2	Not NQF Aligned
2024/2025 Biannual Legislative Seminar	2	1	1	Not NQF Aligned
E@syFile Preparation Seminar	2	1	1	Not NQF Aligned
Records Management (Pink Programme)	1		1	5

Advanced Excel	13	2	11	4
39th Annual IMPSA International Conference	2	1	1	Not NQF Aligned
7th Annual Local Government Governance and Performance Management Seminar	1	-	1	Not NQF Aligned
Records Management	2	-	2	5
Assets Management	2	2	-	5
Sludge Treatment and Disposal: Management Approaches and Experiences	2	2	-	5
Annual Financial Statement	4	1	3	5
Reconciliation of Billing System with General Valuation Roll	3	-	3	5
Project Finance Training	1	1	-	5
Consumer Debtors Module	7	1	6	Not NQF Aligned
Cashier Module	2	2	-	Not NQF Aligned
Remote Pilot Certificate	3	3	-	5
Contract Management, SCM Procurement and Cashbook Payments	5	1	4	Not NQF Aligned
Assets Management	2	2	-	5
7 th Annual Local Government Labour Law Seminar	2	1	1	Not NQF Aligned
2025 PAYE Legislative Seminar	2	1	1	Not NQF Aligned
e@syFile Preparation	2	1	1	Not NQF Aligned
How to prepare GRAP AFS and Manage the Audit Process and Improvement	3	1	2	5
FETC: Welding Application & Practice	7	7	-	4
Maintenance & Repair Bituminous Road Surfaces	11	8	3	2
TRAINING PROGRAMME	NUMBER ATTENDEES	MALE	FEMALE	NQF LEVEL
2024/25 FMS Year End Closure/AFS Workshop	3	-	3	Not NQF Aligned
Payday Payroll 2024/25 FMS Year End Closure/AFS Workshop	2	-	2	Not NQF Aligned

Cable Joint	6	6	-	4
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Compliance with the MFMA Regulations

Position	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Consolidated: Competency Assessments completed for A (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials who performance agreements, comply with Regulation 16(regulation14(4)(f))
Accounting Officer	01	Yes	01
Chief Financial Officer	01	Yes	01
General Managers	04	Yes	04
Supply Chain Manager	01	Yes	01
Senior Managers	04	No	04
Other Financial Officials	57	No	0
Totals	68		11



CHAPTER 5 – FINANCIAL

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

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

Component A: Statements of Financial Performance

The statement is assessed by summarizing how the municipality incurs its revenues and expenses through both operating and non-operating activities. It also shows the net profit or loss incurred over a specific accounting period. These include service charges and the various expenses incurred during the processing as well as the rendering of the services. Revenue management, and particularly revenue assurance, should be high up on the list of priorities.

Effective revenue assurance could rescue the municipality and underpin improved financial management, especially at a time where more challenges are forecast for the South African economy, already caught in the grip of stagnant economic growth. As the economy continues to decline, the municipality will face even bigger challenges in generating revenue. The continued restructuring and closure of businesses, which lead to job losses, would have far reaching effects for the municipality.

Revenue generated from rates, taxes, and service charges will also dwindle and the ratio of indigent households compared to paying customers is likely to increase.

The table below indicates the summary of the financial performance for the 2024/25 financial year

Financial Summary						
R'000						
Description	2023/24	2024/25			2024/25 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	151 445	179 779	179 802	178 229	-0.87	-0.88

Service charges	405 789	464 234	429 307	431 020	-7.71	0.40
Investment revenue	8 027	4 950	12 325	13 203	62.51	6.65
Transfers recognised - operational	155 983	163 277	175 758	166 044	1.67	-5.85
Other own revenue	118 604	88 815	111 563	120 773	26.46	7.63
Total Revenue (excluding capital transfers and contributions)	839 847	901 055	908 756	909 269	0.90	0.06
Employee costs	248 360			264 123		
Remuneration of councillors	18 676			19 764		
Depreciation & asset impairment	77 285			80 076		
Finance charges	42 943			32 326		
Materials and bulk purchases	182 082			206 582		
Transfers and grants	10 645			677		
Other expenditure (Remaining)	394 299			538 151		
Total Expenditure	974 292	900 274	906 207	1 141 701	-2.99	-3.66
Operating Deficit	(95 437)			(221 525)		
Loss on disposal of assets and liabilities	(6 369)			(7 276)		
Fair value adjustment	2 349			12 952		
Actuarial gains/loss	99			(543)		
Impairment loss				(58 658)		
Inventories losses/writedowns	(2 956)			(7 644)		
Reversal of impairment				70 033		
	6 877			8 864		
Deficit for the year	(102 314)			(212 661)		

The Municipality's operating revenue for the 2024/2025 financial year increased with R 41 321 419 (4.7%) to R 920 175 706 when compared to the operating revenue generated for the 2023/2024 financial year which was R 878 854 287.

The increase in the revenue is attributed to the increase in service charges of R 3 694 47, construction R 3 825 726 and property rates R 6 264 302. The grants & subsidies R 54 717 372.

The main sources of revenue excluding Grants and Subsidies for the 2024/25 financial year were as follows:

- Electricity R 144 million (34%)
- Property Rates R 89 million (21%)
- Water R 19 million (4%)
- Sanitation R 10 million (2%)
- Refuse R 12 million (2%)

The revenue generated from sales of electricity contributes 34% (R 144 million) of the total revenue mix, thus indicating that the electricity business unit should be natured and operated efficiently to ensure growth. This includes ensuring revenue protection by removing illegal connection, replacing bridged and tampered meters, ensuring accuracy of billing by ensuring correct tariffs are billed and meter readings.

The Municipality has numerous strategies that are being implemented in an effort to improve the financial viability, these includes but not limited to Budget Funding Plan, Revenue Enhancement Strategy and Cost Curtailment Strategy.

The Municipality is currently implementing the following activities as part of the Revenue Enhancement Strategy:

- Valuation Roll Reconciliation to ensure completeness of property rates billing
- Tariff Review to ensure that tariffs are realistic and the Municipality is able to recoup the cost of provision of services
- Introduction of meter reading gadget to improve meter reading accuracy thus improving billing.
- Installation of 2000 electricity split meters
- Performance of monthly billing reconciliation to ensure completeness of revenue generated.
- Increase access to Pay Point & Receipt Management to allow consumer to pay for services in various payment points.
- Intensify indigent management in response to the socio-economic whilst protecting the poor from the severe economic impact.
- Vigorous implementation of credit Control and Debt collection

The Municipality will be developing a Long-Term Financial Plan. The objective of a Long-Term Financial Plan is to recommend strategies and policies that will maximise the probability of the municipality's financial sustainability into the future. This is achieved by forecasting future cash flows and affordable capital expenditure based on the municipality's historic performance and the environment in which it operates.

The Municipality had a total operating expenditure for the reporting period ending 30 June 2025 amounting to R 1 141 700 906. There was an increase in the expenditure amounting R 167 409 291 million when compared to the period ended 30 June 2024 where the expenditure was R 974 291 615. This was due to the increase in employee related cost R 15 762 099, bad debts written off R 211 199 080, electricity bulk purchases amounting to R 25 500 004 and operating expenditure R 33 989 247.

The following expenditures remains the highest cost drivers and have a significant impact on the revenue of the Municipality:

- Bulk Purchases R 206 million (18%)
- Employee related costs R 264 million (23%)
- Bad Debt Written Off R 211 million (18%)
- Depreciation R 80 million (7%)
- Operating Expenditure R 175 million (15%)
- Contracted Services R 146 million (13%)

The Municipality has further implemented cost curtailment strategy as well as consultant reduction strategy in order to reduce expenditures. The Municipality is committed to reducing running overheads such as overtime, standby, telephone costs, printing & stationery including reduction of non-essential procurements/expenditure. Adequate provision is made to expenditures that improves service delivery such as road maintenance, water network maintenance & electricity maintenance amongst other expenditures.

The municipality had reported an operating deficit of R 212 660 681 in the 2024/2025 financial year, the deficit has increased with R 110 346 231 from R 102 314 450 recorded in the 2023/2024 financial year. The increase in the deficit is attributed to the Bad Debts Written Off amounting to R 211 956 410. The debts written off relates to the property of late estates, which the properties were registered as indigent households.

Grants Performance

	MIG	MDRG	INEP	FMG	EPWP	LGSETA	EESDM	ES	Total
Balance unspent Opening Bal	-	15 009 029,00	-	-	-	-	-	-	15 009 029,00
Current Year Receipts	89 973 000,00	23 467 000,00	23 854 908,00	3 000 000,00	2 004 000,00	306 931,00	7 000 000,00	353 262 029,00	502 867 868,00
Conditions met - Transferred to Revenue	89 973 000,00	38 476 029,00	23 854 908,00	3 000 000,00	2 004 000,00	306 931,00	7 000 000,00	353 262 029,00	517 876 897,00
Unspent Grants	-	-	-	-	-	-	-	-	-



Chapter 6 Report of the auditor-general

Auditor General Report: 2024/2025 Financial Year

The overall audit outcome of the municipality qualified with findings. This is a regression from the previous year's audit outcome.

Outcome area	Movement	2024-25	2023-24	2022-23
Financial statements				
Annual performance report				
• TAG 3: Spatial rationale (Environmental Observation)				
• TAG 5: Service Delivery and Infrastructure Development				
Compliance with legislation				
• Annual Financial Statements				
• Consequence Management				
• Expenditure Management				
• Human Resources Management				
• Procurement and contract management				
• Strategic planning and performance management				
• Asset Management				
• Utilisation of Conditional grants				
• Revenue Management				
• Governance and oversight	Not audited in prior year			

	Unqualified/No material findings		Qualified		Adverse/Pervasive material findings		Disclaimed/Pervasive material limitation		Material findings		Not audited
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	Improvement		Regression		Unchanged
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The AGSA's basis for Qualification of Opinion was the following:

Cash Flow - Supplier

Cash flow from operating activities – Restatements of comparatives

The municipality did not account for cash flows from suppliers in accordance with GRAP 2, Cash flow statements. This is due to some errors and non-cash items included in the corresponding amounts for cash flows from suppliers. Consequently, I was unable to determine the full extent of the misstatement to the corresponding amounts of suppliers as it was impractical to do so.



AUDITOR-GENERAL
SOUTH AFRICA

The Accounting officer
Mkhondo Local Municipality
P.O Box 23
Piet Relief
2380

Date: 30 November 2025

Reference: 02394REG24/25

Dear Sir/Madam

Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Mkhondo Local Municipality for the year ended 30 June 2025

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa section 126(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report or our report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) (municipality) of the MFMA you are required to include the auditor's report in the [type of auditee]'s annual report to be tabled.
4. Prior to printing or copying the annual report which will include the auditor's report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the auditor's report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.

Auditing to build public confidence

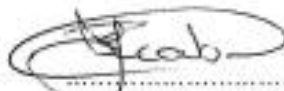
Auditor-General of South Africa
www.agsa.co.za

6. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the PAA and the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (*including International Independence Standards*), members of the staff of the Auditor General (AG), or an audit firm appointed in terms of section 25 of the PAA, may not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party without the permission of the AG or his/her delegate, unless this is to a legislature or internal committee of a legislature or a court in a criminal matter.
7. Until the steps described in paragraphs 2 and 4 of this document are completed and the annual report is tabled as required by section 127(2) of the MFMA (municipality and municipal entity), the audit report is not a final and public document and you are therefore requested to treat it as confidential.
8. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Vusi Gcaba



Senior Manager: Mpumalanga

Enquiries: Vusi Gcaba

Telephone: (0)13 756 0819

Fax: (0)13 756 0879

Report on the audit of the financial statements

Qualified Opinion

1. I have audited the financial statements of Mkhondo Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets and the cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including summary of significant accounting policies.
2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of Mkhondo Local Municipality as at 30 June 2025 and 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 2023 (MFMA) and Division of Revenue Act 24 of 2024 (Dora).

Basis for qualified opinion

Cash flow statement

Suppliers

The municipality did not account for cash flows from suppliers in accordance with GRAP 2, *Cash flow statements*. This is due to some errors and non-cash items included in the corresponding amounts for cash flows from suppliers. Consequently, I was unable to determine the full extent of the misstatement to the corresponding amounts of suppliers as it was impractical to do so.

Context for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor general for the audit of the financial statements section of my report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.
7. We draw attention to note 56 to the financial statements, which deal with the possible effects of the future implications of the deteriorating liquidity situation on the municipality's prospects, performance and cash flows. Management has also described how they plan to deal with these events and circumstances. Our opinion is not modified with respect to this matter.
8. As disclosed in note 5 to the financial statements, material impairment of receivables from nonexchange transactions of R232,38 million (2023-24: R228,29 million), was incurred as a result of an impairment provision for doubtful debts.
9. As disclosed in note 8 to the financial statements, material impairment of consumer debtors of R577,74 million (2023-24: R658,27 million), was incurred as a result of an impairment provision for doubtful debts.
10. As disclosed in note 45 to the financial statements, material losses of R211,96 million was incurred as a result of irrecoverable receivables written off.
11. As disclosed in note 54 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2025.
12. As disclosed in note 62 to the financial statements, material electricity losses amounting to R65,68 million (2023-24: R57,13 million) was incurred, which represents 48% (2023-24: 48%) of total electricity purchased. The losses are as a result of technical losses, which are losses inherent in any network, and non-technical losses, being theft, faults and billing errors.

Other matters

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.
14. 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

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and 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.
16. 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

17. 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.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xx, forms part of my auditor's report.

Report on the audit of the annual performance report

19. 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.

20. I selected the following key performance areas presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected key performance areas that measures 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
TAG 3: spatial rationale	XX	TAG 3 is a core function that the auditee is responsible for in terms of its legislative mandate (Constitution s152, schedule 4B & 5B and Municipal Systems Act s23), which includes the provision of basic services such as waste management.
TAG 5: service delivery and infrastructure development	XX	TAG 5 is a core function that the auditee is responsible for in terms of its legislative mandate (Constitution s152 and Municipal Systems Act s23), which is the provision of basic services such as water
Key performance area	Page numbers	Purpose
		and sanitation, electricity and roads and storm water drainage.

21. 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.

22. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included

- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance.

23. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

24. I did not identify any material findings on the reported performance information for the TAG 3: spatial rationale.

25. The material findings on the reported performance information for the selected key performance area are as follows:

Service delivery and infrastructure development Various indicators

26. Various indicators were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against planned objectives.

Indicator	Target	Reported achievement
TAG 5.9. Replacement of conventional meter to prepaid meters	700	30
TAG 5.12. Construction of KwaThandeka Main Access Road	100%	100%
TAG 5.13. Installation of pour flush toilets in rural villages of Mkhondo LM	100%	100%
TAG 5.17. Electrification of rural villages (ward 15 and ward 17) in Mkhondo Local Municipality	1	1

TAG 5.18. Electrification of rural villages (ward 09) in Mkhondo Local Municipality Villages of Mkhondo Local Municipality	1	1
TAG 5.19. 88/11KV upgrade 2MVA-10MVA Amsterdam Substation	100%	100%
TAG 5.21. Rehabilitation of Bus and Taxi Route in ward 10 Emagadeni eThandukukhanya	100%	100%
TAG 5.22. Rehabilitation of Internal Street in ward 11 eThandukukhanya	100%	100%
TAG 5.23. Electrification of rural villages 102 households Sqintini and Bazane.	100%	100%
TAG 5.24. Construction of the Driefontein Sanitation Infrastructure	100%	94%
TAG 5.25. Construction of Steel Pedestrian Bridge at Mafred in eThandukukhanya	100%	100%
TAG 5.39. Ward 7: Ajax Line 11kv T4 RMU Switchgear	10%	100%
TAG 5.40. Salinga Road (Body builders) 11kv T3 RMU	10%	100%
TAG 5.41. Luneburg Street 11kv Switching Station	10%	100%
TAG 5.42. Ward 7: Engelbrecht Substation	10%	100%
TAG 5.43. Design and Electrification of rural villages ward 9 (92 Connections)	10%	64%

Various indicators

27. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Indicator	Target	Reported achievement
TAG 5.1. % of new water connections	100%	100%
TAG 5.14. Construction of 3km bus and taxi route at Kempville	85%	95%
TAG 5.15. Planning, design and construction supervision of Ethandakukhanya bulk sewer outfall upgrade	25%	37%
TAG 5.20. Planning, design and construction of Amsterdam Sewer Reticulation Network	100%	68%
TAG 5.30. Re-gravelling and storm water management for 600m road at ward 17 Welverdiend	100%	100%
TAG 5.31. Re-gravelling and storm water management for 2km road at ward 8 Dr Pols village	100%	100%
TAG 5.32. Re-gravelling and storm water management for 1900m x5m road at ward 13 Mangosuthu	100%	100%
TAG 5.33. Re-sealing a 1km of Pretorius street in Harmony Park ward14	100%	100%
TAG 5.34. Re-gravelling of 3000m bus and taxi route in	100%	100%

Driefontein ward 1		
TAG 5.35. Re-gravelling of 2200m bus and taxi route in Driefontein ward 2	100%	100%
TAG 5.37. Replacement of Harmony Park 11KV T3 RMU	20%	100%
TAG 5.38. Replacement of Kempville combine school 11KV T3 RMU	20%	100%
TAG 5.44. Electrical infrastructure upgrade of 11kv Amsterdam Switching station from 1.9MVA to 10MVA and associated OHM network.	10%	24%

TAG 5.5. No of report on drinking water samples reports complying to SANS241

28. The indicator measures number of reports on drinking water samples, which does not relate to the mandate of the municipality. Consequently, the indicator is not relevant for planning and reporting on performance.

Various indicators

29. Based on the audit evidence, the actual achievements for two indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially more. The targets were still achieved.

Indicator	Target	Reported achievement
TAG 5.10 KMs of roads maintained and graded	160	830
TAG 5.11. Square meters (M²) of tar road potholes repaired	16 800	29 159

Other matters

30. I draw attention to the matters below.

Achievement of planned targets

31. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

32. The tables that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Service delivery and infrastructure development

<i>Targets achieved: 91%</i>		
<i>Budget spent: 69%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of mega litres of water treated from water treatment works	10 548	9 103,4

<i>Targets achieved: 91%</i>		
<i>Budget spent: 69%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Replacement of conventional meter to prepaid meters	700	30
Planning, design and construction of Amsterdam Sewer Reticulation Network	100%	68%
Construction of the Driefontein Sanitation Infrastructure	100%	94%

Material misstatements

33. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for service delivery and infrastructure development and spatial rationale. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

34. 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.

35. 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.

36. 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.

37. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and performance reports

38. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

39. Material misstatements of non-current assets, current assets, liabilities, and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving a qualified audit opinion.

Expenditure management

40. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.
41. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R195,26 million, as disclosed in note 59 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.
42. Reasonable steps were not taken to prevent irregular expenditure amounting to R3,14 million as disclosed in note 61 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations.
43. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R29,25 million, as disclosed in note 60 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties on overdue accounts.

Strategic planning & performance

44. Measurable performance targets were not set for each of the key performance indicators (KPIs) for the financial year, as required by section 41(1)(b) of the Municipal Systems Act (MSA) and municipal planning and performance management regulation 12(1).

Human resources management

45. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.

Other information in the annual report

46. The accounting officer is responsible for the other information included in the annual report the audit committee's report. The other information 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.

47. My opinion on the financial statements, and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
48. 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.
49. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
50. I have nothing to report in this regard.

Internal control deficiencies

51. 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.
52. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
53. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information. Management did not ensure that indicators were well defined and measurable. There were also weaknesses in internal controls and shortcomings in the review processes that had to prevent, detect and correct material misstatements in the annual performance report and annual financial statements.
54. Leadership and management of the entity did not exercise adequate oversight over performance reporting and compliance with legislation.

Auditor-General

'Auditor-General'

Mbombela

30 November 2025



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Audit Action Plan

The Municipality has developed an audit action plan that is Measurable, Achievable, Relevant and Time bound. The progress on the audit action plan will be monitored on a monthly basis in an effort to ensure that we are able to improve from the qualified audit opinion. The progress audit action plan will be reported to Council Committee and progress will also be audited by Internal Audit & Audit Committee for assurance. In addition, the Municipality will be preparing quarterly financial systems. Refer to the attached annexure C for the audit action plan.

FINDING	ROOT CAUSE	NATURE OF FINDING	NO. OF YEARS REPEATED	RESPONSIBLE PERSON	ACTION PLAN STATUS	IMPLEMENTATION PROGRESS %	IMPLEMENTATION STATUS
Cash flow statement: Material differences in cash-flow statement recalculation	Management did not properly review the statement of cash flows to ensure that the statement was accurate and free from material errors.	Internal control deficiency	2	CFO	Developed (Management Approved)		Not Yet Started
Material losses: Electricity losses	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.	Internal control deficiency		CFO	Under Development		Not Yet Started
Material losses: water losses	The water distribution losses disclosed in the annual financial statements are inaccurate and incomplete by an unquantifiable amount.	Internal control deficiency		CFO	Developed (Management Approved)		Not Yet Started
Inconsistency between Comparative figures in note 62 and the Face of the Annual Financial Statements	Management did not ensure that the segment report disclosure is aligned with the face of the financial statement, and they only disclose narrations relevant to the municipality.	Internal control deficiency		CFO	Under Development		Not Yet Started
Related parties' disclosure not complete	Management did not appropriately apply the standard of GRAP to ensure that related parties are accounted for in terms of GRAP 20.	Internal control deficiency	3	CFO	Developed (Management Approved)		Not Yet Started
Incorrect inclusion of non-financial instruments in the financial	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. Management did not adequately review the annual financial statements to ensure	Internal control deficiency		CFO	Developed (Management Approved)		Not Yet Started

FINDING	ROOT CAUSE	NATURE OF FINDING	NO. OF YEARS REPEATED	RESPONSIBLE PERSON	ACTION PLAN STATUS	IMPLEMENTATION PROGRESS %	IMPLEMENTATION STATUS
instruments note disclosure	that the disclosures are accurate.						
Impairment assessment on WIP project cancelled	Management did not ensure that they perform adequate impairment assessment when preparing the fixed assets register and the financial statements for the current financial year. Management did not ensure that they disclose all projects taking significantly longer period of time than expected to complete in the financial statements.	Internal control deficiency		CFO	Developed (Management Approved)		Not Yet Started
Statement of comparison of budget and actuals disclosure: Inadequate accounting policy and note disclosures	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. Management did not adequately review the AFS to ensure that all applicable disclosures are made.	Internal control deficiency		CFO	Under Development		Not Yet Started
Unauthorised expenditure not accurate	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. Management did not adequately review their unauthorized expenditure to ensure it is calculated accurately and disclosed correctly on the AFS.	Internal control deficiency		CFO	Under Development		Not Yet Started

FINDING	ROOT CAUSE	NATURE OF FINDING	NO. OF YEARS REPEATED	RESPONSIBLE PERSON	ACTION PLAN STATUS	IMPLEMENTATION PROGRESS %	IMPLEMENTATION STATUS
Contingent liabilities overstatement	The main root cause is having two separate tables for 2024 and 2025 financial years, instead of one table that will enable the information to be presented in a comparative manner. Management failed to ensure that they disclosed only those contingent liabilities where the likelihood of an outflow is more than remote	Internal control deficiency		CFO / LEGAL DEPARTMENT	Under Development		Not Yet Started
Contingent assets overstatement	Management did not ensure that transactions were recognized in accordance with the applicable accounting standards	Internal control deficiency		CFO/ LEGAL DEPARTMENT	Under Development		Not Yet Started
Misstatement in Unconditional Grant note	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. Management did not adequately review the AFS to ensure that the notes to the financial statements are presented fairly.	Internal control deficiency		CFO	Developed (Management Approved)		Not Yet Started
Non-Disclosure of Consumer Debtors Past Due but Not Impaired in the AFS	Management did not perform a sufficiently thorough review of the Annual Financial Statements to ensure compliance with the related disclosure requirements.	Internal control deficiency		CFO / GM COMMUNITY SERVICES	Under Development		Not Yet Started
Non-disclosures of non-adjusting	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.	Internal control deficiency		CFO	Developed (Management Approved)		Not Yet Started

FINDING	ROOT CAUSE	NATURE OF FINDING	NO. OF YEARS REPEATED	RESPONSIBLE PERSON	ACTION PLAN STATUS	IMPLEMENTATION PROGRESS %	IMPLEMENTATION STATUS
events after the reporting date	Management did not adequately review the annual financial statements to ensure that the disclosures are complete						
Expenditure not paid within 30 days	Management did not review and ensure compliance with applicable laws and regulations, section 65(2)(e) of MFMA, by ensuring that all payments are made within 30 days.	Internal control deficiency	4	CFO	Under Development		Not Yet Started
Expenditure – transactions recorded in the incorrect accounting period	Management did not ensure that adequate review of contracted services expenditure invoices to ensure they are recorded in the correct accounting period.	Internal control deficiency		CFO	Under Development		Not Yet Started
Non-disclosure of depreciation rates, income and expenses relating to investment property	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. Management did not adequately review the annual financial statements to ensure that all relevant disclosures are made on the financial statements.	Internal control deficiency		CFO	Developed (Management Approved)		Not Yet Started
Inadequate Disclosure of Entity-Specific	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by	Internal control deficiency		CFO	Developed (Management Approved)		Not Yet Started

FINDING	ROOT CAUSE	NATURE OF FINDING	NO. OF YEARS REPEATED	RESPONSIBLE PERSON	ACTION PLAN STATUS	IMPLEMENTATION PROGRESS %	IMPLEMENTATION STATUS
Accounting Policies and outdated narrations in the notes to the financial statement: various line items	reliable information. Management did not adequately review the annual financial statements to ensure that the disclosures are complete.						
Risk management: Incomplete disclosures	Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. Management did not adequately review the annual financial statements to ensure that the disclosures are accurate.	Internal control deficiency		CFO	Developed (Management Approved)		Not Yet Started
Failure to prevent UIFW	Review and monitor compliance with applicable laws and regulations. Management did not ensure that the municipality compliance with all the laws and regulations applicable to it.	Internal control deficiency	1	CFO/ ALL GM'S	Under Development		Not Yet Started
Employee cost: Performance appraisals for senior managers not conducted	The Accounting Officer did not exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.	Internal control deficiency		PMS MANAGER / MM	Under Development		Not Yet Started
AoPO: Reported target per the Annual Performance	Management did not implement adequate monitoring controls to ensure timely and	Internal control deficiency	1	PMS MANAGER / ALL GM'S	Under Development		Not Yet Started

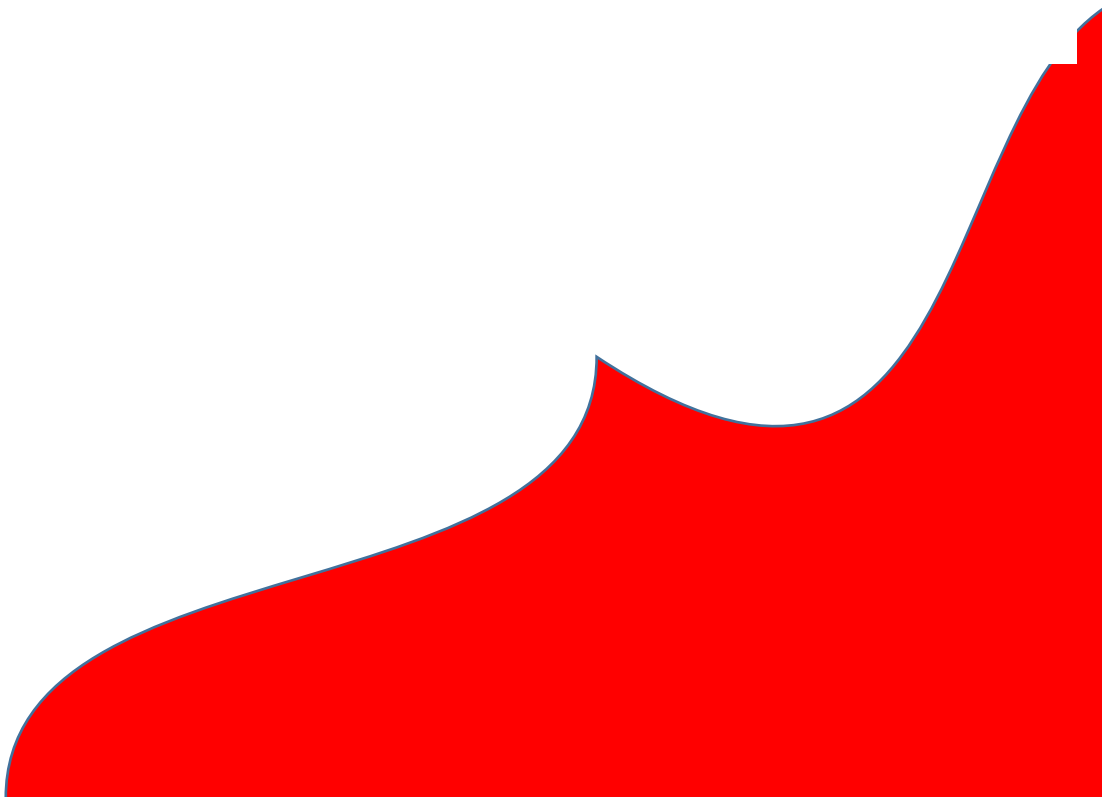
FINDING	ROOT CAUSE	NATURE OF FINDING	NO. OF YEARS REPEATED	RESPONSIBLE PERSON	ACTION PLAN STATUS	IMPLEMENTATION PROGRESS %	IMPLEMENTATION STATUS
Report (APR) is not consistent with planned target per the Service Delivery and Budget Implementation Plan (SDBIP)	proper record keeping. As a result, complete, relevant, and accurate information was not consistently available to support performance reporting						
AoPO: Reported performance indicators are not well defined, and their related targets are not measurable	Management did not exercise adequate oversight responsibility over performance reporting to ensure that performance indicators and their related targets were defined in accordance with SMART principles.	Internal control deficiency		PMS MANAGER / ALL GM'S	Under Development		Not Yet Started
AoPO: Reported performance indicators not logically and directly related to an aspect of auditees mandate and the achievement of strategic goals relating to the scoped-in subject matter	Management did not exercise adequate oversight over the planning and reporting of performance information. As a result, indicators that do not logically and directly relate to the municipality's mandate and the realisation of strategic goals and objectives were included in the annual performance report.	Internal control deficiency	1	PMS MANAGER / ALL GM'S	Under Development		Not Yet Started
AoPO: Reported performance information is not comparable, understandable, and disclosed in	Management did not adequately prepare performance reports that are supported by reliable, well-structured, and comparable information.	Internal control deficiency		PMS MANAGER / ALL GM'S	Under Development		Not Yet Started

FINDING	ROOT CAUSE	NATURE OF FINDING	NO. OF YEARS REPEATED	RESPONSIBLE PERSON	ACTION PLAN STATUS	IMPLEMENTATION PROGRESS %	IMPLEMENTATION STATUS
accordance with applicable requirements							
AoPO: Reported performance indicators are not verifiable	Management did not adequately implement proper record-keeping processes in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support performance reporting.	Internal control deficiency		PMS MANAGER / ALL GM'S	Under Development		Not Yet Started
AoPO: TAG 5 Reported achievement not and/or accurate	Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.	Internal control deficiency		PMS MANAGER / ALL GM'S	Under Development		Not Yet Started
AoPO: TAG 5 – Internal control deficiency on reported achievements	Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.	Internal control deficiency		PMS MANAGER / ALL GM'S	Under Development		Not Yet Started
Internal control deficiency in management of community assets	Management did not ensure that they have systems in place to safeguard the assets of the municipality.	Internal control deficiency		CFO	Under Development		Not Yet Started
Water Services Development Plan not in place	Management did not adequately review and monitor compliance with applicable laws and regulations.	Non-compliance with applicable legislation		GM : TECHNICAL SERVICES	Under Development		Not Yet Started
Expenditure: Recording of date received on supplier Invoice	The municipality did not implement adequate controls to ensure that all invoices are date-stamped.	Internal control deficiency		CFO	Under Development		Not Yet Started

FINDING	ROOT CAUSE	NATURE OF FINDING	NO. OF YEARS REPEATED	RESPONSIBLE PERSON	ACTION PLAN STATUS	IMPLEMENTATION PROGRESS %	IMPLEMENTATION STATUS
Planning: External Quality Assurance assessment not conducted	Management did not exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls	Internal control deficiency	1	INTERNAL AUDIT	Under Development		Not Yet Started
Mid-year performance assessment does not include plans to resolve problems identified in the previous year's annual report	Management did not review and monitor compliance with applicable laws and regulations.	Internal control deficiency		PMS: MANAGER	Under Development		Not Yet Started



APPENDIX



APPENDIX A

Councillors party belong and ward representation

NO.	INITIAL AND SURNAME	WARD No	Political Party
1	Councillor M Z Ngwenya	Speaker of Council/ Ward 8	African National Congress
2	Councillor N C Ndhlovu	Executive Mayor / PR	African National Congress
3	Councillor S D Thwala	Whip for Council / Ward 4	African National Congress
4	Councillor D M Thwala	PR/ MMC Technical	African National Congress
5	Councillor T E Khumalo	PR/MMC Planning	African National Congress
6	Councillor M T Mkhabela	Ward 18/MMC Corporate	African National Congress
7	Councillor W H Vilakazi	Ward 14/MMC Community	Indipended Candidate
8	Councillor T W Manana	Ward 9/MMC Finance	African National Congress
9	Councillor B M Khumalo	PR Councilor	African National Congress
10	Councillor D M Ntshakala	PR/MPAC Chair	African National Congress
11	Councillor N D Sangweni	Ward 1	African National Congress
12	Councillor B E Maisela	Ward 2	African National Congress
13	Councillor M N Mbatha	Ward 3	African National Congress
14	Councillor J M Nkosi	Ward 5	African National Congress
15	Councillor M S Ngwenya	Ward 6	African National Congress
16	Councillor J L I Brussow	Ward 7	Democratic Alliance
17	Councillor M Z Thomo	Ward 10	African National Congress
18	Councillor N G Gwebu	Ward 11	African National Congress
19	Councillor M R Q Mhlanga	Ward 12	African National Congress
20	Councillor N S Mthethwa	Ward 13	African National Congress
21	Councillor S M Shoba	Ward 15	Africa National Congress
22	Councillor T M Qwabi	Ward 16	Africa National Congress
23	Councillor M A Simelane	Ward 17	Indipended Candidate
24	Councillor M S Lukhele	Ward 19	Africa National Congress

25	Councillor M J Dlamini	PR Councillor	African Transformation Movement
26	Councillor S J Methula	PR Councillor	Democratic Alliance
27	Councillor B A Dlamini	PR Councillor	Democratic Alliance
28	Councillor T Tshandu	PR Councillor	Democratic Alliance
29	Councillor S P Mkhwanazi	PR Councillor	Economic Freedom Fighters
30	Councillor S P Sibiya	PR Councillor	Economic Freedom Fighters
31	Councillor N N Zulu	PR Councillor	Economic Freedom Fighters
32	Councillor V S Hlophe	PR Councillor	Economic Freedom Fighters
33	Councillor L L Ngubeni	PR Councillor	Economic Freedom Fighters
34	Councillor D W Nkosi	PR Councillor	Economic Freedom Fighters
35	Councillor E F Nkosi	PR Councillor	Economic Freedom Fighters
36	Councillor J R Sibiya	PR Councillor	Inkatha Freedom Party
37	Councillor T H Mtshali	PR Councillor	National Freedom Party
38	Councillor H W Weber	PR Councillor	Vryheidsfront Plus

ATTENDANCE OF MEETINGS BY COUNCILLORS FOR THE YEAR 2024/25FY

Name	Abbreviation	Colour
Present	P	
Leave of absence	LOA	
Absent	AB	

N O.	INI TIALS AND SURNA ME	30 July 2024	07 Aug ust 2024 <i>Spec ial</i>	28 Aug ust 2024	18 Septem ber 2024 <i>Special</i>	17 Octo ber 2024 <i>Speci al</i>	25 Octo ber 2024 <i>Speci al</i>	31 Octo ber 2024	22 Novem ber 2024 <i>Special</i>	13 Decem ber 2024	24 Janu ary 2025	31 Janu ary 2025	06 Febru ary 2025 <i>Speci al</i>	25 Febru ary 2025	27 Mar ch 2025	30 April 2025	29 May 2025	TOT AL
1	Council lor M Z Ngwen ya	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
2	Council lor N C Ndhlov u	P	P	P	P	P	P	P	LOA	P	LO A	P	P	P	P	P	P	14 of 16
3	Council lor S D Thwala	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16

4	Council lor D M Thwala	P	P	P	P	P	P	P	P	LOA	P	P	P	P	P	P	P	15 of 16
5	Council lor T E Khumalo	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16

N O.	INI TIALS AND SURNA ME	30 July 2024	07 Aug ust 2024 <i>Spec ial</i>	28 Aug ust 2024	18 Septem ber 2024 <i>Special</i>	17 Octo ber 2024 <i>Speci al</i>	25 Octo ber 2024 <i>Speci al</i>	31 Octo ber 2024	22 Novem ber 2024 <i>Special</i>	13 Decem ber 2024	24 Janu ary 2025	31 Janu ary 2025	06 Febru ary 2025 <i>Speci al</i>	25 Febru ary 2025	27 Mar ch 2025	30 April 2025	29 May 2025	TOT AL
6	Council lor M T Mkhabela	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
7	Council lor W H Vilakazi	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
8	Council lor T W Manana	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16

	Council lor B M Khumalo	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
	Council lor D M Ntshakala	P	P	P	P	P	P	P	LOA	P	P	P	P	P	P	P	P	15 of 16
	Council lor N D Sangweni	P	P	P	P	P	P	P	P	P	P	P	P	P	LOA	P	AB	14 of 16
	Council lor B E Maisela	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16

N O.	INI TIALS AND SURNAME	30 July 2024	07 August 2024 <i>Special</i>	28 August 2024	18 September 2024 <i>Special</i>	17 October 2024 <i>Special</i>	25 October 2024 <i>Special</i>	31 October 2024	22 November 2024 <i>Special</i>	13 December 2024	24 January 2025	31 January 2025	06 February 2025 <i>Special</i>	25 February 2025	27 March 2025	30 April 2025	29 May 2025	TOT AL
	Council lor J M Nkosi	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16

	1 Council lor M S Ngwen ya	P	P	P	P	P	P	P	P	P	LO A	P	P	P	P	AB	P	14 of 16
	1 Council lor J L I Brusso w	P	P	P	P	P	LO A	P	LOA	P	P	P	LO A	P	P	P	LO A	12 of 16
	1 Council lor M J Dlamini	P	P	P	P	LO A	P	P	P	P	P	P	P	P	P	P	P	15 of 16
	1 Council lor M N Mbatha	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
	1 Council lor M Z Thomo	P	P	P	P	P	P	AB	P	P	P	P	P	P	P	P	P	15 of 16
	1 Council lor N G Gwebu	LO A	LO A	P	P	P	P	AB	P	P	P	P	P	LO A	LO A	P	P	11 of 16
	2 Council lor M R Q	P	P	P	P	P	P	P	P	P	P	P	P	P	P	LO A	P	15 of 16

N O.	INI TIALS AND SURNAME	30 July 2024	07 Aug ust 2024 <i>Special</i>	28 Aug ust 2024	18 Septem ber 2024 <i>Special</i>	17 Octo ber 2024 <i>Special</i>	25 Octo ber 2024 <i>Special</i>	31 Octo ber 2024	22 Novem ber 2024 <i>Special</i>	13 Decem ber 2024	24 Janu ary 2025	31 Janu ary 2025	06 Febru ary 2025 <i>Special</i>	25 Febru ary 2025	27 Mar ch 2025	30 April 2025	29 May 2025	TOT AL
	Mhlanga																	
	2 Council lor N S Mthethwa	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
	2 Council lor S M Shoba	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
	2 Council lor T M Qwabi	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
	2 Council lor M A Simelane	P	P	P	P	P	P	P	P	P	P	P	P	LO A	P	P	P	15 of 16
	2 Council lor M S Lukhele	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16

	2 Council lor S P Mkhwa nazi	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	16 of 16
	2 Council lor S J Methula	P	P	P	P	LO A	P	P	P	P	P	P	LO A	P	P	LO A	P	13 of 16

N O.	INI TIALS AND SURNA ME	30 July 2024	07 Aug ust 2024 <i>Spec ial</i>	28 Aug ust 2024	18 Septem ber 2024 <i>Special</i>	17 Octo ber 2024 <i>Speci al</i>	25 Octo ber 2024 <i>Speci al</i>	31 Octo ber 2024	22 Novem ber 2024 <i>Special</i>	13 Decem ber 2024	24 Janu ary 2025	31 Janu ary 2025	06 Febru ary 2025 <i>Speci al</i>	25 Febru ary 2025	27 Mar ch 2025	30 April 2025	29 May 2025	TOT AL
	2 Council lor B A Dlamini	AB	LO A	P	LOA	P	P	P	AB	P	P	LO A	P	P	P	P	P	11 of 16

	2 Council lor T W Tshand u	P	P	P	P	P	P	LO A	P	P	P	P	P	P	P	LO A	P	14 of 16
	3 Council lor S P Sibiya	P	LO A	P	P	P	AB	LO A	P	P	P	P	LO A	P	LO A	P	LO A	10 of 16

	3 Council lor N N Zulu	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	AB	15 of 16
	3 Council lor V S Hlophe	LO A	LO A	P	AB	P	P	P	P	P	P	AB	P	AB	P	AB	P	10 of 16
	3 Council lor L L Nguben i	P	P	AB	P	P	AB	AB	P	P	P	P	P	P	AB	P	P	12 of 16
	3 Council lor D W Nkosi	P	P	P	P	P	P	P	P	LOA	P	P	P	P	P	P	LO A	14 of 16
	3 Council lor E F Nkosi	P	AB	P	P	P	P	P	AB	P	P	P	AB	AB	P	P	AB	11 of 16
N O.	INI TIALS AND SURNA ME	30 July 2024	07 Aug ust 2024 <i>Spec ial</i>	28 Aug ust 2024	18 Septem ber 2024 <i>Special</i>	17 Octo ber 2024 <i>Speci al</i>	25 Octo ber 2024 <i>Speci al</i>	31 Octo ber 2024	22 Novem ber 2024 <i>Special</i>	13 Decem ber 2024	24 Janu ary 2025	31 Janu ary 2025	06 Febru ary 2025 <i>Speci al</i>	25 Febru ary 2025	27 Mar ch 2025	30 April 2025	29 May 2025	TOT AL
	3 Council lor J R Sibiya	P	P	P	P	LO A	P	P	P	P	P	P	P	P	P	P	P	15 of 16

	3 Council lor T H Mtshali	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	LO A	15 of 16
	3 Council lor H W Weber	P	AB	P	P	P	P	P	P	P	P	P	P	P	P	P	P	15 of 16
Totals		35 /38	32/ 38	37/ 38	36 / 38	35 / 38	35/ 38	33 / 38	33/ 38	36/ 38	36 / 38	36 / 38	34 / 38	34 / 38	34 / 38	33 / 38	31/ 38	

MAYORAL COMMITTEE ATTENDANCE

INITIALS AND SURNAME	19 July 2024	20 August 2024	26 September 2024	22 October 2024	27 November 2024	16 Jan 2025	17 Feb 2025	19 March 2025	22 April 2025	21 May 2025	19 June 2025	TOTAL
Executive Mayor Cllr N C Ndhlovu	P	LOA	P	LOA	P	P	LOA	P	LOA	LOA	P	06 of 11
MMC Cllr T E Khumalo	P	P	P	LOA	P	P	LOA	P	P	P	P	09 of 11
INITIALS AND SURNAME	19 July 2024	20 August 2024	26 September 2024	22 October 2024	27 November 2024	16 Jan 2025	17 Feb 2025	19 March 2025	22 April 2025	21 May 2025	19 June 2025	TOTAL

MMC Cllr D M Thwala	P	P	P	P	P	P	P	P	P	LOA	P	10 of 11
MMC Cllr W H Vilakazi	P	P	P	P	P	P	P	P	P	P	P	11 of 11
MMC Cllr M T Mkhabela	P	P	LOA	P	P	P	P	P	P	P	P	10 of 11
MMC Cllr T W Manana	P	P	P	P	AB	P	P	P	P	P	P	10 of 11
	6/6	5/6	5/6	4/6	5/6	6/6	4/6	6/6	5/6	4/6	6/6	

CORPORATE SECTION 80

DATE	MONTH	YEAR	STATUS
11	JULY	2024	FULLY ATTENDED MEETING
15	AUGUST	2024	LEAVE OF ABSENCE Councillor S P Mkhwanazi
16	SEPTEMBER	2024	FULLY ATTENDED MEETING
18	OCTOBER	2024	ABSENT Councillor M Z Thomo Councillor J M Nkosi
18	NOVEMBER	2024	FULLY ATTENDED MEETING
15	JANUARY	2025	ABSENT Councillor B A Dlamini
12	FEBRUARY	2025	LEAVE OF ABSENCE Councillor B A Dlamini ABSENT Councillor S P Mkhwanazi
13	MARCH	2025	ABSENT Councillor S P Mkhwanazi
15	APRIL	2025	ABSENT Councillor S P Mkhwanazi Councillor J M Nkosi
19	MAY	2025	FULLY ATTENDED MEETING
13	JUNE	2025	ABSENT Councillor B A Dlamini Councillor S P Mkhwanazi

COMM & FORESTRY SECTION 80

			STATUS
DATE	MONTH	YEAR	
18	JULY	2024	ABSENT Councillor V S Hlophe
14	AUGUST	2024	FULLY ATTENDED MEETING
30	SEPTEMBER	2024	FULLY ATTENDED MEETING
16	OCTOBER	2024	FULLY ATTENDED MEETING

19	NOVEMBER	2024	LEAVE OF ABSENCE Councillor T W Tshandu
16	JANUARY	2025	FULLY ATTENDED MEETING
14	FEBRUARY	2025	FULLY ATTENDED MEETING
14	MARCH	2025	FULLY ATTENDED MEETING
15	APRIL	2025	LEAVE OF ABSENCE Councillor S M Shoba ABSENT Councillor V S Hlophe
12	JUNE	2025	LEAVE OF ABSENCE Councillor V S Hlophe

PLANNING SECTION 80

			STATUS
DATE	MONTH	YEAR	
12	JULY	2024	FULLY ATTENDED MEETING
13	AUGUST	2024	FULLY ATTENDED MEETING
18	SEPTEMBER	2024	FULLY ATTENDED MEETING
15	OCTOBER	2024	FULLY ATTENDED MEETING
19	NOVEMBER	2024	FULLY ATTENDED MEETING
14	JANUARY	2025	LEAVE OF ABSENCE Councillor M S Ngwenya
12	FEBRUARY	2025	FULLY ATTENDED MEETING
13	MARCH	2025	LEAVE OF ABSENCE Councillor N D Sangweni Councillor N N Zulu
10	APRIL	2025	FULLY ATTENDED MEETING
19	MAY	2025	FULLY ATTENDED MEETING
19	JUNE	2025	LEAVE OF ABSENCE Councillor N N Zulu

TECHNICAL SECTION 80

DATE	MONTH	YEAR	STATUS
17	JULY	2024	FULLY ATTENDED MEETING
14	AUGUST	2024	FULLY ATTENDED MEETING
16	SEPTEMBER	2024	FULLY ATTENDED MEETING
15	OCTOBER	2024	LEAVE OF ABSENCE Councillor S J Methula
19	NOVEMBER	2024	FULLY ATTENDED MEETING
14	JANUARY	2025	FULLY ATTENDED MEETING
13	FEBRUARY	2025	FULLY ATTENDED MEETING
13	MARCH	2025	FULLY ATTENDED MEETING
14	APRIL	2025	LEAVE OF ABSENCE Councillor J M Nkosi
15	MAY	2025	FULLY ATTENDED MEETING
10	JUNE	2025	LEAVE OF ABSENCE Councillor D M Ntshakala Councillor H W Weber

FINANCE SECTION 80

			STATUS
DATE	MONTH	YEAR	
16	JULY	2024	LEAVE OF ABSENCE Councillor T M Qwabi
14	AUGUST	2024	FULLY ATTENDED MEETING
19	SEPTEMBER	2024	FULLY ATTENDED MEETING
16	OCTOBER	2024	LEAVE OF ABSENCE Councillor T M Qwabi

19	NOVEMBER	2024	LEAVE OF ABSENCE Councillor T M Qwabi
15	JANUARY	2025	LEAVE OF ABSENCE Councillor J L I Brussow
12	FEBRUARY	2025	FULLY ATTENDED MEETING
14	MARCH	2025	FULLY ATTENDED MEETING
15	APRIL	2025	FULLY ATTENDED MEETING
16	MAY	2025	FULLY ATTENDED MEETING
12	JUNE	2025	FULLY ATTENDED MEETING

SECTION 79 COMMITTEES

PLANNING SECTION 79

DATE	MONTH	YEAR	STATUS
31	OCTOBER	2024	ABSENT Councillor L L Ngubeni
11	JUNE	2025	LEAVE OF ABSENCE Councillor T M Qwabi Councillor S M Shoba

COMMUNITY SECTION 79

DATE	MONTH	YEAR	STATUS
27	AUGUST	2024	FULLY ATTENDED MEETING
27	NOVEMBER	2024	FULLY ATTENDED MEETING
27	MAY	2025	ABSENT Councillor D W Nkosi

CORPORATE SECTION 79

DATE	MONTH	YEAR	STATUS
28	AUGUST	2024	LEAVE OF ABSENCE Councillor N G Gwebu
27	MAY	2025	LEAVE OF ABSENCE
			Councillor D W Nkosi

TECHNICAL SECTION 79

DATE	MONTH	YEAR	STATUS
04	JULY	2024	FULLY ATTENDED MEETING
30	JUNE	2025	FULLY ATTENDED MEETING

FINANCE SECTION 79

DATE	MONTH	YEAR	STATUS
17	SEPTEMBER	2024	FULLY ATTENDED MEETING
27	MAY	2025	FULLY ATTENDED MEETING
13	JUNE	2025	FULLY ATTENDED MEETING

MPAC

DATE	MONTH	YEAR	STATUS
18	JULY	2024	ABSENT Councillor N G Gwebu
19	AUGUST	2024	LEAVE OF ABSENCE Councillor N G Gwebu Councillor S J Methula
30	SEPTEMBER	2024	ABSENT Councillor V S Hlophe
15	OCTOBER	2024	LEAVE OF ABSENCE Councillor M N Mbatha

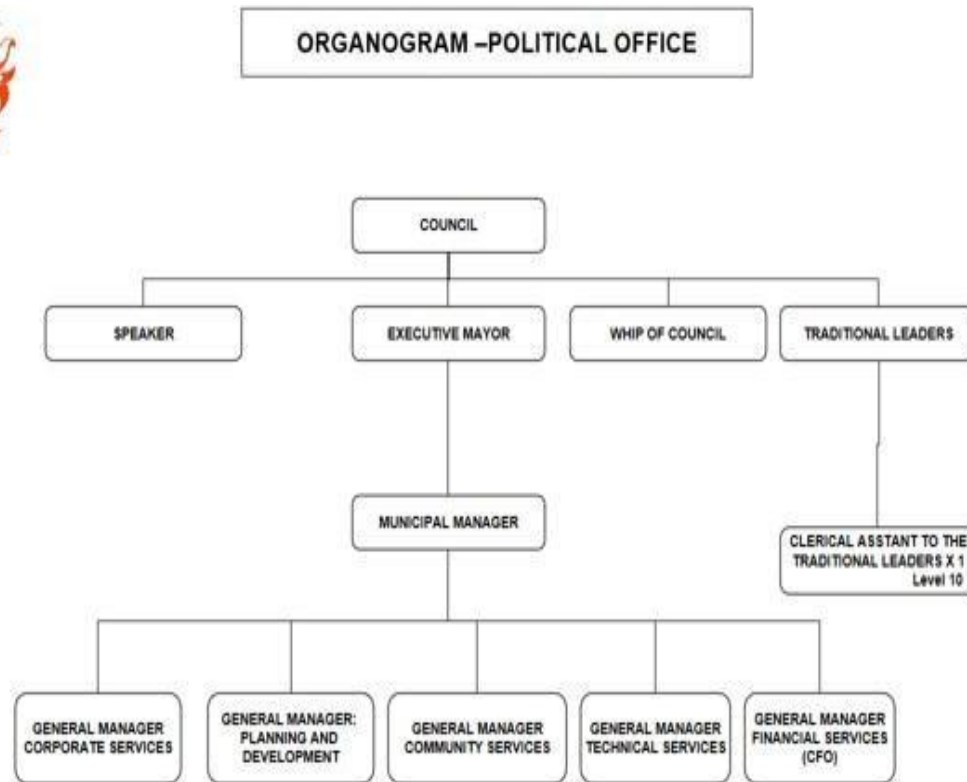
18	OCTOBER	2024	LEAVE OF ABSENCE Councillor S J Methula ABSENT Councillor V S Hlophe
01 <i>Site visit</i>	NOVEMBER	2024	FULLY ATTENDED
25	NOVEMBER	2024	LEAVE OF ABSENCE Councillor N G Gwebu Councillor M J Dlamini Councillor V S Hlophe

04	DECEMBER	2024	FULLY ATTENDED
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22	JANUARY	2025	LEAVE OF ABSENCE Councillor D M Ntshakala Councillor J R Sibiya ABSENT Councillor M N Mbatha Councillor V S Hlophe
20	FEBRUARY	2025	LEAVE OF ABSENCE Councillor N G Gwebu Councillor S J Methula
10	MARCH	2025	LEAVE OF ABSENCE Councillor B E Maisela Councillor N G Gwebu ABSENT Councillor V S Hlophe
11	MARCH	2025	LEAVE OF ABSENCE Councillor S J Methula ABSENT Councillor N G Gwebu Councillor V S Hlophe
12	MARCH	2025	LEAVE OF ABSENCE Councillor M N Mbatha Councillor S J Methula ABSENT Councillor N G Gwebu Councillor V S Hlophe

18	MARCH	2025	LEAVE OF ABSENCE Councillor M N Mbatha Councillor N G Gwebu Councillor V S Hlophe
23	APRIL	2025	FULLY ATTENDED
12 <i>Fleet oversight</i>	MAY	2025	LEAVE OF ABSENCE Councillor M N Mbatha Councillor M S Lukhele Councillor V S Hlophe
15	MAY	2025	LEAVE OF ABSENCE Councillor M N Mbatha Councillor B E Maisela ABSENT Councillor N G Gwebu
26	MAY	2025	LEAVE OF ABSENCE Councillor M S Lukhele Councillor B E Maisela
27	MAY	2025	LEAVE OF ABSENCE Councillor J M Nkosi
02	JUNE	2025	LEAVE OF ABSENCE Councillor D M Ntshakala Councillor S J Methula
23	JUNE	2025	LEAVE OF ABSENCE Councillor N G Gwebu Councillor B E Maisela Councillor S J Methula Councillor V S Hlophe

APPENDIX C: Third Tier Administrative structure



APPENDIX D: Functions of Municipality/Entity

FORESTRY MANAGEMENT UNIT

This section outlines the operational activities of the Forestry Division for the 2024/2025 financial year. It summarises the key achievements realised during the reporting period, as well as the major challenges that influenced performance outcomes. The Division continued to focus on sustainable forest management, risk mitigation, and protection of municipal forestry assets despite significant environmental and operational constraints.

2. RE-ESTABLISHMENT OF TEMPORARY UNPLANTED AREAS

The Division made considerable progress in reducing temporary unplanted areas; however, the severe storm of November 2024 posed a major setback. The storm caused extensive damage to young pine stands, affecting 175.7 hectares, all of which had to be

clear-felled. This event significantly increased the extent of unplanted areas. Additionally, 26.2 hectares were destroyed by fire during the same period. All affected areas have been cleared and scheduled for re-establishment in the 2025/2026 financial year.

During the 2024/2025 reporting cycle, only 4.9 hectares were successfully reestablished through wattle line spacing. Although this represents a reduced planting programme, several external factors contributed to the limited implementation capacity:

The November 2024 storm diverted critical resources and manpower towards urgent recovery operations, including the clearing of wind-thrown trees along internal roads and within compartments.

The absence of an appointed silviculture service provider restricted the Division's ability to undertake large-scale planting activities as planned.

Despite these limitations, the Division prioritised risk reduction, long-term sustainability, and the safeguarding of existing forestry assets. These strategic decisions place the Division in a more favourable position to strengthen reestablishment efforts in the upcoming financial year.

3. HARVESTING AND GENERATED REVENUE

Beyond harvesting storm-affected young pine areas, the Division also undertook harvesting in compartments repeatedly damaged by intentional fires started by community members. To prevent further timber loss and stabilise high-risk areas, these compartments—totalling 118.05 hectares—were clearfelled prior to the storm, with operations commencing in March 2025. The affected areas will undergo a species change during the next planting season to improve resilience and reduce future vulnerability.

For the 2024/2025 financial year, timber sales generated a total revenue of R3 127 541.63.

4. FOREST PROTECTION

The plantation's geographic setting exposes it to elevated fire danger beginning in May, with peak risk occurring between July and September, and occasionally extending into October. During these months, low humidity, dry winds, and accumulated fuel loads—particularly in temporary unplanted areas—create conditions conducive to fast-spreading fires.

Fire risks are further amplified by the plantation's unfenced boundaries, which border nearby communities and allow uncontrolled access. Activities such as honey hunting and illegal timber extraction are known ignition sources that increase the likelihood of wildfires.

To address these threats, the Division continued to implement a proactive and structured fire-management programme. All fire breaks were prepared and burned within the approved window. For the 2024/2025 season, internal and external fire breaks were completed early, first in July 2024 and again in June 2025. Fire break widths and configurations were determined through risk assessments, with heightened focus on perimeter compartments to limit the spread of fires onto neighbouring properties. Newly planted and high-risk compartments received additional attention to ensure adequate protection.

Despite these efforts, the 2024/2025 fire season was particularly severe nationwide, and the municipal plantation experienced similar impacts. Approximately 26.2 hectares were lost to wildfire and were subsequently clearfelled due to the extent of the damage.

5. IN SUMMARY

The 2024/2025 financial year was challenging for the Forestry Division due to severe storm damage, persistent fire risks, and limited operational capacity. Despite these setbacks, the Division successfully safeguarded key forestry assets, cleared affected areas, generated revenue through targeted harvesting, and strengthened fire-protection measures. While re-establishment progress was limited, the groundwork laid during this period positions the Division to accelerate planting and restoration efforts in 2025/2026.

The Division remains committed to sustainable plantation management and improving resilience against future environmental risks.

APPENDIX E: WARD REPORTING

COMPONENT: PUBLIC ACCOUNTABILITY AND PARTICIPATION

PARTICIPATION AND FORUMS

Council and council committees meeting conducted 2024-2025

Council and council committee meeting conducted 2024-2025			
No.	Council and council committee	Number of meetings planned	Number of Meeting Held
1.	Council	09	16
2.	Mayoral Committee	12	11
3.	Section 80 Committees		
	Corporate Services	12	11
	Financial Services	12	11
	Technical Services	12	11
	Community Services	12	10
	Planning and Economic Development	12	11
4.	Section 79 Committees		
	Corporate Services	4	2
	Financial Services	4	2
	Technical Services	4	3
	Community Services	4	3
Council and council committee meeting conducted 2024-2025			
No.	Council and council committee	Number of meetings planned	Number of Meeting Held
	Planning and Economic Development	4	2
5.	Municipal Public Account Committee - MPAC		
	Section 79A- MPAC	12	20

APPENDIX F: WARD INFORMATION

WARD/ PUBLIC MEETINGS

The role of ward committees is to enhance participatory local governance and development within the Municipality. There has been a widely observed commitment in Mkhondo to participatory governance within both government and civil society, which has been given legal standing and encouragement through the Municipality's key performance areas such as *Putting People First* and giving feedback to communities and stakeholders. All nineteen (19) Ward Committees have been the focus of considerable attention by government as well as civil society, with substantial investment already made in an attempt to ensure that these structures have the necessary capacity and resources required for them to fulfil their envisaged roles as the "voice" of communities.

These Ward Committees provided a channel for public participation and communication for the community and served as a link between the community and Council. The Municipality has an intensive community consultation process that is done at a ward level in line with the community-based planning approach. This process stimulates participatory governance by affording community members a fair opportunity to deliberate on issues affecting them in their respective wards. Furthermore, this approach was implemented to inevitably include the local community in decision-making, planning and generally allowing them to play an active part in their own development. To facilitate this community consultation process, 19 Ward Committees consist of 10 members and are chaired by respective Ward Councillors. The Ward Councillor ensures that the interests of all members of community in the ward are presented in Council.

Ward committee and community meeting 2024-2025

Ward number	Community meeting planned	Community meeting conducted	Ward committee meeting planned	Ward committee meeting conducted
Ward 1	4	5	12	9
Ward 2	4	12	12	12
Ward 3	4	4	12	11

Ward number	Community meeting planned	Community meeting conducted	Ward committee meeting planned	Ward committee meeting conducted
Ward 4	4	3	12	10
Ward 5	4	2	12	11
Ward 6	4	4	12	10
Ward 7	4	1	12	12
Ward 8	4	9	12	12
Ward 9	4	9	12	12
Ward 10	4	3	12	12
Ward 11	4	3	12	12
Ward 12	4	4	12	11
Ward 13	4	7	12	12
Ward 14	4	3	12	8
Ward 15	4	5	12	12
Ward 16	4	5	12	11
Ward 17	4	3	12	10
Ward 18	4	7	12	12
Ward 19	4	1	12	10

APPENDIX G: Internal Audit Committee Report 24/25

PURPOSE

It is an honour for us to present the third quarter report of the Audit, Risk and Performance Committee for the period ending 30 June 2025 to the Council of Mkhondo Local Municipality. It is our objective and plan to work with the Council, Management and other Stakeholders in service of our people of Mkhondo Local Municipality. The purpose of this report is to provide the Council with an update regarding the activities carried out by the Audit, Risk and Performance Committee for the third quarter of the financial year ending 30 June 2025. The report should serve as a tool to enable Council to take resolutions and corrective actions on areas where the Audit and Performance Committee has made recommendations at the meeting held on 30th September 2025, as this report articulate clearly the findings in terms of all the factual observations, weaknesses and discrepancies identified as well as practical recommendations to improve performance and add value.

1. BACKGROUND

Section 166 of the Municipal Finance Management Act (MFMA) clearly states that each Municipality to have an Audit, Risk and Performance Committee. The Audit Committee is an independent advisory body that advises Council, Political Office Bearers, Accounting Officer, and staff of the Municipality on the following:

Internal financial control and internal audits;

Risk Management;

Accounting Policies;

The adequacy, reliability, and accuracy of financial reporting and information;

Performance Management

Effective Governance;

Compliance with the MFMA, the annual Division of Revenue Act (DORA) and any other applicable legislation;

Performance Evaluation;

Any other issues referred to by the municipality.

Review Annual Financial statements so as to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DORA, etc.

Respond to Council on any matter raised by the Auditor-General (AGSA);

Carry out such investigations into financial affairs of the municipality as may be prescribed from time to time

3. ATTENDANCE OF MEETINGS

The Audit Committee would like to extend their appreciation to the Municipal Manager, Mr. MJ Mkhonza and his management team for their commitment to the serve the community of Mkhondo Local Municipality.

The attendance of Audit Committee meetings is indicated below:

Legends

✓ - Member present: X - Apology from member:

Type of meeting	Date	Mr. T Gafane-Chairperson	Adv J C Weapond-AC Member	Mr N Baloyi-AC Member	Ms. Nchabeleng MF – AC Member
Ordinary Audit & Performance Audit Committee Meeting	30th September 2025	✓	✓	✓	✓

Other Committees

Type of meeting	Date	Adv J C Weapond – Chairperson
Risk Management Unti-Fraud and Unti-Corruption Committee Meeting	03th September 2025	✓

For Management the AC received apologies from Ms. W. Mahlangu (GM Corporate Services) and Ms. Z. Mthethwa (GM Community Services).

The Audit Committee extended their condolences for the sad loss of the MMC for Community Service and an Electrician from Technical Services.

4. IMPLEMENTATION OF AUDIT COMMITTEE RESOLUTIONS

We are satisfied with the implementation of Audit Committee resolutions by Management for the 4th quarter, which is currently at 68% implementation which is an improvement as compared with the previous quarter performance.

5. INTERNAL AUDIT

The Chief Audit Executive (CAE) presented several documents for noting and approval, including:

2024/25 Internal Audit Quality Assurance Action Plan: Approximately 50% of the issues have been addressed, with pending items requiring "financial muscle". The AC was informed that quality assurance is funded by National Treasury, cascaded to Provincial Treasury. The municipality will write to them to initiate an external review, but first, verification that all items in the action plan are addressed is needed.

The following report was presented for the quarter:

Key observations by Internal Audit for the quarter under review:

Audit Areas	Key Findings	Impact Rating (H,M,L)	Overall Audit Committee Recommendation.
2024/25 Internal Audit Employee Physical Verification Report:	1. Employees were given ample time to verify themselves to ensure no "Gulf employee" was on the payroll	H	Employees who did not come for physical verification will have their salaries frozen. The process of employee physical verification will be finalised by the end of November 2025.

The Audit Committee encouraged the management to prioritise implementation of internal audit findings. Audit Committee resolution register progress:

Members raised concerns regarding two main issues:

Overtime Management: This is still an issue, and management must find a strategy to manage the process. Management indicated overtime is limited to 20 hours per month unless there are exceptional circumstances requiring a specific report.

o Resolution: Overtime needs to be monitored to ensure accountability and management, with the intent to reduce overtime. Debt Write-Off and Impairment: Members were concerned about the status of the reconciliation. Management explained that only bad debt for late estates has been written off as unrecoverable, and the municipality is in the process of opening new accounts for new occupants. The next phase will target indigent households in line with policy.

- The Audit Committee was satisfied with the performance of the unit for the quarter under review.

6 RISK MANAGEMENT

The Audit Committee has noted and accepted the report by the Risk Management Anti-fraud and Anti-corruption Committee for the quarter (See Attached Annexure A)

The following critical dominant risks were observed by the RMFPC: Inability to pay Eskom.

Insufficient revenue collection at the municipality.

Un-insured municipal forest (assets).

Unable to pay creditors on time.

Operational cost that exceeds revenue collection.

Unfunded retain risk.

Escalating overtime and standby allowance payment.

7 TECHNICAL SERVICES & INFRASTRUCTURE

The General Manager for Technical Services presented the Quarter 4 report. The committee expressed concern that the Soul Mkhize village area is not being metered, which prevents the municipality from receiving revenue.

- Management Response: Metering all areas in Soul Mkhize village is part of the municipality's water conservation strategy which will be implemented in the current financial year.

8. PERFORMANCE MANAGEMENT OVERVIEW

Performance Management System (PMS) Reports the Committee reviewed the PMS reports presented by the Chief Audit Executive (CAE) and the PMS Manager. Management, with the support of the Performance Committee Chairperson, were able to conduct performance assessments.

Community Services – Timber Theft Incident the General Manager provided a feedback report on the timber theft incident. A case has been opened with the South African Police Service (SAPS), and suspects have been apprehended. However, they have since been released on bail.

The Committee expressed concern over the slow progress of the investigation by SAPS and recommends continued follow-up to ensure accountability and resolution.

Recommendations

Performance Management System (PMS)

Management, in collaboration with the PMS Chairperson, should urgently fast-track the completion of General Managers' performance assessments for the current financial year. A revised timeline should be developed and monitored to ensure timely completion and submission of outstanding assessments. The PMS team should provide monthly progress updates to the Audit

Committee until the process is fully up to date.

Community Services – Timber Theft

The General Manager should continue to engage with SAPS and escalate the matter through appropriate channels to ensure progress in the investigation. A follow-up report should be submitted to the Committee detailing: The current status of the case, any actions taken by SAPS,

Measures implemented to prevent future incidents. Consideration should be given to strengthening internal controls and security measures around timber resources to mitigate the risk of theft.

9. FINANCIAL MANAGEMENT OVERVIEW

The Chief Financial Officer presented the Finance reports. The committee expressed serious concerns regarding several matters, and management provided the following responses:

Debt Collection: The municipality uses service providers for debt collection but is unhappy with their performance. Their invoices will be subject to internal audit. The municipality is not collecting enough and has not implemented the funding plan.

Senior Management Salaries: These are part of the total salary bill, but a system correction is needed to reflect them separately.

Irregular Expenditure: The expenditure related to Folyi is irregular for the current financial year because the tender was not advertised for the minimum required period. The matter should be dealt with as per the requirement of section 32 of the MFMA.

Disconnection Report:

Resolution: Management agreed that a comprehensive report regarding the disconnection will be presented in the next meeting.

Resolution Register and Overtime Management

Members raised concerns regarding two main issues:

Overtime Management: This is still an issue, and management must find a strategy to manage the process. Management indicated overtime is limited to 20 hours per month unless there are exceptional circumstances requiring a specific report.

Resolution: Overtime needs to be monitored to ensure accountability and management, with the intent to reduce overtime.

Debt Write-Off and Impairment: Members were concerned about the status of the reconciliation. Management explained that only bad debt for late estates has been written off as unrecoverable, and the municipality is in the process of opening new accounts for new occupants. The next phase will target indigent households in line with policy.

RECOMMENDATIONS FOR IMPROVEMENT

Cash Flow Variances

Recommendation: Conduct a thorough variance analysis to identify the root causes of the 91% discrepancy in transfers and subsidies. Implement tighter budget monitoring and reporting controls to prevent future anomalies.

Remuneration of Councillors

Recommendation: Expedite the finalization of councillor remuneration processes and provide a clear timeline and progress report to the committee.

Debtors Age Analysis

Management should develop and present to Finance portfolio and Audit Committee a detailed and upto-date age analysis of debtors at each committee meeting. Include trends and recovery strategies.

Eskom and DWS Credit Analysis

Prepare a comprehensive credit risk report on Eskom and DWS accounts, including payment history, current balances, and proposed repayment plans.

Debtors Reconciliation

Reconcile all handed-over and deceased debtor accounts. Provide a summary of actions taken and outstanding issues.

Fuel Management

Implement stricter fuel usage controls and monitoring systems. Submit monthly fuel usage reports with variance explanations.

Unnamed Prepaid Meters

Conduct an audit of all prepaid meters and ensure proper registration and linkage to customer accounts.

Provide a report on progress and unresolved cases.

Creditors and 30-Day Payment Policy

Review and align creditor payment practices with the 30-day policy. Provide explanations for exceptions, especially for Eskom and the Auditor-General.

Deviation Report

Ensure all required reports, including the deviation report, are attached to future submissions. Establish a checklist to prevent omissions.

Debt Collector Progress

Request the debt collector to present a detailed performance report, including collections made, challenges faced, and future plans.

Overtime Expenditure

Review and justify overtime payments. Consider implementing a cap or approval process to manage and reduce excessive overtime costs.

10. CORPORATE SERVICES REPORT

Labour Relations

The General Manager presented the fourth quarter report on labour relations cases for the municipality.

Audit Committee Comments:

A concern was raised regarding inconsistency in case outcomes: two similar cases resulted in different decisions—one dismissal and one appeal.

The committee emphasized that management must apply consistent disciplinary measures across all cases to ensure fairness and credibility.

Legal Services

The Senior Manager: Legal Services presented the third quarter report on the litigation register.

Key Points: Two cases were removed from the register due to changes in municipal management.

These matters will now be reinstated on the litigation register under the new municipal manager.

RECOMMENDATIONS FOR IMPROVEMENTS

Labour Relations

Ensure Consistency in Disciplinary Actions

Management should develop and adhere to clear guidelines for handling labour relation cases to ensure consistent outcomes, especially in cases with similar circumstances.

Review and Update Disciplinary Policies

Conduct a policy review to identify gaps or ambiguities that may lead to inconsistent decisions. Update policies to reflect best practices and legal standards.

Training for HR and Line Managers

Provide regular training on labour law, internal policies, and fair disciplinary procedures to ensure uniform application across departments.

Establish a Case Review Panel

Consider forming a panel to review complex or borderline cases before final decisions are made, to promote fairness and consistency.

Legal Services

Maintain an Accurate Litigation Register

Ensure that all active and relevant cases are properly recorded and updated on the Litigation Register, including those affected by changes in municipal leadership.

Clarify Case Ownership During Leadership Transitions

Develop a protocol for handling legal matters during transitions in municipal management to avoid delays or omissions in the register.

Regular Audits of Legal Records

Conduct quarterly audits of the Litigation Register to verify accuracy and completeness, and to ensure timely updates.

11. AUDIT ACTION PLAN 2024/25

The Audit Committee advised management to prioritise issues that could impact the audit report for the 2024/25 financial year.

11. IT GOVERNANCE

The Audit Committee did not consider the ICT report for the quarter. The committee advised that the following IT risk be assessed:

Ensure that all calls that were logged with system vendors were successfully resolved within the agreed Service Level Agreement times.

Testing of data and systems to ensure that they are secured against anti-virus, firewalls, email security.

Ensure regular testing of backups and security systems.

10. HUMAN RESOURCE MANAGEMENT

No report was considered for the quarter.

12. OVERALL OBSERVATION AND CONCLUSION

The Audit Committee is satisfied with the overall state of governance, financial management, and operational functioning of the municipality. No material or significant concerns have been brought to the

Committee's attention through Internal Audit reports or engagements with the Internal Audit unit, the Accounting Officer, Management, or other oversight structures that could negatively impact the municipality or hinder its progress in implementing recommended actions.

The Committee commends the Mkhondo Municipality for successfully concluding the previous financial year in full compliance with all applicable processes and procedures. The timely submission of both the Annual Financial Statements (AFS) and the Annual Report demonstrate a strong commitment to sound governance and accountability. Notably, Mkhondo was among the municipalities that submitted their financial statements and supporting documentation to the Auditor-General within the required deadlines.

A significant milestone was achieved this quarter with the municipality now having a complete team of Section 54A and 56 managers for the first time in a considerable period. This strengthened leadership structure is expected to improve operational efficiency and enhance strategic implementation. Currently, the Municipal Manager (MM) and one General Manager are serving on contract, while the remaining senior managers hold permanent appointments.

During the reporting period, the municipality experienced a minor public disturbance in the Themba Labasha area, stemming from the

enforcement of credit control measures—specifically, the disconnection of services due to non-payment. The matter was resolved amicably through constructive engagement with the affected community, resulting in a consensus that upheld fairness and transparency.

On the financial front, the municipality recorded a modest improvement in revenue collection, with June 2025 figures reaching 84%. This upward trend is attributed to ongoing revenue enhancement initiatives, which continue to be a strategic priority for the administration.

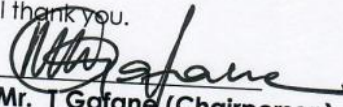
We extend our sincere appreciation to the Municipal Manager, Mr. MJ Mkhonza, for his unwavering support and decisive leadership. His commitment and accountability continue to set a high standard for municipal governance.

We also wish to acknowledge the exceptional administrative and secretariat support provided by the

Internal Audit team, under the leadership of Mr. AB Ngcobo. Their dedication to coordinating Audit Committee activities and producing high-quality minutes and reports is commendable and deeply appreciated.

Furthermore, the Committee recognizes the collaborative efforts of the entire management team. Their collective support has been instrumental in enabling the Committee to effectively discharge its responsibilities as mandated by Council.

In conclusion, the Audit Committee is confident that the municipality is, in all material respects, well positioned to partially achieve its set objectives as outlined in the Service Delivery and Budget Implementation Plan. We are optimistic about the municipality's potential to maintain its audit outcomes in the 2024/25 financial year.

I thank you.

Mr. T Gafane (Chairperson)
On Behalf of the Audit Committee

Appendix H: Long term Contracts and Public Private Partnership

NO	TENDER NUMBER	TENDER NAME	DURATION	DATE AWARDED	AWARDED TENDER	TENDER AMOUNT
1	MKHO19/2023/24	Appointment of a Reputable Professional Service Provider for Reviews of Annual Financial Statements for Three Years (2023/24-2025/26)	Three Years	11-Jul-24	Shumba Inc.	Rates
2	MKHO20/2023/24	Appointment of a Reputable Professional Service Providers for the Compilation and Maintenance of a GRAP and MSCOA Compliant Fixed Asset Register for a period of Thirty-Six (36) Months	Thirty-Six (36) Months	4-Jul-24	Sempro Consulting	Rates
3	MKHO21/2023/24	Provision of Hygiene Services and Consumables for a period of Twenty-Four (24) Months	Twenty-Four (24) Months	31-Jul-24	EWT Hygiene	Rates
4	MKHO23/2023/24	Appointment of a Reputable Service Provider for Supply and Delivery of Water Reticulation Materials and Equipment for a period of Thirty-Six (36) months on an Ad-Hoc Basis	Thirty-Six (36) Months	28-Aug-24	Sakhumzy Construction	Rates
5	MKHO22/2023/24	Appointment of a Reputable Service Provider for Supply and Delivery of Electrical Materials for a period of Thirty-Six (36) Months on an Ad-Hoc basis	Thirty-Six (36) Months	28-Aug-24	Zeph Group	Rates
6	MKHO18/2023/24(1)	Provision of Electrical Engineering Consultation Services for Electrification of Ward 9 in Mkhondo Local Municipality	Twenty-Four (24) Months	3-Jul-24	IGODA Projects (Pty) Ltd	R379 077,65
7	MKHO18/2023/24(3)	Provision of Electrical Engineering Consultation Services for Upgrading of Amsterdam Substation from 1.9MVA to 10MVA	Twenty-Four (24) Months	3-Jul-24	Kuhlemcebo Engineers (Pty) Ltd	R3 872 062,50
8	MKHO17/2023/24(4)	Provision of Civil Engineering Consultation Services for Eradication of Water Backlog Drilling, Equipping and Electrification of Boreholes in Rural Villages of Mkhondo Local Municipality	Twenty-Four (24) Months	3-Jul-24	TMS Consulting Engineers and Project Management	R7 125 035,61
9	MKHO17/2023/24(6)	Provision of Civil Engineering Consultation Services for the Construction of Steel Pedestrian Bridge at Mafred	Twenty-Four (24) Months	3-Jul-24	ZenkCon Engineers	Not Applicable
10	MKHO26/2023/24	Supply, Delivery, Installation and Maintenance of Emergency Lights and Sirens for Public Safety Department on an	Twenty-Four (24) Months	29-Aug-24	Yaya Lighting and Accessories (pty)ltd	Rates

		Ad-Hoc Basis for a period of Twenty-Four (24) Months				
11	MKHO27/2023/24	Appointment for Inclusion in the Panel of Service Providers for Plant and Equipment Hire Services on a wet rate for a period of Twenty-Four (24) Months on an Ad-Hoc Basis	Twenty-Four (24) Months	02-Oct-24	Pelepele Investments (Pty) Ltd, Duu Bee Enterprises (Pty) Ltd, MlungisiMthobisi Building and Renovation, Xolanidile Projects (Pty) Ltd, Rolfs Towing (Pty) Ltd, Huddy and Sons Civil Contractors, XB Construction CC, Ekene Investments CC, Andilamangema Construction and Projects, Spinks Trading CC, Zembeleni Transport and Projects CC, Aqua Transport and Plant Hire (Pty) Ltd	Rates
12	MKHO17/2023/24(7)	Provision of Civil Engineering Services for Refurbishment of Piet Retief Water Treatment Plant	Twenty-Four (24) Months	29-Jul-24	Kukhanya Project	R4 697 750,00
13	MKHO18/2023/24(4)	Provision of Electrical Engineering Services for the Design and Implementation of Energy Efficiency (EEDSM) Programme	Twelve (12) Months	29-Jul-24	Rock of Africa Engineering and Consulting	R3 900 000.00
14	MKHO01/2024/25	Appointment of a Panel of Attorneys for Provision of Professional Legal Services on an ad-hoc basis for a period of Thirty-Six (36) Months	Thirty-six (36) Months	21-Nov-24	Kgomo and Nsibande Incorporated, Madonsela Mthunzi Inc, QQ Mkhathshwa Incorporated, Dolamo Attorneys Inc, Phiri-Combrink Incorporated, Nkosi Sabelo Incorporated, NG Dlamini Attorneys	Rates
15	MKHO17/2023/24(11)	Provision of Civil Engineering Services for Sewer Reticulation Network in Amsterdam	Twenty-Four (24) Months	2-Oct-24	Khukhanya Projects (pty)ltd	R2 052 750.00
16	MKHO03/2024/25	Appointment of a Reputable Service Provider for the Provision of V.I.P Security Services for a period of Twelve (12) Months (Re-Advert)	Twelve (12) Months	20-Dec-24	Izinjomane Security	Rates
17	MKHO05/2024/25	Appointment of a Reputable and Professional Service Provider for VAT Review and Collection of other Taxes Service for a period of Twelve Months	Twelve (12) Months	09-Oct-24	Maximum Profit Recovery (Pty) Ltd	Rates
18	MKHO04/2024/25	Construction of Bus and Taxi Route at Kempville	Twelve (12) Months	21-Nov-24	Bonginkosi Yethu Trading Enterprise	R27 240 685,74
19	MKHO06/2024/25	Eradication of Water Backlog, Drilling, Equipping and Electrification of Boreholes in Rural Villages of Mkhondo Local Municipality Cluster 3 (Ward 9 and 15)	Twelve (12) Months	08-Nov-24	VMT Civils	R24 123 107,25
20	MKHO08/2024/25	Supply, Delivery and Construction of Pour Flush Toilets in Rural Villages of Mkhondo Local Municipality	Six (06) Months	08-Nov-24	Izandla Ziyagezana Trading	R6 151 702,36
21	MKHO17/2023/24(12)	Provision of Professional Engineering (Civil) Services Including Supervision, And	Twelve (12) Months	2-Oct-24	Adept Pro (Pty)Ltd	R2 201 000.00

		Monitoring Of MDRG (Municipal Disaster Recovery Grant) Projects				
22	MKHO07/2024/25	Construction of eThandukukhanya Bulk Sewer Outfall Upgrade	Thirty-six (36) Months	30-Nov-24	Zeph Group	R83 388 852,67
23	MKHO03/2023/24(1)	Re-Gravelling and Stormwater Management for 600m at Ward 17 Ezinkonjaneni (Welverdien)	Three (3) Months	08-Nov-24	Nontabela Group	R2 817 320,72
24	MKHO03/2023/24(1 2)	Re-Gravelling and Stormwater Management for 1900M X 5M Road at Ward 13 Mangosuthu	Three (3) Months	08-Nov-24	Mavakali Tranding	R2 194 824,45
25	MKHO03/2023/24(1 3)	Re-Gravelling and Stormwater Management for 2KM at Ward 8 Maphepheni (Dr.Pols Village)	Three (3) Months	08-Nov-24	Huddy and Sons Civil Contractor	R3 083 834,25
26	MKHO07/2023/24(4)	Rehabilitation & Asphalt Resealing of 1KM Road in Harmony Park Ward 14 (Pretorius Street)	Six (06) Months	08-Nov-24	Bonginkosi Yethu Trading Enterprise JV Stanfamily	R5 972 265,60
27	MKHO09/2024/25	Appointment of a Suitable Service Provider for Harvesting of Various Plantations	Three (3) Months	04-Feb-25	Xolanidile Project (Pty) Ltd	Rates
28	MKHO17/2023/24(1 3)	Provision of Professional Engineering Services (Civil Engineering Consultants) for compilig of the Water & Sanitation Master Plan and Water Services Development Plan (WSDP)	Twelve (12) Months	07-Jan-25	TMS Consulting Engineers and Project Management	R3 817 250,00
29	MKHO09/2024/25 (1)	Refurbishment of Piet Retief Water Treatment Works: Phase 1	Twenty-Four (24) Months	22-Jan-25	Diaba Ndondlo	R41 636 396,00
30	MKHO10/2024/25	Supply and Delivery of Water and Wastewater Treatment Chemicals as and when required for a period of Twelve (12) Months	Twelve (12) Months	30-Jan-25	Zamangwane Consultants (Pty) Ltd	Rates
31	MKHO11/2024/25	Appointment of a Panel of Contractors for Electrical (Infrastructure) works for a period of Three Years	Three Years	20-Mar-25	MADZ Electrical, Aqua Tech Solutions, Golden SJ Trading, IGODA Projects, Izinyosi Engineering, NSK Electrical and Construction, Izinjomane Security, Reliant Consulting, VMT Civils, Crystal Engineering (Pty) Ltd, Ravha Trading Enterprise, Mngulwa Consulting Engineers, Ntongande Projects JV Stan Family, KVA EngineeringProjects, Kulemcebo Engineers, Zeph Group, MNP Engineering Projects, Business Competitive & Projects, Sthandiwe Ngendalo, Lomakhosi Trading, Makaluya Consulting, Thokomela Trading, Omphile Electrical and Construction	Rates

32	MKHO13/2024/25	Appointment of a Panel (Maximum of Four) for Supply and Delivery of Cleaning Materials as and when Required for a period of Twenty-Four (24) Months	Twenty-Four (24) Months	23-May-25	The 619 Empire (Pty) Ltd, Sesiyaikhona Business Enterprise cc , Amandla Okhozi (Pty) Ltd, Vuphi Construction and Transport	Rates
33	MKHO14/2024/25	Appointment of a Panel of SETA (Sector Education and Training Authorities) Accredited Training Service Providers on an ad-hoc basis for a period of Thirty-Six (36) Months	Thirty-six (36) Months	28-May-25	Kgolo Institute (Pty) Ltd, Bantubanye Skills, NTG Solutions CC, Mcebo Technologies, Fachs Business Consulting and Training, Siyahluma Education Institute	Rates
34	MKHO18/2023/24(5)	Provision of Electrical Engineering Services for the Design and Implementation of Energy Efficiency (EEDSM) Programme	Six (06) Months	25-Apr-25	Rock of Africa Engineering and Consulting	R3 100 000,00
35	MKHO16/2024/25	Supply and Delivery of Materials for Construction of Dignified Sanitation as and when required for a period of Thirty-Six (36) Months in Rural Areas of Mkhondo Local Municipality	Thirty-six (36) Months	20-May-25	Izandla Ziyagezana Trading	Rates
36	MKHO17/2023/24(14)	Provision of Professional Engineering Services (Civil Engineering Consultants) of Amsterdam Bulk Sewer Reticulation and Waste Water Treatment Works Upgrade	Twenty-Four (24) Months	28-May-25	TMS Consulting Engineers and Project Management	R18 549 500,00
37	MKHO11/2024/25(1)	Electrical Infrastructure Upgrade of 11kv Amsterdam Switching Station from 1.9MVA to 10MVA and Associated OHM Network	Twenty-Four (24) Months	30-Apr-25	MADZ Electrical	R33 759 452,84
38	MKHO11/2024/25(2)	Electrification of Ward 9 (92 Connections) in Mkhondo Local Municipality	Twelve (12) Months	30-Apr-25	MNP Engineering Projects	R6 873 365,36
39	MKHO11/2024/25(3)	Request for Replacement of Harmony Park 11KV T3 RMU, Ajax Line 11KV T4 RMU Switchgear, and Salinga Road (Body Builders) 11KV T3 RMU	Three (3) Months	30-Apr-25	Reliant Consulting	R3 000 000,00
40	MKHO11/2024/25(4)	Request for Replacement of Kempville Combined School 11KV T3 RMU, Luneburg Street 11KV Switching Station and Engelbrecht Substation	Three (3) Months	30-Apr-25	Reliant Consulting	R3 500 000,00
41	MKHO18/2024/25	Appointment of Suitable Service Provider(s) for Harvesting of Damaged Pine & Wattle Compartments - Re-Advertisement	Three (3) Months	19-May-25	Dipuworx (Pty) Ltd	Rates
42	MKHO20/2024/25	Supply, Delivery and Commissioning of Microsoft 365 Business Standard Licences to Mkhondo Local Municipality	Once-Off	19-May-25	Munsoft (Pty) Ltd	R962 331,50

APPENDIX J-DISCLOSURE OF FINANCIAL INTEREST

DECLARATION 2024-25 FINANCIAL YEAR

No.	Surname	Name	Designation	FORM A financial Disclosure	FORM B	FORM C	FORM D	Date of
1	Mthethwa	Abigal Zamanyambose	General manager: Community services	YES	YES	YES	YES	01-Jul-24
2	Nkosi	Siphesihle Wiseman	General Manager: Technical Services	YES	YES	YES	YES	01-Jul-24
3	Mahlangu	Wendy Docus	General manager: Corporate services	YES	YES	YES	YES	01-Jul-24
4	Ndhlovu	Ngelosi Christinah	Executive Mayor	YES	YES	YES	YES	01-Jul-24
5	Mkhabela	Mthandeni	MMC Corporate Services	YES	YES	YES	YES	01-Jul-24
6	Khumalo	Thembi E	MMC Planning and Development	YES	YES	YES	YES	01-Jul-24
7	Manana	Thokozani W	MMC Financial Services	YES	YES	YES	YES	01-Jul-24
8	Thwala	M D	MMC Technical Services	YES	YES	YES	YES	01-Jul-24
9	Vilakazi	Walter H	MMC Community Services	YES	YES	YES	YES	01-Jul-24
10	Mkhonza	Mthandeni Joseph	Municipal Manager	YES	YES	YES	YES	03-Feb-25

Appendix M: Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG

Appendix M: Capital Expenditure New Assets Programme

ASSETS CLASSIFICATION TYPES		ADDITIONS
Computer Equipment		342,365.70
Electrical Infrastructure		6,325,601.69
Furniture and Office Equipment		911,212.99
Land		974,060.50
Machinery and Equipment		471,113.93
Sanitation Infrastructure		1,834,323.00
Transport Assets		884,505.75
Water Supply Infrastructure		2,291,919.20
Grand Total		14,035,102.76

Appendix M: Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG

Project Title	Appointed Consultant	Appointed Contractor	Budgeted MIG Funds (2024/25)	Current FY - Total Actual Expenditure on MIG funds in the 2024/25 FY	Balance on Allocation
			As per IP		
MIG 1 or PMU					
PMU Management	None	None	R3 988 381,85	R 3 753 466,09	R 234 915,76
Construction of KwaThandeka Main Access Road	BWS Metsi	Mzamo Works	R16 366 545,32	R 16 366 545,32	R 0,01
Design, Supervision and Monitoring of the Sewer Reticulation Network in Amsterdam	Kukhanya Projects (Pty) Ltd	Uhuru JV Dumasibonge (DlabaNdlondlo)	R15 396 441,26	R 15 396 441,26	R 0,00
Installation of Pour Flush Toilets in rural areas of Mkhondo LM	None	Izandla Ziyagezana	R6 151 702,36	R 6 151 702,36	R 0,00
Construction of 3km Bus and Taxi route at Kempville	Mangadi Solutions	Bonginkosiyethu Trading	R15 716 441,95	R 15 716 441,95	R 0,00
Planning, Design and construction supervision of Ethandakukhanya bulk sewer outfall upgrade	ZenkCon Engineers	Zeph Group	R13 322 039,64	R 13 322 039,64	R 0,00
Eradication of water backlog drilling, equipping and electrification of boreholes in rural villages of Mkhondo Local Municipality	TMS Consulting	Makwandokuhle Projects / VMT Pty Ltd	R19 031 447,63	R 19 031 447,63	R 0,00
			R 89 973 000,01	R 89 738 084,24	

APPENDIX N – CAPITAL PROJECT

Project Name	Ward No.	2024/2025 FY Budget	Expenditure	Project Status
Refurbishment of Piet Retief Water Treatment Works	17	R 9 364 164.21	R 9 364 164.21	Construction 27%
Eradication of water backlog drilling, equipping and electrification of boreholes in rural villages of Mkhondo Local Municipality	09,15, & 17	R 18 976 077.00	R 18 976 077.00	Construction 95%
Design, Supervision and Monitoring of the Sewer Reticulation Network in Amsterdam Phase 3	19	R 15 396 440.84	R 15 396 440.84	Construction 68%
Installation of Pour Flush Toilets in rural areas of Mkhondo LM	2,4,6,8, &18	R 6 151 703.00	R 6 151 703.00	Construction 100%
Planning, Design and construction supervision of Ethandakukhanya bulk sewer outfall upgrade	11 &17	R 13 322 039.85	R 13 322 039.85	Construction 41%
Construction of KwaThandeka Main Access Road	5 & 19	R 15 636 588.72	R 15 636 588.72	Construction 100%
Construction of 3km Bus and Taxi route at Kempville	10	R 15 215 342.16	R 15 215 342.16	Construction 90%
Re-gravelling and storm water management for 600m road at ward 17 Welverdiend	17	R4 065 325,70	R4 065 325,70	Construction 100%
Re-gravelling and storm water management for 2km road at ward 8 Dr Pols village	6	R3 634 084,25	R3 634 084,25	Construction 100%
Re-gravelling and storm water management for 1900m x5m road at ward 13 Mangosuthu	13	R 2 745 074.45	R 2 745 074.45	Construction 100%
Re-sealing a 1km of Pretorius street in Harmony Park ward1	1	R6 522 515,60	R6 522 515,60	Construction 100%
Rehabilitation of Bus and Taxi Route in ward 10 Emagadeni eThandakukhanya.	10	R 15 000 000.00	R 15 000 000.00	Construction 100%
	11	R 3 000 000.00		

Rehabilitation of Internal Street in ward 11 eThandakukanya			R 3 000 000.00	Construction 100%	
Re-gravelling 3000m bus and taxi route in Driefontein ward 1	1	R 2 500 000.00	R 2 500 000.00	Construction 100%	
Re-gravelling of 2200m bus and taxi route in Driefontein ward 2.	2	R 2 100 000.00	R 2 100 000.00	Construction 100%	
Electrification of rural villages 102 households Sqintini and Bazane.	15	R 11 316 587.85	R 11 316 587.85	Construction 100%	
Design and Electrification of rural villages ward 9 (92 Connections)	9	R 3 758 757.99	R 3 758 757.99	Construction 64%	
Electrical Infrastructure upgrade of 11kv Amsterdam Switching station from 1.9MVA to 10MVA and associated OHM Network.	18	R 14 358 298.95	R 14 358 298.95	Construction 24%	
Harmony Park 11kv T3 RMU	14	R 1 000 000.00	R 1 000 000.00	Construction: 100%	
Ajax Line 11kv T4 RMU Switchgear	7	R 1 000 000.00	R 1 000 000.00	Construction: 100%	
Salinga Road (Body builders) 11kv T3 RMU	7	R 1 000 000.00	R 1 000 000.00	Construction: 100%	
Kempville Combined School 11kv T3 RMU	10	R 1 000 000.00	R 1 000 000.00	Construction: 100%	
Luneburg Street 11kv Switching Station	7	R 2 000 000.00	R 2 000 000.00	Construction: 100%	
Ward 7: Engelbrecht Substation	7	R 500 000.00	R 500 000.00	Construction: 100%	
Retrofitting of 250W HPS and Mercury Viper Street lights with 100W LED Streetlights including High mast lights from 400W to 200W	07,08,14,10,12, &18	R 7 000 000.00	R 7 000 000.00	Installation 100%	

Appendix K (i): Revenue Collection Performance by Vote

Vote Description	Ref	Budget Year 2024/25								
		2023/24 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
<u>Revenue by Vote</u>	1									
Vote 1 - Executive and Council		325,789	345,876	345,876	–	331,488	345,876	-14,388	-4.2%	345,876
Vote 2 - Budget and Treasury Office		106,426	133,152	133,362	11,296	108,935	133,362	-24,428	-18.3%	133,362
Vote 3 - Corporate Services		1,648	1,685	1,885	182	1,466	1,885	-419	-22.2%	1,885
Vote 4 - Planning and Development		1,026	1,521	1,551	191	1,095	1,551	-457	-29.4%	1,551
Vote 5 - Community Services		31,414	35,765	37,016	1,571	19,641	37,016	-17,375	-46.9%	37,016
Vote 6 - Technical Services		320,69	412,944	434,214	59,859	319,86	434,214	-114,354	-26.3%	434,214
Vote 7 - Afforestation and Tourism		2,317	11	141	2,06	2,288	141	2,147	1528.4%	141
Vote 8 -		–	–	–	–	–	–	–		–
Vote 9 -		–	–	–	–	–	–	–		–
Vote 10 -		–	–	–	–	–	–	–		–
Vote 11 -		–	–	–	–	–	–	–		–
Vote 12 -		–	–	–	–	–	–	–		–
Vote 13 -		–	–	–	–	–	–	–		–
Vote 14 -		–	–	–	–	–	–	–		–
Vote 15 -		–	–	–	–	–	–	–		–
Total Revenue by Vote	2	789,311	930,953	954,045	75,16	784,772	954,045	-169,272	-17.7%	954,045

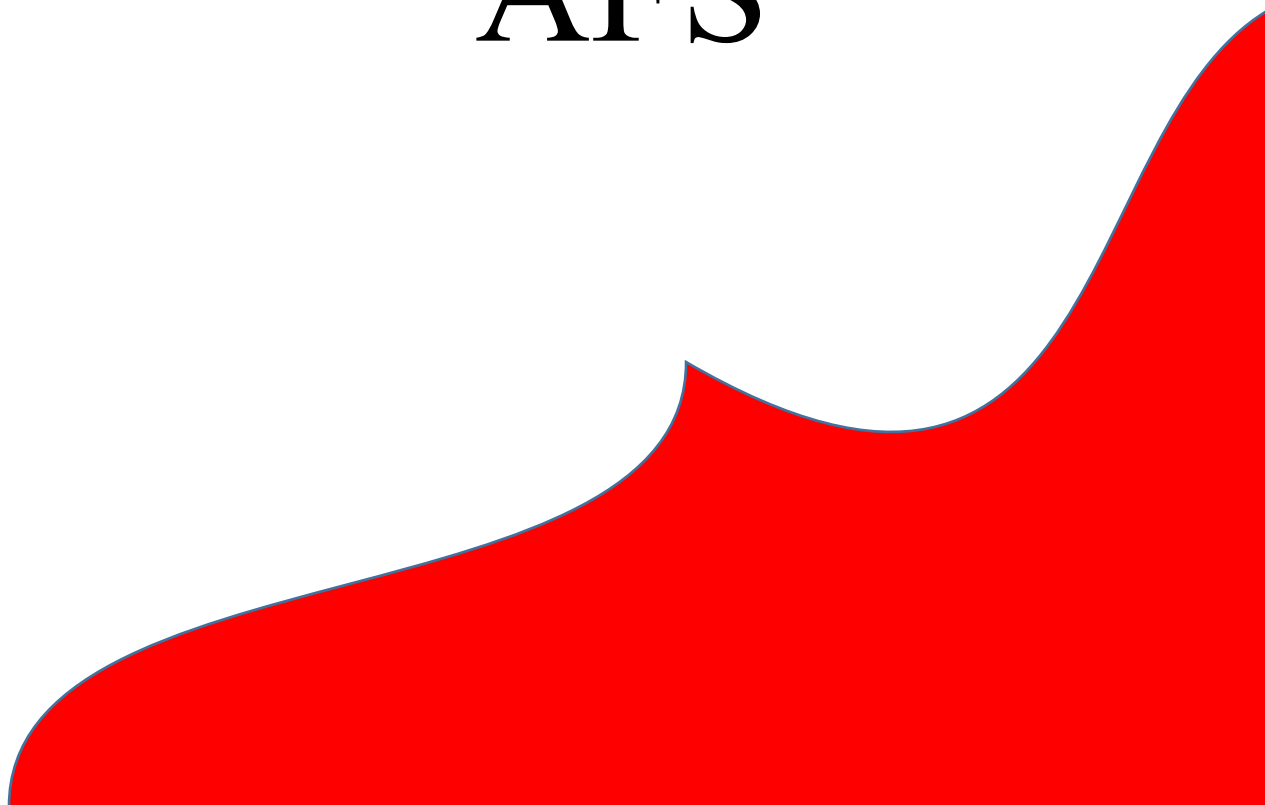
Appendix K (ii): Revenue Collection Performance by Source

Description	Ref	Budget Year 2024/25								
		2023/24 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
<u>Revenue</u>										
Exchange Revenue										
Service charges - Electricity		171,966	267,654	229,379	25,718	145,212	229,379	-84,167	-37%	229,379

Description	Ref	2023/24 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	Budget Year YearTD actual	2024/25 YearTD budget	YTD variance	YTD variance	Full Year Forecast
Service charges - Water		24,58	28,612	28,612	5,635	19,678	28,612	-8,933	-31%	28,612
Service charges - Waste Water Management		12,921	16,109	16,109	882	10,483	16,109	-5,626	-35%	16,109
Service charges - Waste management		15,002	16,002	16,002	1,094	12,596	16,002	-3,406	-21%	16,002
Sale of Goods and Rendering of Services		10,735	2,689	3,029	2,346	4,318	3,029	1,288	43%	3,029
Agency services		-	-	-	-	-	-	-		-
Interest		-	-	-	-	-	-	-		-
Interest earned from Receivables		45,695	52,124	52,124	2,803	43,289	52,124	-8,835	-17%	52,124
Interest from Current and Non Current Assets		2,758	3,298	3,298	50	1,723	3,298	-1,575	-48%	3,298
Dividends		-	-	-	-	-	-	-		-
Rent on Land		-	-	-	-	-	-	-		-
Rental from Fixed Assets		1,237	1,516	1,516	96	1,16	1,516	-356	-23%	1,516
Licence and permits		-	61	61	-	1	61	-60	-98%	61
Operational Revenue		329	1,813	1,843	849	917	1,843	-925	-50%	1,843
Non-Exchange Revenue								-		
Property rates		82,804	96,472	96,472	7,433	89,066	96,472	-7,406	-8%	96,472
Surcharges and Taxes		-	-	-	-	-	-	-		-
Fines, penalties and forfeits		6,869	6,08	6,094	115	1,975	6,094	-4,119	-68%	6,094
Licence and permits		135	177	1,005	21	567	1,005	-438	-44%	1,005
Transfers and subsidies - Operational		391,446	366,79	369,99	9,211	369,468	369,99	-521	0%	369,99
Interest		14,56	28,769	28,769	1,094	13,599	28,769	-15,17	-53%	28,769
Fuel Levy		-	-	-	-	-	-	-		-
Operational Revenue		-	-	53,219	4,675	51,942	53,219	-1,278	-2%	53,219
Gains on disposal of Assets		-368	-	-	-	-	-	-		-
Other Gains		2,561	-	-	52	52	-	52	#DIV/0!	-
Discontinued Operations		-	-	-	-	-	-	-		-
Total Revenue (excluding capital transfers and contributions)		783,231	888,166	907,521	62,075	766,047	907,521	-141,475	-16%	907,521



AFS





Mkhondo Local Municipality
(Registration number MP303)
Annual Financial Statements
for the year ended 30 June 2025

Audited
By

2025 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity

Municipality

Nature of business and principal activities

Operating as a Local Municipality

The following is included in the scope of operation

Mkhondo Local Municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government as per Municipal Demarcation Act, 1998.

Mayoral committee

Executive Mayor

Speaker of Council

Chief Whip of Council

MMC Technical

MMC Community Services

MMC Corporate Services

MMC Planning and Economic Development

MMC Finance

Councillors

Cllr N.C Ndlovu

Cllr M.Z. Ngwenya

Cllr S.D. Thwala

Cllr. D.M. Thwala

Cllr. W. Vilakazi

Cllr. M.T. Mkhabela

Cllr. T.E. Khumalo

Cllr. T.W. Manana

Cllr. M.A. Simelane

Cllr. M.J. Dlamini

Cllr. S.P. Mkwanaazi

Cllr. S.P. Sibiya

Cllr. N. D. Sangweni

Cllr. B. E. Mayisela

Cllr. M.N. Mbatha

Cllr. J.M Nkosi

Cllr. JLI Brussow

Cllr. M.S. Ngwenya

Cllr. M. Z. Thomo

Cllr. N.G. Gwebu

Cllr. M.R. Mhlanga

Cllr. N.S. Mthethwa

Cllr. S.M. Shoba

Cllr. T.M. Qwabe

Cllr. M.S. Lukhele

Cllr. D.M. Ntshakala

Cllr B.M. Khumalo

Cllr. S.J. Methula

Cllr. B.A. Dlamini

Cllr. T.W. Tshandu

Cllr. N.N. Zulu

Cllr. V.S. Hlophe

Cllr. L.L. Ngubeni

Cllr. D.W. Nkosi

Cllr. E.F. Nkosi

Cllr. J.R. Sibiya

Cllr. T.H. Mtshali

Cllr. H.W. Weber



Grading of local authority

4

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

General Information

Accounting Officer

Mr. M.J. Mkhonza (Appointed 10 February 2025)
Mr. D.P. Msibi (Acting from 05 August 2024 until 05 February 2025)
Mr. M.J. Mkhonza (Acting from 01 May 2024 until 31 July 2024)

Chief Finance Officer (CFO)

Mr. T. Motha (Acting from 01 March 2025)
Mr. F.C. Munzhelele (Acting from 01 August 2024 until 28 February 2025)
Mr. S. Chavarika (Acting from 01 May 2024 Acting until 31 July 2024)

Registered office

Cnr Market & De Wet street
Piet Retief
2380

Auditors

Auditor General of South Africa



Mkhondo Local Municipality

(Registration number MP303)

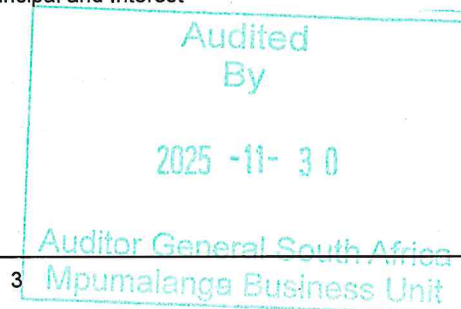
Annual Financial Statements for the year ended 30 June 2025

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
VAT	Value Added Tax
EPWP	Expanded Public Works Programme
DORA	Division of Revenue Act
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
LGSETA	Local Government Sector Education and Training Authority
INEP	Integrated National Electrification Programme
MTREF	Medium Term Revenue Expenditure Framework
CSI	Corporate Social Investment
LSA	Long Service Awards
PEMA	Post-Employment Medical Aid
SPPI	Solely Payments of Principal and Interest



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

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 2026 and, in light of this current cash flow challenges and the current financial position, he is satisfied that the municipality had or has access to adequate resources to continue in operational existence for the foreseeable future. The Accounting Officer has also reviewed the municipality's cashflow forecast budget for the next twelve months ending 30 June 2026 and is satisfied that the municipality has a budgeted Surplus of R50 856 000.

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

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

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

The annual financial statements set out on page 07 to 116 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on behalf of the municipality by:

Mr M.J. Mkhonza
Accounting Officer



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

The accounting officer submits his report for the year ended 2025.

1. Review of activities

Main business and operations

The municipality is engaged in operating as a local municipality and operates principally in South Africa. The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment..

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 accounting officer continue to procure funding for the ongoing operations for the municipality. Government through National Treasury has approved funding to the Municipality for the 2025-26 financial year for detailed assumptions refer to note 54.

3. Subsequent events

The accounting officer is not aware of any subsequent events and circumstances that arose since the end of the financial year.

4. Accounting Officers' interest in contracts

The accounting officer has no interests in the contracts awarded during the period under review.

5. Accounting policies

The annual financial statements are prepared 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	Changes
Mr M.J Mkhonza	Appointed Municipal Manager 10 February 2025
Mr D.P. Msibi	Appointed Acting Municipal Manager on 05 August 2024. Term ended on 05 February 2025,
Mr M.J Mkhonza	Appointed Acting Municipal Manager on 1 May 2024. Term ended on 31 July 2024,

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

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

7. Corporate governance (continued)

Executive mayor and Municipal Manager

The roles of executive mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Executive mayor, councillors and section 56 and section 57 managers of the municipality, are determined by the Department of co-operative governance and traditional affairs.

Audit committee

Name	Position	Engagement date
Mr L.T. Gafane	Chairperson	1-November-2023
Mr. K.L. Mhlomi	Member	1-November-2023
Ms M.F Nchabeleng	Member	1-March-2025
Mr. N.T. Baloyi	Member	1-September-2022
Advocate J.C. Weapond	Adhoc Member	01 August 2022 (Appointed as Risk Chairperson)

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the Audit Committee.

Internal audit

The municipality has a functional internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

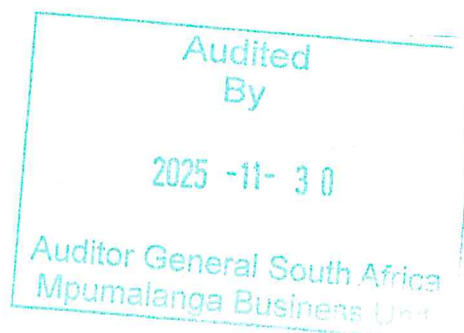
The municipality's banker is First National Bank, a division of First Rand Limited

9. Auditors

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

The annual financial statements set out on page 7 to 116, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on behalf of the municipality by:

Mr M.J Mkhonza



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand

		2025	2024 Restated*
Assets			
Current Assets			
Inventories	2	26 759 209	21 737 745
Other financial assets	3	58 079	53 982
Other receivables from exchange	4	2 123 333	1 671 666
Receivables from non-exchange transactions	5	28 756 046	30 141 643
VAT Input Accrual	6	117 363 401	99 298 245
VAT Receivable Control	7	1 362 161	-
Receivables from exchange transactions - consumer debtors	8	23 288 973	60 254 445
Cash and cash equivalents	9	7 679 998	8 763 747
		207 391 200	221 921 473
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	111 090 484	96 552 740
Investment property	11	131 731 719	132 226 482
Property, plant and equipment	12	1 777 497 456	1 779 949 295
Heritage assets	13	2 916 300	2 916 300
Other financial assets	3	610 373	559 444
		2 023 846 332	2 012 204 261
Total Assets		2 231 237 532	2 234 125 734
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	1 170 168 718	944 377 255
VAT Output Accrual	15	50 565 006	53 378 968
VAT Payable Control	16	-	3 144 864
Consumer deposits	17	4 242 232	4 169 269
Employee benefit obligation	18	938 000	909 000
Unspent conditional grants and receipts	19	-	15 009 029
Provisions	20	1 033 000	2 053 000
		1 226 946 956	1 023 041 385
Non-Current Liabilities			
Employee benefit obligation	18	9 051 000	8 821 000
Provisions	20	46 273 767	40 636 875
		55 324 767	49 457 875
Total Liabilities		1 282 271 723	1 072 499 260
Net Assets		948 965 809	1 161 626 474
Accumulated surplus		948 965 804	1 161 626 483
Total Net Assets		948 965 804	1 161 626 483

* See Note 54

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	187 407 069	183 712 622
Construction contracts	22	12 311 488	8 485 762
Rental of facilities and equipment	23	1 159 980	1 237 352
Licences and permits	24	1 060	63 235
Discount received		-	296 418
Other income	25	5 847 931	2 638 390
Interest received	26	45 016 784	48 453 067
Total revenue from exchange transactions		251 744 312	244 886 846
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	89 067 995	82 803 693
Licences and Permits (Non-exchange)	34	566 533	72 156
Interest received - Property rates	29	13 599 431	14 560 174
Availability charges	30	51 941 690	40 400 782
Transfer revenue			
Government grants & subsidies	31	502 867 868	448 150 496
Public contributions and donations	32	2 761 418	1 611 808
Fines, Penalties and Forfeits	33	7 626 459	6 868 590
Debt Forgiveness		-	39 499 742
Total revenue from non-exchange transactions		668 431 394	633 967 441
Total revenue		920 175 706	878 854 287
Expenditure			
Employee related costs	35	(264 123 042)	(248 360 943)
Remuneration of councillors	36	(19 763 866)	(18 675 988)
Depreciation and amortisation	37	(80 076 282)	(77 284 710)
Finance costs	38	(32 326 819)	(42 943 067)
Lease rentals on operating lease	39	(322 332)	(322 673)
Debt Impairment	40	(4 095 733)	(104 413 106)
Bad debts written off	45	(211 956 410)	(757 330)
Bulk purchases	41	(206 582 209)	(182 082 205)
Contracted Services	42	(146 697 972)	(147 715 933)
Transfers and Subsidies	43	(676 699)	(10 645 365)
Operating expenditure	44	(175 079 542)	(141 090 295)
Total expenditure		(1 141 700 906)	(974 291 615)
Operating deficit	49	(221 525 200)	(95 437 328)
Loss on disposal of assets and liabilities		(7 276 429)	(6 369 452)
Fair value adjustments	27	12 952 356	2 349 222
Actuarial gains/losses	18	(543 000)	99 000
Impairment loss	46	(58 657 961)	-
Inventories losses/write-downs		(7 643 643)	(2 955 892)
Reversal of impairment	47	70 033 196	-
		8 864 519	(6 877 122)
Deficit for the year		(212 660 681)	(102 314 450)

* See Note 54

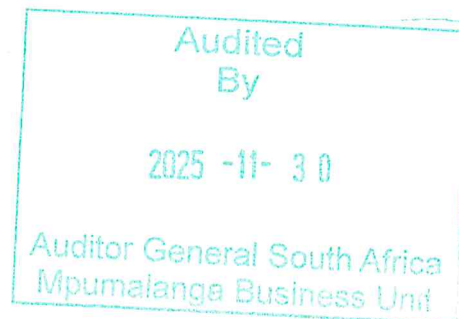
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 250 230 212	1 250 230 212
Adjustments		
Prior year adjustments 54	13 710 721	13 710 721
Balance at 01 July 2023 as restated*	1 263 940 933	1 263 940 933
Changes in net assets		
Deficit for the year	(102 314 450)	(102 314 450)
Total changes	(102 314 450)	(102 314 450)
Restated* Balance at 01 July 2024	1 161 626 485	1 161 626 485
Changes in net assets		
(Deficit)/surplus for the year	(212 660 681)	(212 660 681)
Total changes	(212 660 681)	(212 660 681)
Balance at 30 June 2025	948 965 804	948 965 804



* See Note 54

Mkhondo Local Municipality

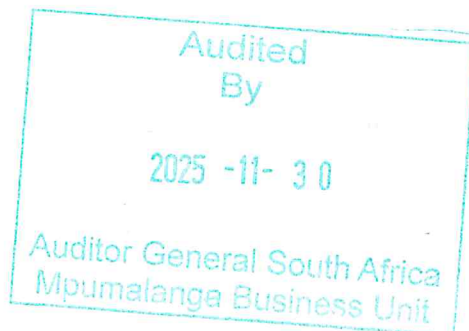
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Revenue from taxation and fines		122 832 705	81 258 890
Sale of goods and services		146 604 996	95 207 350
Grants		487 858 839	448 150 496
Interest income		1 727 370	2 758 026
Other receipts		33 105 793	34 186 173
		792 129 703	661 560 935
Payments			
Employee costs		(296 583 010)	(248 288 952)
Suppliers		(330 077 931)	(284 871 147)
Finance costs		(29 248 102)	(37 198 400)
		(655 909 043)	(570 358 499)
Net cash flows from operating activities	48	136 220 660	91 202 436
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(135 266 051)	(94 918 653)
Proceeds from sale of property, plant and equipment	12	-	1 433 150
Purchase of biological assets that form part of an agricultural activity	10	(1 987 451)	-
Increase in investments		(50 929)	53 982
Net cash flows from investing activities		(137 304 431)	(93 431 521)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(1 083 771)	(2 229 085)
Cash and cash equivalents at the beginning of the year		8 763 747	10 992 832
Cash and cash equivalents at the end of the year	9	7 679 976	8 763 747

The accounting policies on pages 18 to 43 and the notes on pages 44 to 106 form an integral part of the annual financial statements.



* See Note 54

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	328 376 999	(38 275 833)	290 101 166	187 407 069	(102 694 097)	1
Rendering of services	2 689 164	340 000	3 029 164	-	(3 029 164)	2
Construction contracts	-	-	-	8 265 320	8 265 320	3
Rental of facilities and equipment	1 515 782	-	1 515 782	1 159 980	(355 802)	4
Licences and permits	61 070	-	61 070	1 060	(60 010)	5
Other income	1 812 600	30 000	1 842 600	1 727 370	(115 230)	6
Interest received	55 422 831	-	55 422 831	43 289 414	(12 133 417)	7
Total revenue from exchange transactions	389 878 446	(37 905 833)	351 972 613	241 850 213	(110 122 400)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	96 471 903	-	96 471 903	89 067 995	(7 403 908)	8
Availability charges - Service charges	-	53 219 371	53 219 371	51 941 690	(1 277 681)	
Interest received from receivables from non-exchange transactions	28 768 976	-	28 768 976	13 599 431	(15 169 545)	9

Transfer revenue

Government grants & subsidies	366 789 650	3 200 000	369 989 650	370 096 610	106 960	
Public contributions and donations	-	-	-	2 761 418	2 761 418	10
Fines, Penalties and Forfeits	6 080 050	14 000	6 094 050	7 626 459	1 532 409	11
Licences and Permits	177 098	827 550	1 004 648	566 533	(438 115)	5

Total revenue from non-exchange transactions excluding capital grants	498 287 677	57 260 921	555 548 598	535 660 136	(19 888 462)	
Total revenue excluding capital grants	888 166 123	19 355 088	907 521 211	777 510 349	(130 010 862)	

Expenditure

Employee related costs	(268 080 327)	967 509	(267 112 818)	(264 123 042)	2 989 776	12
Remuneration of councillors	(19 362 792)	(1 090 036)	(20 452 828)	(19 763 866)	688 962	
Depreciation and amortisation	(96 376 740)	2 940 191	(93 436 549)	(80 076 282)	13 360 267	13
Finance costs	(26 483 207)	9 075 632	(17 407 575)	(32 326 819)	(14 919 244)	14
Debt Impairment	(127 003 305)	221 669 886	94 666 581	65 937 463	(28 729 118)	15
Bad debts written off	(500 000)	(211 273 913)	(211 773 913)	(211 956 410)	(182 497)	
Bulk purchases	(190 160 433)	-	(190 160 433)	(206 582 209)	(16 421 776)	16
Contracted Services	(66 825 183)	(22 480 926)	(89 306 109)	(146 697 972)	(57 391 863)	17
Transfers and Subsidies	-	-	-	(676 699)	(676 699)	18
Inventory consumed	(21 264 423)	(10 448 331)	(31 712 754)	(88 908 309)	(57 195 555)	21
Operating expenditure	(60 497 373)	(9 328 327)	(69 825 700)	(86 493 565)	(16 667 865)	22
Total expenditure	(876 553 783)	(19 968 315)	(896 522 098)	(1 071 667 710)	(175 145 612)	

Mkhondo Local Municipality

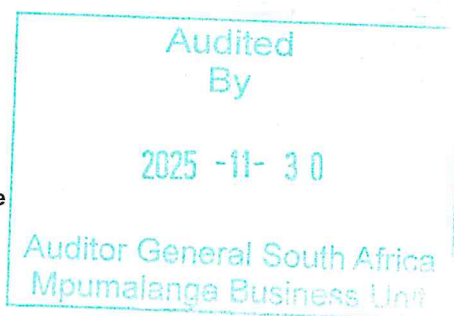
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating deficit	11 612 340	(613 227)	10 999 113	(294 157 361)	(305 156 474)	
Loss on disposal of assets and liabilities	-	-	-	(7 276 429)	(7 276 429)	19
Fair value adjustments	-	-	-	12 952 356	12 952 356	23
Actuarial gains/losses	-	-	-	(543 000)	(543 000)	24
Inventories losses/write-downs	-	-	-	(7 643 643)	(7 643 643)	20
Impairment loss	-	-	-	(58 657 961)	(58 657 961)	25
	-	-	-	(61 168 677)	(61 168 677)	
Deficit for the year	11 612 340	(613 227)	10 999 113	(355 326 038)	(366 325 151)	
Transfer and subsidies(Capital)	134 188 350	3 236 000	137 424 350	136 817 425	(606 925)	
Surplus(Deficit) after capital transfer and contribution	(122 576 010)	(3 849 227)	(126 425 237)	(492 143 463)	(365 718 226)	
Reconciliation						
Total revenue Excluding capital transfers				777 510 349		
Add: Transfers and subsidies - capital(monetary allocations)				136 817 425		
				914 327 774		
Add: Capital grants as per note 29				132 771 258		
Add: Construction contracts as per the Statement of Financial Performance				4 046 167		
Total transfers and subsidies – capital (monetary allocations) as per Statement of Comparison				136 817 425		
Total expenditure as per the Statement of Comparison				1 071 667 710		
Add: Reversal of debt impairment				70 033 196		
Total expenditure as per the Statement of Financial Performance				1 141 700 906		
Operating costs as per the Statement of Comparison				(86 493 564)		
Less: Inventory consumed				(88 908 309)		
Add: Lease rentals on operating lease				322 332		
Operating expenditure as per the Statement of Financial Performance				(175 079 542)		
				-		



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	31 577 080	30 913 594	62 490 674	26 759 209	(35 731 465)	1
Other financial assets	1 880 151	(258 270)	1 621 881	58 079	(1 563 802)	3
Receivables from non-exchange transactions	29 103 388	39 440 827	68 544 215	28 756 046	(39 788 169)	5
VAT receivable	58 673 774	321 975 799	380 649 573	118 725 562	(261 924 011)	6
Receivables from exchange transactions Consumer debtors and other receivables	99 618 303	(67 420 866)	32 197 437	25 412 306	(6 785 131)	5
Cash and cash equivalents	16 787 792	(5 282 396)	11 505 396	7 679 998	(3 825 398)	2
	237 640 488	319 368 688	557 009 176	207 391 200	(349 617 976)	

Non-Current Assets

Biological assets that form part of an agricultural activity	94 236 526	2 316 214	96 552 740	111 090 484	14 537 744	7
Investment property	12 935 109	118 863 804	131 798 913	131 731 719	(67 194)	
Property, plant and equipment	1 841 721 656	(34 981 380)	1 806 740 276	1 777 497 456	(29 242 820)	
Heritage assets	2 916 300	-	2 916 300	2 916 300	-	
Other financial assets	579 228	34 198	613 426	610 373	(3 053)	3
	1 952 388 819	86 232 836	2 038 621 655	2 023 846 332	(14 775 323)	

Total Assets	2 190 029 307	405 601 524	2 595 630 831	2 231 237 532	(364 393 299)	
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Liabilities

Current Liabilities

Payables from exchange transactions	695 802 231	196 826 747	892 628 978	1 170 168 718	277 539 740	8
VAT payable	72 409 658	275 385 772	347 795 430	50 565 006	(297 230 424)	10
Consumer deposits	4 552 621	(6 761)	4 545 860	4 242 232	(303 628)	9
Employee benefit obligation	-	-	-	938 000	938 000	11
Provisions	-	2 962 000	2 962 000	1 033 000	(1 929 000)	12
	772 764 510	475 167 758	1 247 932 268	1 226 946 956	(20 985 312)	

Non-Current Liabilities

Employee benefit obligation	11 104 546	(455 299)	10 649 247	9 051 000	(1 598 247)	13
Provisions	45 685 716	(3 323 728)	42 361 988	46 273 767	3 911 779	14
	56 790 262	(3 779 027)	53 011 235	55 324 767	2 313 532	

Total Liabilities	829 554 772	471 388 731	1 300 943 503	1 282 271 723	(18 671 780)	
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Net Assets	1 360 474 535	(65 787 207)	1 294 687 328	948 965 809	(345 721 519)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	1 360 474 535	(65 787 207)	1 294 687 328	948 965 804	(345 721 524)	
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Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

The budget changes or adjustments are as a results of the mid-term budget assessment in line with section 72 of the MFMA as well as the normal reallocation of funds within the approved budget parameters that occurred during the financial year as approved by the Accounting officer.

Variances on the statement of budget comparison above 10% are considered material and requires further explanation.

FINANCIAL PERFORMANCE

- Service Charges:** The variance was caused by the following services: Electricity due the internal load reduction conducted by the Municipality to control electricity load on a daily basis and also loss of electricity through illegal connections has led to this service not performing to the satisfactory level. Water losses due to theft of brass meters from consumers which left the municipality unable to bill and account for the water used by some households.
- Rendering of services:** The variance is a result of delays in planned activities under this category which did not materialise by year end
- Construction contracts:** The variance is due to additional funding from WSIG.
- Rental of facilities:** The variance is due to some of the facilities that were not occupied for rental purpose for a period of time which then led to less rental collected
- Licences and permits (Exchange transactions):** There variance was due to some businesses closing down which then led to low collection when it comes to business permit and licences.
- Other income:** The variance is a result of increased activities than initially projected during the year on this category. Other income includes, cemetery fees, photocopying, insurance refund, library fees etc.
- Interest received:** The variance is due to the municipality writing off irrecoverable debt together with interest.
- Property rates:** The variance is due to delays in implementation of the valuation roll.
- Interest received from receivables from non-exchange transactions:** The variance is due to the municipality writing off irrecoverable debt together with interest.
- Public contributions and donations:** The variance is a result of donations which were not budgeted for. Boreholes were installed and Grader donated by Gert Sibande District Municipality.
- Fines penalties and forfeits:** The variance is a result of the introduction of traffic management system which assisted in collecting overdue traffic fines due to the municipality
- Employee related costs:** The variance is as a results of delays in filling of funded vacant positions
- Depreciation and amortisation:** The variance was due to the fact that most of the municipality assets still have long life span.
- Finance cost:** this variance caused by the interest charged from the late payment to the service provider such as Eskom and MUNSOFT.
- Debt impairment:** The variance is as a result of slow payment from consumers during the period under review
- Bulk purchases:** The variance is as a result of increased demand for bulk during the period under review
- Contracted services:** The variance is due to the increased need to under take maintenance of some municipal infrastructure and also the need to increase security around municipality properties to prevent vandalism and theft of municipal assets

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

18. **Transfers & subsidies:** The variance is due to a misallocation of the budget under this category.
19. **Loss on disposal of assets and liabilities:** The variance is due to that the Municipality did not budget for any loss on disposal of assets.
20. **Inventories losses/write downs:** The variance is due that the losses/write downs were less than initially projected.
21. **Inventory consumed:** The increase was caused by the ageing municipal infrastructure which requires regular maintenance that the municipality conducted on water and electricity network
22. **Operating expenses:** The variance is due to the increased need to attend to emergency breakdowns and maintenance of some municipal infrastructure.
23. **Fair value adjustments:** The variance is due to that the Municipality did not budget for any fair value adjustments.
24. **Actuarial gains/losses:** The variance is due to that the Municipality did not budget for any actuarial gains/losses.
25. **Impairment loss:** The variance is due to that the Municipality did not budget for any reversal of impairments

STATEMENT OF FINANCIAL POSITION

1. **Inventory:** The variance was due to municipality reducing a risk of having too much stock on hand at year end.
2. **Cash and cash equivalents:** The municipality do not have cash investment portfolios to boost the municipality cash reserves.
3. **Other financial assets:** The variance is due to higher than projected returns on investments
4. **Receivables from exchange transaction:** This variance increase is due to the non performing debt book of the municipality which resulted in low collection of revenue.
5. **Receivables from non-exchange transactions:** The variance is due to the none performing traffic fine debt book.
6. **VAT receivables:** The variance is due to the municipality overbudgeting on VAT input accrual based on the incorrect actuals previously reported in the 30 June 2024 financial year.
7. **Biological assets that form part of an agricultural activity:** The variance is due to an increase in fair valuation of the plantations.
8. **Payables from exchange transactions:** The variance is largely due to ESKOM payments which are significantly behind the payment schedules.
9. **Consumer deposits:** The variance is due to a decrease in opening of new consumers accounts.
10. **VAT Payable:** The variance is due to non performance of the debt book.
11. **Employee benefit obligation Current liability:** The variance is due to that the amount was budgeted for under Provisions
12. **Employee benefit obligation Non current liability:** The variance is due to lesser than projected employee benefit obligation for the period.
13. **Provisions Current liability:** The variance is due to downwards adjustments in provision for short term benefits.
14. **Provisions non current liability:** The variance is due to an increase in provision for long term for employee benefits.

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	82 027 069	-	82 027 069	89 067 995	7 040 926	
Service charges	302 435 628	(6 551 858)	295 883 770	187 407 069	(108 476 701)	1
Other revenue	69 978 245	3 824 840	73 803 085	58 899 659	(14 903 426)	2
Transfers and Subsidies - Capital	134 188 350	3 236 000	137 424 350	144 948 000	7 523 650	
Transfers and Subsidies - Operational	366 789 650	3 000 000	369 789 650	342 910 839	(26 878 811)	
Interest	39 726 938	-	39 726 938	1 727 370	(37 999 568)	3
	995 145 880	3 508 982	998 654 862	824 960 932	(173 693 930)	

Payments

Suppliers and employees	(838 669 717)	(1 759 349)	(840 429 066)	(654 894 694)	185 534 372	4
Finance costs	(23 924 450)	1 666 665	(22 257 785)	(29 248 102)	(6 990 317)	5
	(862 594 167)	(92 684)	(862 686 851)	(684 142 796)	178 544 055	

Net cash flows from operating activities	132 551 713	3 416 298	135 968 011	140 818 136	4 850 125	
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Cash flows from investing activities

Purchase of biological assets	-	-	-	(1 987 451)	(1 987 451)	6
Decrease (increase) in non-current investments	-	-	-	(50 929)	(50 929)	7
Capital assets	(130 237 373)	(3 647 083)	(133 884 456)	(139 863 528)	(5 979 072)	
Net cash flows from investing activities	(130 237 373)	(3 647 083)	(133 884 456)	(141 901 908)	(8 017 452)	

Cash flows from financing activities

Increase (decrease) in consumer deposits	272 361	59 087	331 448	-	(331 448)	8
Net increase/(decrease) in cash and cash equivalents	2 586 701	(171 698)	2 415 003	(1 083 772)	(3 498 775)	
Cash and cash equivalents at the beginning of the year	14 201 091	(5 310 698)	8 890 393	8 763 747	(126 646)	
Cash and cash equivalents at the end of the year	16 787 792	(5 482 396)	11 305 396	7 679 975	(3 625 421)	

Audited
By

2025 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

The accounting policies on pages 18 to 43 and the notes on pages 44 to 106 form an integral part of the annual financial statements.

1. The variance was caused by the following services: Electricity due distribution losses
2. The variance is a result of increased activities than initially projected during the year on this category. Other income includes, cemetery fees, photocopying, Building and clearing certificates
3. The variance is due to the municipality writing off irrecoverable debt together with interest.
4. The variance is due to less spending on service providers because of cashflow constraints.
5. This variance caused by the interest charged from the late payments to the service
6. The variance is due to that the municipality did not budget for purchase of Biological assets
7. The variance is due to that the municipality did not budget for the increase in investments
8. The variance is due to the fact that the municipality did not open occupiers account as initially planned and budgeted for



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant accounting policies

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

1.1 Basis of preparation

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

Impairment of Receivables

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

The impairment for trade receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment of Traffic Fines

Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears.

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

Useful lives of Property Plant and Equipment and Investment property

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors.

Provisions

Management exercised significant judgement in determining the existence, probability, and measurement of provisions and contingent liabilities, based on past events, legal opinions, and the likelihood of future outflows of resources in accordance with GRAP 19

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 18.

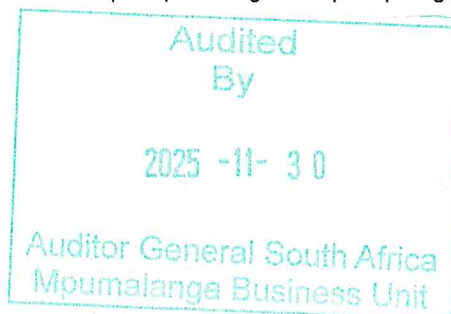
Effective interest rate

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied in accordance to GRAP 109.

Additional information is disclosed in Note 65.



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

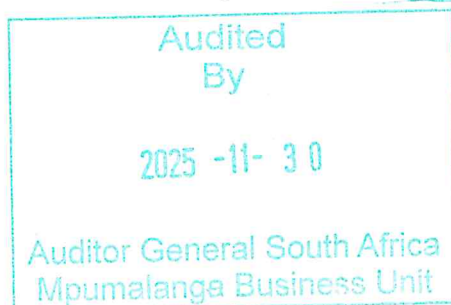
Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.6 Biological assets that form part of an agricultural activity

A biological asset, is a living animal or plant. It is an asset that undergoes biological transformation—processes of growth, degeneration, production, and procreation—which result in changes to its quantity or quality

- Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets in a single cycle or for a one-time benefit. They provide a single flow of agricultural produce and are then consumed or sold.
- Bearer biological assets are those (other than consumable biological assets) that are held solely to bear produce for more than one period. They are not the agricultural produce itself but rather the means of production, similar to property, plant, and equipment (PPE). The biological transformation in these assets is primarily growth toward maturity, after which they sustain regular harvests over their useful life.

Biological Assets are held with the primary intention to sell the biological asset or its harvested produce for a price.

Recognition

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The determination of fair value for biological assets involves the use of management estimates and judgements, which may significantly affect the reported amounts.

The fair value of the plantations is based on the combined fair value of the land and trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Trees in timber plantation	Indefinite

1.7 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.

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 investment property can be measured reliably.

Recognition

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.

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.7 Investment property (continued)

Subsequent measurement

Cost model

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

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

Item	Useful life
Property - land	indefinite
Property - buildings	5-60 years

Subsequent measurement

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 11).

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.8 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.

Recognition

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.

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.8 Property, plant and equipment (continued)

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.

Subsequent measurement

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

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

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings - Community Facilities	Straight-line	15-100 years
Buildings - Fire/Ambulance stations	Straight-line	5-100 years
Buildings - Municipal offices	Straight-line	5-100 years
Buildings - Workshops/depots/yards	Straight-line	5-100 years
Buildings - Outdoor sport facilities	Straight-line	15-50 years
Buildings - Staff housing	Straight-line	15-100 years
Water Supply network - Storm water network	Straight-line	20-50 years
Water Supply network- Bulk mains	Straight-line	40-80 years
Water Supply network - Dams and Weirs	Straight-line	15-50 years
Water supply network - DistributionCommunity	Straight-line	80 years
Water supply network - Distribution points	Straight-line	15-20 years
Water Supply network - Pumpstations	Straight-line	5-100 years

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.8 Property, plant and equipment (continued)

Water Supply network - Reservoirs and towers	Straight-line	7-100 years
Water supply networks- Water Treatment works	Straight-line	5-100 years
Electricity Networks- LV Network (<1000V)	Straight-line	20 years
Electricity networks- MV Network (<=33 kv)	Straight-line	45 years
Work in progress	Straight-line	not depreciated
Road networks - Roads	Straight-line	5 - 100 years
Road Networks - Roadside assets	Straight-line	10-50 years
Sanitation Networks - Boreholes	Straight-line	15-50 years
Sanitation networks - Outfall sewers	Straight-line	80 years
Sanitation network - Reservoirs & towers	Straight-line	15 - 50 years
Sanitation network - Reticulation	Straight-line	80 years
Sanitation network - Sewer Pump stations	Straight-line	10- 100 years
Sanitation network - Waste Water Treatment Works (WWTW)	Straight-line	5 - 100 years
Road bridges	Straight-line	50 years
Plant and machinery	Straight-line	2-15 years
Furniture and fixtures	Straight-line	2-15 years
Office equipment	Straight-line	2-15 years
Transport assets	Straight-line	3-15 years
Computer equipment	Straight-line	3 years
Landfill site Assets	Straight-line	4 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

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

Derecognition

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.8 Property, plant and equipment (continued)

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1.9 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

1.10 Financial instruments

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Financial instruments (continued)

Classification and Measurement of Financial Assets

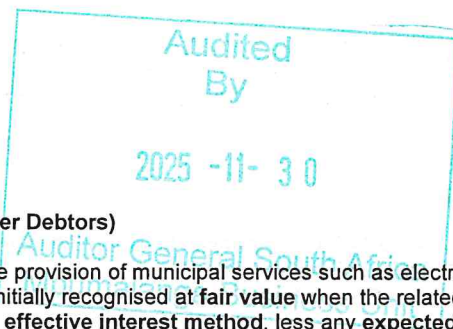
In accordance with **GRAP 104 – Financial Instruments**, the municipality classifies its financial assets at **amortised cost** when both of the following conditions are met:

The financial asset is held within a business model whose objective is to **hold financial assets in order to collect contractual cash flows**; and

The contractual terms of the financial asset give rise, on specified dates, to **cash flows that are solely payments of principal and interest** on the principal amount outstanding.

Based on this assessment, the following financial assets are classified and measured at **amortised cost** by the municipality:

- Receivables from exchange transactions (Consumer debtors)
- Other receivables from exchange transactions
- Cash and cash equivalents
- Other financial assets



1. Receivables from Exchange Transactions (Consumer Debtors)

Nature and recognition: Consumer debtors arise from the provision of municipal services such as electricity, water, sewer, refuse, and other exchange-related activities. These are initially recognised at **fair value** when the related service is rendered and subsequently measured at **amortised cost** using the **effective interest method**, less any **expected credit loss allowance**.

Subsequent measurement and impairment: The municipality applies the **expected credit loss model** in accordance with **GRAP 104.47–.65**. The expected credit loss is determined using the **simplified approach**, which requires recognition of lifetime expected losses for all trade receivables. Historical collection rates, payment patterns are incorporated to determine appropriate loss rates per consumer category (household, business, government).

Receivables are written off when there is no reasonable expectation of recovery, following council-approved debt write-off policies.

Presentation: Consumer debtors are presented net of impairment allowances in the statement of financial position. Impairment losses are recognised in the Statement of Financial Performance under "Debt Impairment on receivables".

2. Other Receivables from Exchange Transactions

Nature and recognition: These consist mainly of sundry debtors, staff debtors, deposits, and other miscellaneous receivables arising from exchange transactions. Recognition occurs when the right to receive payment is established.

Measurement: Initially recognised at fair value and subsequently measured at amortised cost, less an allowance for expected credit losses determined using a simplified expected credit loss model based on historical default rates and specific risk assessments.

3. Cash and Cash Equivalents

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1.10 Financial instruments (continued)

Nature and recognition: Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Measurement: These are measured at **amortised cost**, which is generally equivalent to the nominal value, given the short-term nature of these instruments. No significant credit losses are expected on balances held with reputable financial institutions with high credit ratings.

4. Derecognition of Financial Assets

A financial asset (or part thereof) is derecognised when:

The contractual rights to the cash flows expire; or

The municipality transfers the asset and substantially all risks and rewards of ownership.

Any gains or losses arising on derecognition are recognised in the **Statement of Financial Performance**.

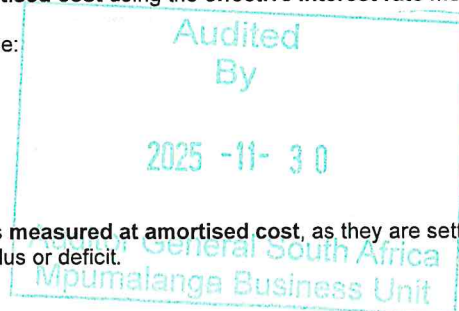
Financial Liability

In accordance with **GRAP 104: Financial Instruments**, a financial liability is any contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities are initially recognised at **fair value**, net of directly attributable transaction costs, and subsequently measured at **amortised cost** using the **effective interest rate method**.

The municipality's significant financial liabilities comprise:

- Payables from exchange transactions
- Consumer deposits

These instruments are classified as **financial liabilities measured at amortised cost**, as they are settled in cash and are not held for trading or designated at fair value through surplus or deficit.



1. Payables from Exchange Transactions

Nature and recognition: Payables from exchange transactions represent amounts owed to suppliers and service providers for goods and services received before year-end and invoiced or accrued in accordance with the municipality's payment cycle.

They are initially recognised at the **fair value of the consideration payable** and subsequently measured at **amortised cost**. Due to their short-term nature, the carrying amount approximates fair value.

Subsequent measurement: Payables are settled within the municipality's approved credit terms. No interest is charged on overdue accounts unless contractually agreed.

Presentation: These liabilities are disclosed separately in the Statement of Financial Position and classified as current liabilities.

Key judgement: Management assesses whether any payables contain a significant financing component (e.g. deferred settlement terms) and adjusts the amortised cost accordingly.

In the case of the municipality, the payables are short-term in nature (current liabilities) as they are expected to be settled within twelve months and thus are not discounted.

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Significant Accounting Policies

1.10 Financial instruments (continued)

2. Consumer Deposits

Nature and recognition: Consumer deposits are amounts received from customers (mainly electricity and water consumers) as security for the future payment of municipal services. These deposits are recognised as a **financial liability** when received, as they represent an obligation to either:

apply the deposit against future consumption, or

refund the amount to the customer upon termination of the service agreement.

Measurement: Consumer deposits are measured at **amortised cost**, which generally equals the nominal amount due to their short-term nature and non-interest-bearing status.

Derecognition: Deposits are derecognised when they are refunded to the consumer or applied against the final account balance.

.Derecognition of Financial Liabilities

A financial liability is derecognised when the related obligation is extinguished — i.e., when it is settled, cancelled, or expires. Any difference between the carrying amount and the consideration paid is recognised in the **Statement of Financial Performance**.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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1.11 Statutory receivables (continued)

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.

Derecognition

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

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

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

1.12 Value Added Tax

The Municipality is registered with the South African Revenue Services as a VAT vendor in accordance with section 15(2) of the Value Added Tax Act (No. 89 of 1991).

The Municipality accounts for Value Added Tax on the payment basis as per the VAT Act.

1.13 Leases

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

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

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.

1.14 Inventories

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

Inventories are measured at the lower of cost and current replacement cost

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.

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Significant Accounting Policies

1.14 Inventories (continued)

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

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

1.15 Construction contracts and receivables

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

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

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

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

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

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

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

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

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

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

1.16 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.

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Significant Accounting Policies

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

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

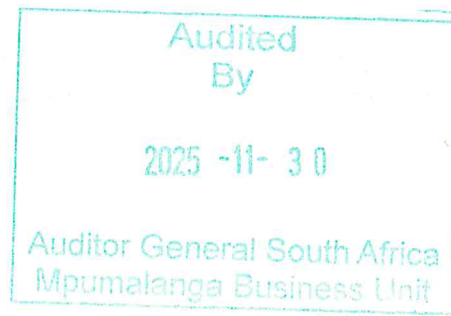
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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



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Significant Accounting Policies

1.17 Employee benefits

Employee benefits

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

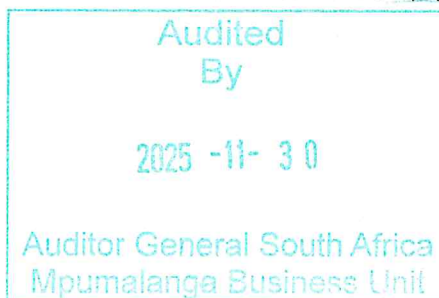
When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

Post-employment benefits



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Significant Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

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

- the amount determined above; and

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1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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Significant Accounting Policies

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

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

Decommissioning, restoration and similar liability

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.

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.16.

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Significant Accounting Policies

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.



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Significant Accounting Policies

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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



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

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

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

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

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Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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.

1.22 Borrowing costs

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

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Significant Accounting Policies

1.22 Borrowing costs (continued)

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.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

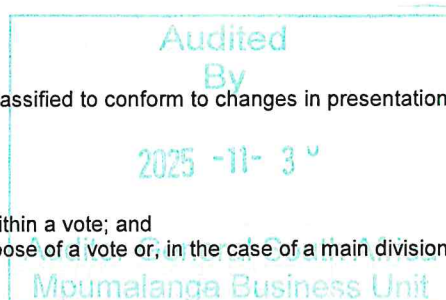
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.26 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).



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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

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).

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.

Measurement

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

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

1.29 Budget information

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

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Material variances are the variance between the final budget and the actuals that are above 10%.

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

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.

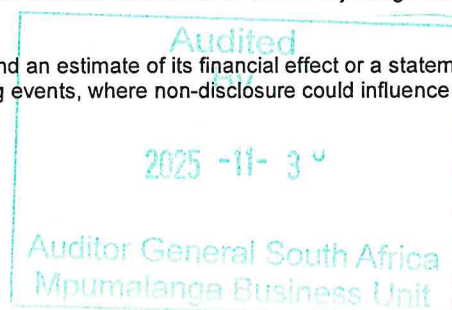
1.31 Events after reporting date

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.



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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
2. Inventories		
Consumable stores	26 499 289	21 521 051
Water for distribution	259 920	216 694
	26 759 209	21 737 745
Inventories recognised as an expense during the year	22 752 753	75 114 386
Water for distribution		
Opening balance	216 694	212 942
System input volume	18 446 066	14 526 606
Authorised consumption	(10 114 910)	(9 587 414)
Water losses	(7 660 355)	(4 461 703)
Non-revenue water	(627 575)	(473 737)
Closing balance	259 920	216 694
3. Other financial assets		
Designated at fair value		
Old Mutual	610 373	559 444
Listed Shares - Old Mutual Wealth: 13093141		
This is an Old Mutual Wealth wrapped investment. The account was opened on 25 of June 2002 with an initial investment amount of R 3 539 868.		
At amortised cost		
ABSA Fixed Deposit	58 079	53 982
ABSA Fixed Term deposit This is a fixed term deposit with interest capitalised every three months.		
Total other financial assets	668 452	613 426
Non-current assets		
Designated at fair value	610 373	559 444

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Figures in Rand	2025	2024
3. Other financial assets (continued)		
Current assets		
At amortised cost	58 079	53 982

Fair Value Measurement of ABSA Investments

1. Classification of Investments at Fair Value

The municipality holds listed equity investments with ABSA, designated at fair value through surplus or deficit in accordance with GRAP 104.

Carrying Amount of Listed Equity Investments

Investment Type	Valuation Method	Fair Value Hierarchy	2024/25 (R)	2023/24 (R)
Listed Shares (ABSA Portfolio)	Quoted Market Price (QMP)	Level 1	610 373	559 444

2. Valuation Techniques and Inputs

The fair value of the listed equity instruments is determined using the **Quoted Market Price (QMP)** method, based on the closing price of each share on the Johannesburg Stock Exchange (JSE) at the reporting date.

3. Fair Value Hierarchy

In accordance with GRAP 104.87–93, fair value measurements are classified into three levels based on the nature of the inputs used.

The municipality's listed equity investments are categorised as follows:

Fair Value Hierarchy Classification

Level	Description of Inputs	Application to Municipality's Investments
Level 1	Quoted prices in active markets for identical assets	Applicable – JSE quoted share prices
Level 2	Inputs other than quoted prices that are observable	Not applicable
Level 3	Unobservable inputs (valuation models, estimates)	Not applicable

Accordingly, the municipality's listed shares are classified as **Level 1** financial instruments.

There were no transfers between levels during the financial year.

4. Reconciliation of Fair Value of Listed Investments

Description	2024/25 (R)	2023/24 (R)
Opening balance	559 443.81	528 292
Additions	–	–
Disposals	–	–

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
3. Other financial assets (continued)		
Fair value gains/(losses) recognised in surplus or deficit	50 930.38	31 151.81
Closing balance	610 374.19	559 443.81
5. Valuation Process and Controls		
ABSA provides monthly investment statements detailing the number of units and JSE prices.		
Management independently verifies all year-end prices using JSE-published data.		
The fair value is reviewed as part of the annual financial reporting process and approved by management.		
The valuation method and classification are consistent with prior years and compliant with GRAP 104.		
4. Other receivables from exchange		
Trade debtors	1 124 290	1 118 325
Deposits	955 864	512 222
Other debtors	43 179	41 119
	2 123 333	1 671 666
5. Receivables from non-exchange transactions		
Gross balances		
Consumer debtors - Rates	199 139 412	202 007 112
Fines	62 001 608	56 423 771
	261 141 020	258 430 883
Less: Allowance for impairment		
Consumer debtors - Rates	(184 089 745)	(179 150 863)
Fines	(48 295 229)	(49 138 377)
	(232 384 974)	(228 289 240)
Net balance		
Consumer debtors - Rates	15 049 667	22 856 249
Fines	13 706 379	7 285 394
	28 756 046	30 141 643
Statutory receivables included in consumer debtors above are as follows:		
Property rates	15 049 667	22 856 249
Traffic fines	13 706 379	7 285 394
	28 756 046	30 141 643
Financial asset receivables included in consumer debtors above	-	-
Total consumer debtors	28 756 046	30 141 643

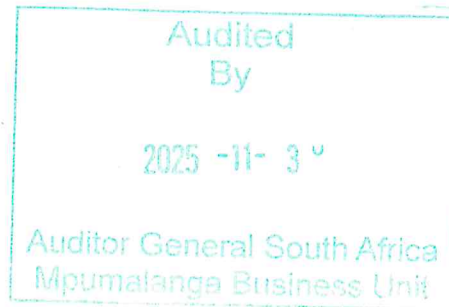
Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
5. Receivables from non-exchange transactions (continued)		
Rates		
Current (0 -30 days)	4 820 612	3 934 697
31 - 60 days	718 278	1 431 193
61 - 90 days	684 906	926 574
91 - 120 days	466 203	764 702
121 - 365 days	2 197 628	693 630
> 365 days	6 162 040	15 105 453
	15 049 667	22 856 249
Traffic fines		
Current (0 -30 days)	62 001 608	56 423 771
Less allowance for impairment	(48 295 229)	(49 138 377)
	13 706 379	7 285 394



Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
5. Receivables from non-exchange transactions (continued)		
Statutory receivables general information		
Transaction(s) arising from statute		
The following statutory receivables are classified and measured in accordance with GRAP 108, and have been classified and measured under an accounting policy that is consistent with GRAP 108:		
- Traffic fines		
Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the Criminal procedure Act, No 501 of 197.		
-Property rates		
Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and the Mkhondo Local Municipality's Property Rates Policy. A general valuation is performed every four years, with supplementary valuations in between. The municipality has begun the process of drafting and updating the accounting policies that are consistent with the requirements of GRAP 108.		
Determination of transaction amount		
Property rates Receivable tariffs are reviewed annually as part of the MTREF process and applied as per the Property rates policy which is guided by the Local Government Property Rates Act No 6 of 2004.		
For Traffic Fines Receivables, the transaction amount is levied based on the rates as prescribed by the Road Traffic Offences Act.		
Interest or other charges levied/charged		
No interest is charged on Traffic Fines outstanding.		
On property rates, interest is levied according to the Credit and Debt Control Policy on arrear municipal debt in excess of 59 days. Interest is levied monthly at the prime lending rate plus 1.25%.		
Basis used to assess and test whether a statutory receivable is impaired		
Impairment on Property Rates is based on individual collection rates. GRAP 104 financial instruments sets out the requirements and guidelines for the impairment of Financial assets carried at amortised costs		
On Traffic Fines, Impairment is considered on collection rate of the balance as whole, thereafter discounting is considered in terms of materiality.		
Discount rate applied to the estimated future cash flows		
Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1.25%). This rate is also considered the appropriate interest rate.		
Reconciliation of provision for impairment for statutory receivables		
Opening balance	(179 150 863)	(153 623 429)
Provision for impairment	(4 938 882)	(25 527 434)
	(184 089 745)	(179 150 863)
6. VAT receivable		
VAT Input Accrual	117 363 401	99 298 245

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
7. VAT Receivable (Control)		
VAT Receivable	1 362 161	-
STATUTORY RECEIVABLE		
The Municipality is registered with the South African Revenue Services (SARS) as a VAT vendor on payment basis in accordance with section 15(2) of the Value Added Tax Act (No .89 of 1991).		
At year-end, upon assessment of VAT Returns submitted to SARS, if the municipality has a refund due from SARS, it recognises the refund due to it on the VAT Control account as a Receivable and this receivable is a Statutory Receivable in accordance to GRAP 108.		
As at 30 June 2025, the municipality had a VAT Receivable amounting to R1 362 161.		
8. Consumer debtors		
Gross balances		
Electricity	260 601 221	290 747 063
Water	149 532 222	187 862 208
Sewerage	61 268 815	78 713 002
Refuse	112 751 130	138 594 716
Other debtors	16 871 870	22 611 917
	601 025 258	718 528 906
Less: Allowance for impairment		
Electricity	(246 763 790)	(259 719 585)
Water	(144 693 503)	(173 267 123)
Sewerage	(59 268 888)	(72 783 272)
Refuse	(110 715 483)	(130 664 794)
Other debtors	(16 294 621)	(21 839 687)
	(577 736 285)	(658 274 461)
Net balance		
Electricity	13 837 431	31 027 478
Water	4 838 719	14 595 085
Sewerage	1 999 927	5 929 730
Refuse	2 035 647	7 929 922
Other debtors	577 249	772 230
	23 288 973	60 254 445
Included in above is receivables from exchange transactions		
Electricity	13 837 431	31 027 478
Water	48 413 994	14 595 085
Sewerage	1 999 927	5 929 730
Refuse	2 035 647	7 930 769
Others	577 249	773 238
	66 864 248	60 256 300
Net balance	66 864 248	60 256 300

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
8. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	7 547 775	6 213 040
31 - 60 days	509 167	1 925 860
61 - 90 days	1 316 442	995 147
91 - 120 days	238 334	835 423
121 - 365 days	1 360 449	682 424
> 365 days	2 865 264	20 375 584
	13 837 431	31 027 478
Water		
Current (0 -30 days)	2 057 896	959 213
31 - 60 days	202 621	466 664
61 - 90 days	466 105	338 084
91 - 120 days	126 041	280 867
121 - 365 days	606 007	265 474
> 365 days	1 380 049	12 284 783
	4 838 719	14 595 085
Sewerage		
Current (0 -30 days)	760 827	646 877
31 - 60 days	111 248	300 687
61 - 90 days	232 397	202 338
91 - 120 days	58 265	172 033
121 - 365 days	294 241	148 370
> 365 days	542 949	4 459 425
	1 999 927	5 929 730
Refuse		
Current (0 -30 days)	435 266	414 050
31 - 60 days	102 922	237 199
61 - 90 days	293 666	199 672
91 - 120 days	58 997	184 822
121 - 365 days	304 847	176 329
> 365 days	839 949	6 717 850
	2 035 647	7 929 922
Other debtors		
Current (0 -30 days)	49 685	81 567
31 - 60 days	11 323	29 266
61 - 90 days	284 720	28 711
91 - 120 days	85 720	25 551
121 - 365 days	35 670	17 312
> 365 days	110 131	589 823
	577 249	772 230



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Figures in Rand	2025	2024
8. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	21 981 645	11 054 671
31 - 60 days	7 877 690	9 324 906
61 - 90 days	15 227 232	9 165 065
91 - 120 days	6 894 575	8 421 249
121 - 365 days	54 249 489	8 188 523
> 365 days	416 183 100	505 974 114
	522 413 731	552 128 528
Less: Allowance for impairment	(509 324 506)	(511 344 687)
	13 089 225	40 783 841
Industrial/ commercial		
Current (0 -30 days)	7 112 659	4 817 516
31 - 60 days	644 461	1 836 941
61 - 90 days	1 167 971	730 071
91 - 120 days	642 430	615 018
121 - 365 days	4 227 889	459 864
> 365 days	28 130 276	27 658 783
	41 925 686	36 118 193
Less: Allowance for impairment	(34 275 946)	(24 953 127)
	7 649 740	11 165 066
National and provincial government		
Current (0 -30 days)	3 146 286	2 230 096
31 - 60 days	597 845	912 343
61 - 90 days	764 760	784 438
91 - 120 days	566 090	728 297
121 - 365 days	4 197 051	751 695
> 365 days	27 417 939	33 497 877
	36 689 971	38 904 746
Less: Allowance for impairment	(34 135 834)	(36 687 157)
	2 554 137	2 217 589
Total		
Current (0 -30 days)	32 240 590	18 449 518
31 - 60 days	9 119 996	12 861 278
61 - 90 days	17 159 963	11 361 378
91 - 120 days	8 103 095	10 874 211
121 - 365 days	62 674 429	10 761 180
> 365 days	471 727 186	654 221 342
	601 025 259	718 528 907
Less: Allowance for impairment	(577 736 286)	(658 274 462)
	23 288 973	60 254 445
Less: Allowance for impairment		
Current (0 -30 days)	(21 389 139)	(10 147 617)
31 - 60 days	(8 182 715)	(9 898 320)
61 - 90 days	(14 566 632)	(9 597 955)
91 - 120 days	(7 535 737)	(9 384 831)
121 - 365 days	(60 073 206)	(9 471 271)
> 365 days	(465 988 856)	(609 774 467)

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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8. Consumer debtors (continued)

	(577 736 285)	(658 274 461)
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Reconciliation of allowance for impairment

Balance at beginning of the year	(658 274 461)	(569 531 170)
Contributions to allowance	-	(88 743 291)
Reversal of allowance	70 033 196	-
VAT Output Reversal on Provision for doubtful debts	10 504 980	-
	(577 736 285)	(658 274 461)

Consumer debtors pledged as security

There are no consumer debtors pledged as security

Fair value of consumer debtors

Consumer debtors	23 288 973	60 254 445
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Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 2025, 23 292 944 (2024: 60 704 052) were past due but not impaired.

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

1 month past due	1 640 857	8 301 901
2 months past due	937 280	2 962 958
3 months past due	3 916 483	49 439 193

Other Debtors included above in Note 8 are Receivables on the Age Analysis that relates to long outstanding interest balances.

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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 038	4 038
Bank balances	7 502 333	541 211
Short-term deposits	173 627	8 218 498
	-	-
	7 679 998	8 763 747

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank Account 62013126356	7 514 468	261 160	577 189	7 473 529	504 673	3 506 307
First National Bank Fixed Deposit account 62254274732	17 514	193 526	267 383	17 514	257 142	267 383
First National Bank Call account 62016967351	15 827	63 417	2 226 479	15 827	63 417	2 226 479
First National Bank EPWP account 62706895911	8 210	86 130	1 652	8 210	86 130	1 652
First National Bank WSIG Account 62706897214	34 594	5 903 439	4 294	34 594	5 903 439	4 294
First National Bank FMG Account 62706892280	16 953	166 699	3 099	16 953	166 699	3 099
First National Bank INEP 62706893890	12 196	10 139	3 944	12 196	10 139	3 944
First National Bank EQS Account 62706889617	19 962	1 580	4 959 024	19 962	1 580	4 959 024
First National Bank-MIG 62706890911	3 617	1 653 816	4 317	3 617	1 653 816	4 317
First National Bank - Retention 63062137419	11 447	10 699	-	11 447	10 699	-
First National Bank - CSI :63062137766	11 721	10 699	-	11 721	10 699	-
First National Bank -ESKOM: 63062335667	21 361	118 129	-	21 361	118 129	-
Total	7 687 870	8 479 433	8 047 381	7 646 931	8 786 562	10 976 499

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10. Biological assets that form part of an agricultural activity

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	111 090 484	-	111 090 484	96 552 740	-	96 552 740

Reconciliation of biological assets that form part of an agricultural activity - 2025

	Opening balance	Additions	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	96 552 740	1 987 451	12 550 293	111 090 484

Reconciliation of biological assets that form part of an agricultural activity - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	94 236 526	2 316 214	96 552 740

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Figures in Rand	2025	2024
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10. Biological assets that form part of an agricultural activity (continued)

Non-financial information

Nature of activities

Mature biological assets are those that have attained their harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).

Immature biological assets are those that have not yet reached that stage.

Afforestation Permits

Commercial afforestation is regulated in South Africa. Water Use Permits are required for legal afforestation. The catchment under which the Mkhondo Municipality license is issued is the Assegai River Catchment drainage region W52C. The license is issued in the name of Portion 0 Farm 149 Piet Retief Town and Townlands. The start date is 1/01/1972. The extent of the afforestable land is recorded as 2 632.

The currently recorded forest area (including TU) for the Piet Retief Townlands is 2497 ha which is within the allowable permit area.

Gum: 1070.07 ha

Pine: 855.65 ha

Wattle: 563.3 ha

Other: 8.1 ha

The total afforestable area is: 2 497 ha

There is an increase in the reported forest area (previously 2463 ha) which can be attributed to additional land purchased from Mondi for settlement purposes.

Next fair valuation on the plantation will be due on 30 June 2026.

Pledged as security

There are no biological assets pledged as security.

Restrictions imposed by regulations

There are no biological assets which are subject to to restrictions imposed by regulations.



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10. Biological assets that form part of an agricultural activity (continued)

Methods and assumptions used in determining fair value

Valuation of forested land requires knowledge of the location and current volume of timber resources. Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. A MAI (gum: 17 tons/ha/year, pine: 14 tons/ha/year, Wattle: 8.5 tons/ha/year) was used in the evaluation. The standing timber value per hectare is determined by valuing the yield at rotation age and deducting from that the harvesting and delivery cost. The profitability of the crop is then determined by the Faust Mann Formula and incorporates all the costs. Timber prices used were provided by NCT, TWK, and Mondi.

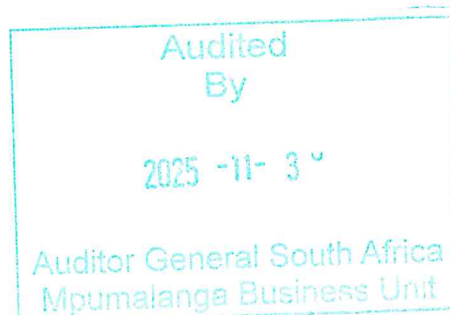
Harvesting and transport costs were supplied by local contractors in 2025. The Municipality used an expert to calculate the fair value of biological assets as at 30 June 2025.

Financial Risk Strategy

The entity is exposed to financial risks arising from the changes in market prices of timber. The entity does not anticipate that timber prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The entity reviews its outlook for timber prices regularly in considering the need for active financial risk management.

The Municipality is exposed to financial risks arising from the high security costs being allocated to forest overheads, fires and fire Protection.

The Municipality is planning on installing security cameras to reduce the number of personell required at the sites thus reducing costs.



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11. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	148 215 970	(16 484 251)	131 731 719	148 215 970	(15 989 488)	132 226 482

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	132 226 482	(494 763)	131 731 719

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	132 722 601	(496 119)	132 226 482

Pledged as security

There is no investment properties pledged as security.

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.

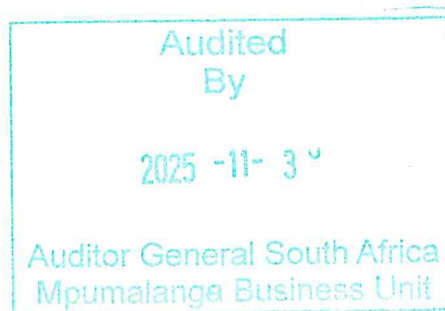
Mkhondo Local Municipality

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11. Investment property (continued)		
Amounts recognised in surplus or deficit		
Income earned in relation to investment property is as follows:		
Rental and facilities	1 140 283	1 240 427
Expenditure incurred in relation to investment property is as follows:		
Repairs and maintenance	419 004	307 051



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12. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16 315 434	-	16 315 434	15 341 373	-	15 341 373
Buildings	91 397 527	(43 676 342)	47 721 185	91 627 028	(39 160 378)	52 466 650
Plant and machinery	9 121 020	(4 216 497)	4 904 523	9 167 577	(3 862 300)	5 305 277
Furniture and fixtures	18 514 648	(10 571 240)	7 943 408	19 369 586	(10 096 955)	9 272 631
Motor vehicles	43 679 053	(28 544 958)	15 134 095	42 806 159	(23 781 885)	19 024 274
IT equipment	11 758 826	(6 574 303)	5 184 523	11 947 909	(5 550 881)	6 397 028
Infrastructure	2 974 376 675	(1 647 602 546)	1 326 774 129	2 908 528 310	(1 546 256 042)	1 362 272 268
Community	115 174 654	(60 160 116)	55 014 538	115 245 685	(55 405 969)	59 839 716
Landfill sites	15 192 021	(14 739 928)	452 093	14 752 846	(14 738 084)	14 762
Electrical Infrastructure - Work in Progress	21 791 582	-	21 791 582	-	-	-
Road Infrastructure - Work in Progress	13 852 318	-	13 852 318	27 142 221	-	27 142 221
Community Assets - Work In Progress	3 408 608	-	3 408 608	3 408 608	-	3 408 608
Sanitation Infrastructure - Work In Progress	220 528 465	-	220 528 465	195 982 516	-	195 982 516
Water Infrastructure - Work in Progress	38 472 555	-	38 472 555	23 481 971	-	23 481 971
Total	3 593 583 386	(1 816 085 930)	1 777 497 456	3 478 801 789	(1 698 852 494)	1 779 949 295

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	15 341 373	974 061	-	-	-	-	-	-	16 315 434
Buildings	52 466 649	-	(189 143)	-	-	-	(2 682 223)	(1 874 098)	47 721 185
Plant and machinery	5 305 277	471 112	(95 446)	-	-	-	(776 420)	-	4 904 523
Furniture and fixtures	9 272 631	911 214	(518 280)	-	-	-	(1 722 157)	-	7 943 408
Motor vehicles	19 024 274	884 508	(1 999)	-	-	-	(4 772 688)	-	15 134 095
IT equipment	6 397 028	342 314	(153 914)	-	-	-	(1 400 905)	-	5 184 523
Infrastructure	1 362 272 268	10 451 843	(6 307 918)	80 079 993	-	-	(63 612 539)	(56 109 518)	1 326 774 129
Community	59 839 716	-	(9 731)	-	-	-	(4 612 743)	(202 704)	55 014 538
Landfill sites	14 762	-	-	-	-	439 175	(1 844)	-	452 093
Electrical infrastructure - Work in Progress	-	27 408 973	-	-	(5 617 391)	-	-	-	21 791 582
Roads infrastructure - Work in Progress	27 142 221	59 419 697	-	-	(72 709 600)	-	-	-	13 852 318
Community Assets - Work in Progress	3 408 608	-	-	-	-	-	-	-	3 408 608
Sanitation infrastructure - Work in Progress	195 982 516	25 017 589	-	-	-	-	-	(471 640)	220 528 465
Water Infrastructure - Work in Progress	23 481 971	16 743 584	-	-	(1 753 000)	-	-	-	38 472 555
	1 779 949 294	142 624 895	(7 276 431)	80 079 993	(80 079 991)	439 175	(79 581 519)	(58 657 960)	1 777 497 456

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	17 054 273	-	(1 712 900)	-	-	-	-	15 341 373
Buildings	55 099 874	-	-	-	-	-	(2 633 224)	52 466 650
Plant and machinery	5 095 965	1 128 490	(245 779)	-	-	-	(673 399)	5 305 277
Furniture and fixtures	7 879 965	3 235 133	(452 649)	-	-	-	(1 389 818)	9 272 631
Motor vehicles	16 743 954	6 819 797	(495 276)	-	-	-	(4 044 201)	19 024 274
IT equipment	7 464 975	1 461 088	(1 264 029)	-	-	-	(1 265 006)	6 397 028
Infrastructure	1 386 615 868	7 667 307	(2 144 264)	31 479 602	-	-	(61 346 245)	1 362 272 268
Community Assets	64 487 482	-	-	-	-	-	(4 647 766)	59 839 716
Landfill sites	5 526 815	-	-	-	-	(4 723 121)	(788 932)	14 762
Roads Infrastructure - Work in Progress	19 378 983	38 721 101	-	-	(30 957 863)	-	-	27 142 221
Community Assets - Work in Progress	3 408 608	-	-	-	-	-	-	3 408 608
Sanitation Infrastructure - Work in Progress	160 354 298	35 628 218	-	-	-	-	-	195 982 516
Water Infrastructure - Work in Progress	23 481 971	521 739	-	-	(521 739)	-	-	23 481 971
	1 772 593 031	95 182 873	(6 314 897)	31 479 602	(31 479 602)	(4 723 121)	(76 788 591)	1 779 949 295

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Figures in Rand	2025	2024
12. Property, plant and equipment (continued)		
Pledged as security		
There is no Property Plant and Equipment pledged as security:		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Road infrastructure	13 852 316	27 142 221
Sanitation infrastructure	220 528 464	195 982 516
Water infrastructure	38 472 555	23 481 971
Electrical infrastructure	21 791 582	-
Community	3 408 608	3 408 608
	298 053 525	250 015 316
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Provision of Professional Engineering Services and Construction of Amsterdam Sewer Reticulation	70 608 267	57 469 520
Damaging of existing services. Hard rock, deep excavation and high water table. Professional Engineering Services and Construction of Driefontein Sanitation (6.3)	76 950 854	76 950 854
The Project delayed because the community was not accepting explosive blasting. EThandukukhanya Wastewater Works (Mechanical and Electrical Works & Request for proposals from professional service providers for the design of a Outfall sewer pipeline and WWTW at eThandukukhanya	118 481 756	30 407 437
The Plant was completed. However, the Outfall sewer was delayed because of funding. A contractor has been re-appointed to complete the project.		
	266 040 877	164 827 811
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
The professional service providers (structural engineers/ architects & building) for the construction of a multi-Purpose Community Centre at Harmony Park	3 408 688	3 408 688
The funds were reprioritised to water and sanitation		
	3 408 688	3 408 688

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Figures in Rand	2025	2024	
12. Property, plant and equipment (continued)			
Reconciliation of Work-in-Progress 2025			
	Included within Infrastructure	Included within Community	Total
Opening balance	246 606 709	3 408 607	250 015 316
Additions/capital expenditure	128 589 842	-	128 589 842
Transferred to completed items	(80 079 992)	-	(80 079 992)
Impairment	(471 641)	-	(471 641)
	294 644 918	3 408 607	298 053 525

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	203 215 253	3 408 607	206 623 860
Additions/capital expenditure	74 871 058	-	74 871 058
Transferred to completed items	(31 479 602)	-	(31 479 602)
	246 606 709	3 408 607	250 015 316

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	51 697 767	54 942 548
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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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13. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	2 860 000	-	2 860 000	2 860 000	-	2 860 000
Mayoral chain	56 300	-	56 300	56 300	-	56 300
Total	2 916 300	-	2 916 300	2 916 300	-	2 916 300

Reconciliation of heritage assets 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	2 860 000	2 860 000
Mayoral chain	56 300	56 300
	2 916 300	2 916 300

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Figures in Rand	2025	2024
13. Heritage assets (continued)		
Reconciliation of heritage assets 2024		
	Opening balance	Total
Art Collections, antiquities and exhibits	2 860 000	2 860 000
Mayoral chain	56 300	56 300
	2 916 300	2 916 300
Restrictions on heritage assets		
There is no restrictions placed on heritage assets.		
Pledged as security		
There is no heritage assets pledged as security:		
14. Payables from exchange transactions		
Trade payables	1 051 767 041	814 694 192
Payments received in advanced - Debtors in negative balance	14 410 697	7 396 592
Advance payments for sales of land	7 404 828	7 404 828
Retentions	34 623 036	30 025 559
Accrued bonus	6 948 918	6 716 956
Deposits received	35 066	35 066
Prepaid electricity paid in advance	485 498	1 639 328
Accrued leave	23 871 614	24 219 085
Unallocated deposits	1 898 387	1 061 731
Accrued creditors	1 901 189	10 422 881
Payroll liabilities	26 822 444	40 761 037
	1 170 168 718	944 377 255
15. VAT Output Accrual		
VAT Output Accrual	50 565 006	53 378 968
16. VAT Payable (Control)		
VAT Payable Control	-	3 144 864
The Municipality is registered with the South African Revenue Services (SARS) as a VAT vendor on payment basis in accordance with section 15(2) of the Value Added Tax Act (No .89 of 1991).		
At year-end, upon assessment of VAT Returns submitted to SARS, if the VAT output exceeds the VAT Input the municipality recognises a VAT payable liability on the VAT Control account		
As at 30 June 2024, the municipality had a VAT Payable amounting to R3 144 864.		
17. Consumer deposits		
Electricity	2 499 670	2 490 663
Water	1 708 235	1 644 620
Refuse	34 327	33 986
	4 242 232	4 169 269
18. Employee benefit obligations		

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18. Employee benefit obligations (continued)

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (inservice) members generally subsidise older (continuation) members.

Employees appointed by the Municipality prior to 31/12/1993 will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement. Continuation members and their eligible dependants receive a 70% subsidy.

All post-employment subsidies are subject to a maximum subsidy. The maximum subsidy is R 5,541 per principal member per month for the year ending 30 June 2025, and has been assumed to increase annually on 1 July at 75% of salary inflation. Upon a member's death-in-service, surviving dependants are not entitled to commence receipt of the subsidy. Upon a member's death-in-retirement, surviving dependants are entitled to continue to receive the same subsidy.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(9 989 000)	(9 730 000)
Non-current liabilities	(9 051 000)	(8 821 000)
Current liabilities	(938 000)	(909 000)
	(9 989 000)	(9 730 000)

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

Opening balance	9 730 000	9 435 000
Current service costs	66 000	58 000
Interest cost	1 041 000	1 024 000
Actuarial gains/losses	61 000	114 000
Expected employer benefit payments	(909 000)	(901 000)
	9 989 000	9 730 000

Net expense recognised in the statement of financial performance are as follows:

Current service cost	66 000	58 000
Interest cost	1 041 000	1 024 000
Actuarial (gains) losses	61 000	114 000
	1 168 000	1 196 000

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	61 000	114 000
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18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.90 %	11.20 %
CPI Inflation rate	3.90 %	5.40 %
Medical Aid Contribution inflation rate	5.70 %	6.90 %
Net Discount rate (medical aid contributions)	4.00 %	4.10 %
Maximum subsidy inflation rate	3.70 %	4.80 %
Net discount rate (maximum subsidy)	6.00 %	6.20 %

Sensitivity analysis

The following table presents the sensitivity analysis of the defined benefit obligation (R Millions):

Assumption	Change	Eligible Employees	Contribution Members	Total DBO	%Change
Central assumptions		2.020	7.969	9.989	
Medical aid contribution inflation rate	+1%	2.179	8.011	10.19	2%
	-1%	1.843	7.929	9.772	-2%

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

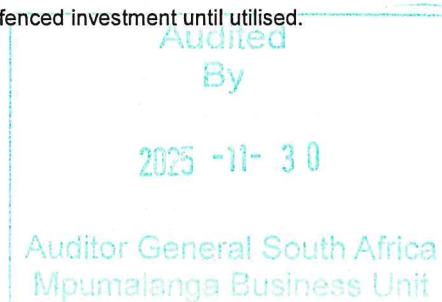
Disaster Recovery Management Grant	-	15 009 029
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Movement during the year

Balance at the beginning of the year	15 009 029	7 317 763
Additions during the year	154 258 931	140 688 524
Less: Transferred to construction contract revenue (INEP)	(4 653 092)	(8 485 762)
Less: Unapproved rollover from MDRD Transferred to equitable shares	(15 009 029)	-
Income recognition during the year	(149 605 839)	(124 511 496)
	-	15 009 029

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

These amounts are invested in a ring-fenced investment until utilised.



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20. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	28 852 875	3 517 892	-	32 370 767
Long service awards - current portion	2 053 000	-	(1 020 000)	1 033 000
Long service awards - non current portion	11 784 000	2 119 000	-	13 903 000
	42 689 875	5 636 892	(1 020 000)	47 306 767

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	30 688 422	3 351 667	(5 187 214)	28 852 875
Long service awards - Current portion	787 000	1 266 000	-	2 053 000
Long service awards - non current portion	11 467 000	317 000	-	11 784 000
	42 942 422	4 934 667	(5 187 214)	42 689 875
Non-current liabilities			46 273 767	40 636 875
Current liabilities			1 033 000	2 053 000
			47 306 767	42 689 875

Environmental rehabilitation provision

GENERAL INFORMATION

The Piet Retief landfill is situated on Portion 7 of Piet Retief Townlands 149 HT, District of Piet Retief, approximately 3 km South of Piet Retief.

A permit referenced 16/2/7/W511/D015/Z2/P388 for the landfill was issued by the national Department of Water Affairs and Forestry on 24 January 2001 (Doc 1). The permit has an unlimited period of validity.

FINANCIAL ASSUMPTIONS USED

Unit costs

These costs are based on actual costs of rehabilitation and closure operations and are reviewed annually to make provision for price increases.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long-term discount rate as at 30 June 2025 was 11.37 % p.a. The consumer price inflation of 5.94% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves). The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2025.

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflationlinked rates are used.

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Figures in Rand	2025	2024
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20. Provisions (continued)

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used.

Long service awards

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

An actuarial valuation has been performed of the net defined benefit liability in respect of long service awards to eligible employees. As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

There were 515 employees entitled to long service awards at this valuation. The defined benefit obligation was estimated to be R 14 936 000.

As the results are particularly sensitive to the assumptions made, it is important that they are treated with a degree of caution. The average expected remaining working-lifetime of eligible employees is 17.8 years.

Key assumptions

In estimating the LSA net defined benefit liability of the Municipality a number of actuarial assumptions are required. The GRAP 25 standard places the responsibility on management to set these assumptions, as guided by the principles set out in the standard and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided.

Assumption	Value p.a
Discount rate	9.9%
CPI inflation rate	3.9%
General earnings inflation rate	4.9%
Net effective discount rate	4.8%

Change in the present value of the liability are as follows:

Opening balance	13 837 000	12 254 000
Current service costs	1 231 000	1 214 000
Interest cost	1 439 000	1 369 000
Actuarial gains/losses	482 000	(213 000)
Expected benefit vesting	(2 053 000)	(787 000)
	14 936 000	13 837 000

Net expense recognised in the statement of financial performance are as follows:

Current service cost	1 231 000	1 214 000
Interest cost	1 439 000	1 369 000
Actuarial (gains) losses	482 000	(213 000)
	3 152 000	2 370 000

Sensitivity analysis

The following table presents the sensitivity analysis of BDO

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20. Provisions (continued)

Assumption	Change	Total DBO	%Change
Central assumptions		14 936 000	
General earnings inflation rate	+1%	15 834 000	6%
	-1%	14 117 000	-5%

21. Service charges

Sale of electricity	144 703 533	131 235 045
Sale of water	19 624 294	24 554 995
Sewerage and sanitation charges	10 482 783	12 920 792
Refuse removal	12 596 459	15 001 790
	187 407 069	183 712 622

22. Construction contracts and receivables

During the year, the Municipality received funding through DoRA for the electrification of various villages in Mkhondo on behalf of ESKOM. Upon completion of the project, the municipality would handover the project to ESKOM. This is a cost based contract and the municipality is not expected to make any profits out of it, The Municipality also received WSIG to implement a project on behalf of The Department of Water and Sanitations.

The construction commenced during the 2023/24 financial year and was completed within the financial year.

There was no contracts in progress as at the financial reporting date.

There were no advances received in excess of work completed as at the reporting date.

Agreements that meet all the criteria in paragraph .29 of GRAP9

The municipality recognise revenue using the percentage of completion method for agreements that meet all the criteria in paragraph .29 of GRAP9 (Revenue from Exchange Transactions), continuously as construction progresses.

The municipality determines which agreements meet all the criteria in paragraph .29 of the Standard of GRAP on Revenue from Exchange Transactions continuously as construction progresses in the following manner:

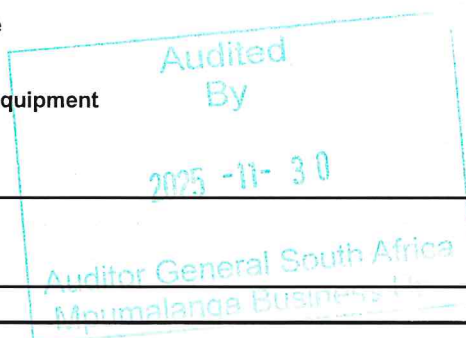
The amount of revenue arising from such agreements in the period 12 311 488 8 485 762

The amounts recognised as revenue is shown below.

Construction contracts revenue 12 311 488 8 485 762
Current year receipts 14 158 211 8 799 000

23. Rental of facilities and equipment

Premises		
Premises	1 159 980	882 637
Facilities and equipment		
Rental of facilities	-	354 715
	1 159 980	1 237 352



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Figures in Rand	2025	2024
24. Licences and permits		
Licences and permits	1 060	63 235
25. Other income		
Cemetry fees	207 052	187 445
Photocopying	450 700	408 467
Building and clearing certificates	1 137 098	1 080 075
Library fees	198	383
Insurance refunds	847 996	-
Cleaning of Halls and Private works	47 683	30 632
Other income	3 157 204	931 388
	5 847 931	2 638 390
26. Interest revenue		
Interest charged on trade and other receivables	43 289 414	45 695 041
Interest received from bank and other financial assets	1 727 370	2 758 026
	45 016 784	48 453 067
27. Fair value adjustments		
Biological assets - (Fair value model)	12 899 413	2 316 214
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	52 943	33 008
	12 952 356	2 349 222
28. Property rates		
Rates received		
Residential	37 928 587	34 839 794
Commercial	21 343 312	19 990 645
State	8 986 402	8 507 072
Small holdings and farms	20 809 694	19 466 182
	89 067 995	82 803 693
Valuations		
Residential	3 630 412 550	3 631 048 550
Commercial	1 543 753 500	1 539 683 500
State	669 443 830	650 187 250
Municipal	780 633 250	800 394 830
Small holdings and farms	5 855 259 000	5 853 759 000
Vacant land	211 277 010	212 026 010
	12 690 779 140	12 687 099 140

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

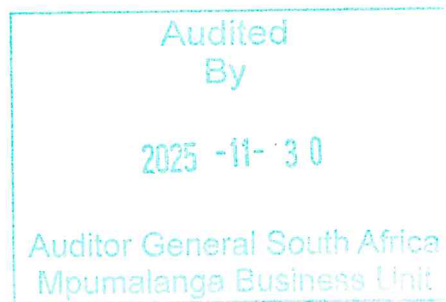
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Figures in Rand	2025	2024
29. Interest received on Receivables from non exchange transactions		
Interest - Property rates	13 599 431	14 560 174
30. Availability charges		
Availability charges - Service charges	51 941 690	40 400 782



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Figures in Rand	2025	2024
31. Government grants & subsidies		
Operating grants		
Equitable share	353 262 029	332 438 000
Finance Management Grant	3 000 000	3 100 000
LGSETA	306 931	432 762
Expanded Public Works Programme	2 004 000	2 136 000
Energy and Efficiency	7 000 000	-
Municipal Infrastructure Grant	4 523 650	5 523 000
Provincial Treasury	-	8 316 933
	370 096 610	351 946 695
Capital grants		
Municipal Infrastructure Grant	85 449 350	81 877 000
Municipal Disaster Relief Grant	23 467 000	14 326 801
Integrated National Electrification Programme	23 854 908	-
	132 771 258	96 203 801
	502 867 868	448 150 496

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	154 258 931	115 712 496
Less: INEP Construction contract revenue transfer	(4 653 092)	-
Add: Unapproved roll over on MDRD transferred to Equitable share	15 009 029	-
Unconditional grants received	338 253 000	332 438 000
	502 867 868	448 150 496

Equitable Share

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

All registered indigents receive a monthly subsidy of 402 (2024: 369), which is funded from the grant.

Municipal infrastructure Grant

Current-year receipts	89 973 000	87 400 000
Conditions met - transferred to revenue	(89 973 000)	(87 400 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The conditions of the projects are directly in-line with the DORA requirements. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

Expandable Public Works Programme

Current-year receipts	2 004 000	2 136 000
Conditions met - transferred to revenue	(2 004 000)	(2 136 000)
	-	-

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Figures in Rand	2025	2024
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31. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent job.

Finance Management Grant

Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(3 000 000)	(3 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Disaster Recovery Management Grant

Balance unspent at beginning of year	15 009 029	6 735 830
Current-year receipts	23 467 000	22 600 000
Conditions met - transferred to revenue	(38 476 029)	(14 326 801)
	-	15 009 029

Conditions still to be met - remain liabilities (see note 19).

The Grant is to provide intervention measures for the infrastructure damages due to impact of storms that happened in December 2022.

LGSETA

Current-year receipts	306 931	432 762
Conditions met - transferred to revenue	(306 931)	(432 762)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). In terms of the provisions of the Act, the SETA was first established in 2000 and was recertified by the Minister of Labour in March 2005, with a reduced scope of coverage that excluded the Water Sector. It was at this stage renamed the The Local Government Sector Education & Training Authority (LGSETA). In 2011 responsibility for all SETAs was moved from the Department of Labour to the newly established Department of Higher Education and Training. The LGSETA was recertified by the Minister for the National Skills Development Strategy III period (2011-2016). The LGSETA has aligned its contributions to the implementation of National Skills Development Strategy III (NSDS III) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce. The conditions of the projects are directly in-line with the DORA requirements. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor.

Energy and Efficiency

Current-year receipts	7 000 000	-
Conditions met - transferred to revenue	(7 000 000)	-
	-	-

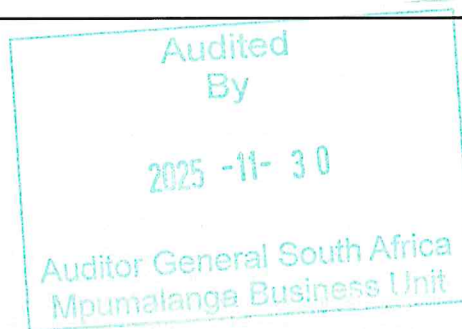
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Figures in Rand	2025	2024
31. Government grants & subsidies (continued)		
Conditions still to be met - remain liabilities (see note 19).		
The purpose of this grant is to support programs and projects that encourage consumers to use electricity more efficiently and reduce demand for power		
Provincial Treasury Grant		
Balance unspent at beginning of year	-	581 933
Current-year receipts	-	7 735 000
Conditions met - transferred to revenue	-	(8 316 933)
	-	-
Conditions still to be met - remain liabilities (see note 19).		
32. Public contributions and donations		
Public contributions and donations	2 761 418	1 611 808
33. Fines, Penalties and Forfeits		
Illegal Connections Fines	465 609	369 245
Court Traffic Fines	9 929	14 845
Municipal Traffic Fines	7 150 921	6 484 500
	7 626 459	6 868 590
34. Licences and permits (non-exchange)		
Licences and permits	566 533	72 156



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Figures in Rand	2025	2024
35. Employee related costs		
Basic	156 181 973	145 664 018
Bonus	12 667 785	12 835 922
Medical aid - company contributions	11 600 259	11 477 081
UIF	1 169 289	1 114 799
Leave pay provision charge	2 502 899	2 017 122
Defined contribution plans	30 270 658	29 175 164
Travel, motor car, accommodation, subsistence and other allowances	11 979 676	9 786 425
Overtime payments	20 564 197	20 498 956
Long-service awards	(224 084)	198 019
Acting allowances	1 661 094	1 323 921
Housing benefits and allowances	396 346	968 712
Standby allowances	15 281 288	13 231 998
SALGA	71 662	68 806
	264 123 042	248 360 943

Remuneration of municipal manager		
Annual Remuneration	1 545 666	600 184
Car Allowance	56 659	96 000
Bonus	84 587	78 220
Contributions to UIF, Medical and Pension Funds	74 813	130 316
Leave paid	123 737	102 956
Other	39 145	16 950
	1 924 607	1 024 626

Mr MJ Mkhonza was the Acting Municipal Manager. He served for the month (July). Mr DP Msibi was appointed acting Municipal Manager for seven months from August to 05 February 2025. Mr MJ Mkhonza is appointed as the Municipal Manager as from the 10th of February 2025

This remuneration has been included in the employee related cost total.

Remuneration of chief finance officer

Annual Remuneration	353 957	324 096
Car Allowance	40 000	240 000
Acting allowance	78 229	-
Contributions to UIF, Medical and Pension Funds	11 849	128 267
Other	-	26 740
Bonus	84 395	89 127
Leave paid	200 325	-
	768 755	808 230

During the current financial year, Mr BA Maseko (CFO) was on special leave for the month of July 2024 to August 2024. He resigned in August 2024. Mr SC Chavarika acted as a CFO in July 2024 while Mr B Maseko was on special leave. Mr C. Munzhelele was seconded by Gert Sibande District Municipality for 6 months from August 2024 to February 2025. Mr A Motha was appointed acting CFO for the period of March 2025 to June 2025.

This remuneration has been included in the employee related cost total.

General Manager - Community services

Annual Remuneration	881 536	776 649
Car Allowance	100 883	96 000
Bonus	80 801	78 220
Contributions to UIF, Medical and Pension Funds	135 618	130 315

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Figures in Rand	2025	2024
35. Employee related costs (continued)		
Other	-	16 950
	1 198 838	1 098 134

MS A Mthetwa is the General Manager Community services - she served for the 12 months ending 30 June 2025

This remuneration has been included in the employee related cost total.

General Manager - Corporate and human resources (corporate services)

Annual Remuneration	945 940	768 017
Car Allowance	129 941	96 000
Bonuses	92 068	98 981
Contributions to UIF, Medical and Pension Funds	197 816	183 100
Leave paid	-	195 470
Other allowances	10 609	37 291
Acting allowance	-	36 345
	1 376 374	1 415 204

Ms W Mahlangu is the general manager Corporate services - she served for the 12 months ending 30 June 2025

This remuneration has been included in the employee related cost total.

General Manager - Technical Services

Annual Remuneration	988 863	788 307
Performance Bonuses	92 068	77 680
Car allowances	135 671	96 000
Contributions to UIF, Medical and Pension Funds	178 899	164 356
Other	16 950	31 200
Leave paid	-	195 243
Acting allowance	-	41 240
	1 412 451	1 394 026

Mr S Nkosi is the general manager - Technical Services - he served for the 12 months ending 30 June 2025

This remuneration has been included in the employee related cost total.

General Manager - Planning and Economic Development

Annual Remuneration	730 473	558 544
Car Allowance	84 885	80 000
Performance Bonuses	92 068	-
Contributions to UIF, Medical and Pension Funds	96 328	106 585
Other	18 875	14 600
Acting Allowances	7 851	14 017
	1 030 480	773 746

Mr M Mkhonza was the general manager for planning and development from July 2024 to 09 February 2025, Ms W Mahlangu acted as a GM PED in February 2025. Mr J Lisa was acting in the position of GM PED from April 2025 to May 2025

This remuneration has been included in the employee related cost total.

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Figures in Rand	2025	2024
36. Remuneration of councillors		
Executive Mayor	1 126 699	1 030 252
Chief Whip of Council	912 457	788 858
Speaker	876 321	835 846
Councillors	16 848 389	16 021 032
	19 763 866	18 675 988
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
37. Depreciation and amortisation		
Property, plant and equipment	79 581 519	76 788 591
Investment property	494 763	496 119
	80 076 282	77 284 710
38. Finance costs		
Trade and other payables	29 248 102	39 591 400
Interest cost on landfillsite provision	3 078 717	3 351 667
	32 326 819	42 943 067
39. Lease rentals on operating lease		
Lease rentals on operating lease - Other		
Contractual amounts	322 332	322 673
40. Debt impairment		
Consumer debtors	4 938 882	102 695 514
Traffic fines	(843 149)	1 717 592
	4 095 733	104 413 106
41. Bulk purchases		
Electricity - Eskom	206 582 209	182 082 205
42. Contracted services		
Outsourced Services		
Administrative and Support Staff	231 793	361 011
Burial Services	5 500	151 500
Business and Advisory	28 930 158	24 348 229
Hygiene Services	1 101 477	938 630
Meter Management	468 077	141 195
Professional Staff	306 872	270 090
Refuse Removal	29 500	-
Security Services	48 753 987	39 949 760
Traffic Fines Management	1 374 050	736 537
Transport Services	114 500	133 150

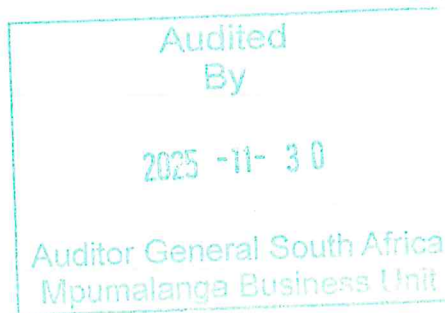
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Figures in Rand	2025	2024
42. Contracted services (continued)		
Consultants and Professional Services		
Infrastructure and Planning	-	23 232
Laboratory Services	444 112	773 645
Legal Cost	8 118 840	5 058 444
Contractors		
Catering Services	3 343 997	2 707 166
Electrical	425 004	8 052 450
Gardening Services	4 770	11 000
Maintenance of Buildings and Facilities	1 441 549	1 056 384
Maintenance of Equipment	30 961 241	13 982 046
Maintenance of Unspecified Assets	19 120 977	39 902 657
Sports and Recreation	257 143	50 000
Forestry	1 264 425	9 068 807
	146 697 972	147 715 933
43. Transfer and subsidies		
Other subsidies		
Equitable share	676 699	10 645 365
44. Operating expenditure		
Advertising	924 700	922 710
Auditors remuneration	9 087 365	7 541 684
Bank charges	776 937	1 019 951
Commission paid	6 724 168	3 793 727
Consumables	102 236 710	74 311 455
Discount allowed	1 704 726	2 793 890
Entertainment	820	10 550
Hire	3 761 102	3 094 867
Insurance	7 612 229	5 670 639
IT expenses	1 373 078	2 324 560
Levies	2 311 021	828 776
Fuel and oil	116 659	694
Printing and stationery	110 557	113 054
Protective clothing	5 435 373	9 623 101
Subscriptions and membership fees	2 981 385	3 226 608
Telephone and fax	11 397 750	12 793 418
Transport and freight	434 333	881 966
Training	1 661 332	1 649 656
Travel - local	4 216 201	4 136 011
Utilities - Other	4 710 152	2 670 697
Ward committee	2 165 732	2 397 222
Other expenses	5 337 212	1 285 059
	175 079 542	141 090 295



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Figures in Rand	2025	2024
45. Bad debts written off		
Property Rates	22 497 661	-
Electricity	66 531 600	-
Water	59 704 836	757 330
Sewerage	22 898 580	-
Refuse	37 705 021	-
Other	2 618 712	-
	211 956 410	757 330

The municipality wrote off some long-outstanding consumer accounts in the 30 June 2025 financial year that were declared irrecoverable as approved by the council under resolution 24/12/405A

46. Impairment loss

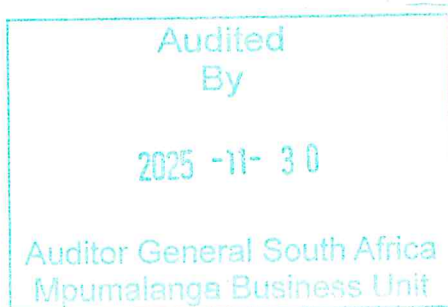
Impairments		
Property, plant and equipment	58 657 961	-

47. Reversal of impairment

Reversal of impairment - consumer debtors	70 033 196	-
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48. Cash generated from operations

Deficit	(212 660 681)	(102 314 450)
Adjustments for:		
Depreciation and amortisation	80 076 696	77 284 710
Gain on disposal of assets and liabilities	7 276 429	4 881 747
Fair value adjustments	(12 550 293)	(2 347 366)
Non cash finance costs	3 078 717	5 744 667
Impairment of assets	58 657 962	-
Debt impairment	4 095 733	88 743 291
Movement in provision for bad debts	(80 538 176)	27 245 026
Movements in employee benefit obligation	198 000	(843 000)
Movements in provisions	617 000	(344 806)
Donated assets	(2 761 418)	-
Inventory losses or write-downs	7 644 543	-
Changes in working capital:		
Inventories	(12 666 007)	3 571 076
Other receivables from exchange	(451 667)	(727 823)
Receivables from exchange transactions	117 503 648	(94 339 180)
Receivables from non-exchange transactions	(2 710 137)	(35 311 214)
Payables from exchange transactions	225 791 463	130 537 758
Value Added Tax	(25 390 587)	(18 536 492)
Retentions (Accounted for in PPE)	(4 597 476)	-
Unspent conditional grants and receipts	(15 009 029)	7 691 266
Consumer deposits	72 963	60 472
Actuarial gains/losses	543 000	206 754
	136 220 683	91 202 436



49. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Mkhondo Local Municipality

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2025 2024

49. Operating deficit (continued)

Operating lease charges

Lease rentals on operating lease - Other

- Contractual amounts

322 332 322 673

Loss on sale of property, plant and equipment

(7 276 429) (6 369 452)

Impairment on property, plant and equipment

58 657 961 -

Depreciation on property, plant and equipment

79 581 519 76 788 591

Depreciation on investment property

494 763 496 119

Employee costs

283 886 908 267 036 931

50. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	610 373	58 079	668 452
Other receivables from exchange transactions	-	2 123 333	2 123 333
Receivables from exchange transactions - consumer debtors	-	23 288 973	23 288 973
VAT Input accrual	-	117 363 401	117 363 401
Cash and cash equivalents	-	7 679 998	7 679 998
	610 373	150 513 784	151 124 157

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 112 525 742	1 112 525 742
Consumer deposits	4 242 232	4 242 232
VAT Output accrual	50 565 006	50 565 006
	1 167 332 980	1 167 332 980

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	559 444	53 982	613 426
Other receivables from exchange transactions	-	1 671 666	1 671 666
Receivables from exchange transactions - consumer debtors	-	60 254 445	60 254 445
VAT Input accrual	-	99 298 245	99 298 245
Cash and cash equivalents	-	8 763 747	8 763 747
	559 444	170 042 085	170 601 529

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	872 680 177	872 680 177

Mkhondo Local Municipality

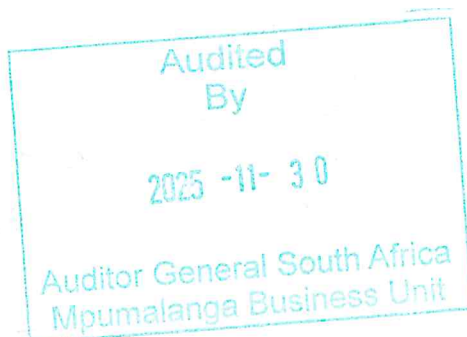
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Figures in Rand	2025	2024
50. Financial instruments disclosure (continued)		
Consumer deposits	4 169 269	4 169 269
VAT Output accrual	53 378 968	53 378 968
	930 228 414	930 228 414
51. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	138 110 966	62 551 895
• Community Assets	2 094 489	2 094 489
	140 205 455	64 646 384
Total capital commitments		
Already contracted for but not provided for	140 205 455	64 646 384

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, and Transfers from National Treasury.



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52. Contingencies

Contingent liabilities

NAME OF CLAIMANT	NATURE OF THE CASE	2025	2024
1. Bareki Consulting (Pty) Ltd	The plaintiff is claiming damages for work done. They allege that they compiled a supply chain management system and they were not paid for the work done.	Claim A 761 383 Claim B 1 169 904	Claim A 761 383 Claim B 1 169 904
2. Owethu Mkhondo Development of middle-class houses Trading CC	The Plaintiff is suing the Municipality for alleged breach of contract	21 277 571	21 277 571
3. Rethuseng Live Line Services cc.	Summons were issued by the plaintiff against two defendants for breach of contract. The Municipality is cited as the second defendant. The plaintiff is claiming from the first defendant an amount of R 4 846 015.42	3 249 044	3 249 044
4. L P De beer	Mr De beer has served summons against the Municipality stating that he has incurred damages due to a motor vehicle accident as a result of road and storm water drain (negligent)	470 000	470 000
5. Bicacon (Pty) Ltd	The Municipality received summons from Bicacon (Pty) Ltd seeking relief in the amount of R 5 319 140.62, as the plaintiffs are claiming that the Mkhondo Local Municipality unlawfully terminated their contract, the plaintiffs were appointed to provide Engineering Consulting Services for the construction of Driefontein to Iswepe and Hartebeesfontein Water Bulkline by Mega, which ceded their rights to the Municipality.	5 319 141	5 319 141
6. Electricity matter Ideal	Ideal Prepaid has instituted legal Actions against the Municipality, after the Municipality terminated their contract	32 089 340	32 089 340
7. Mkhondo//Thabede	Breach of contract The Municipality took a resolution that the matter of Mr Thabede be referred to the labour Court. Labour matter	Unquantifiable	
8. Mkhondo //Maseko	Breach of Contract -review application – Labour matter	Unquantifiable	

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52. Contingencies (continued)

9. Xpectrade Distributors Pty	The plaintiff claimed to have collided with the large pothole situated under MLM jurisdiction.	54 439	54 439
10. Mr Voster Andries Wilhelmus Jacobs	The plaintiff is suing the municipality for once off gratuity equal to three months pensionable salary, the plaintiff is a former councillor	Case withdrawn	25 000
11. KVN Business Services	Plaintiff is suing the municipality for breach contract (terminated contract)	Case abandoned by the applicant	4 633 063
12. Eskom electricity	Notice of motion from Eskom for failure to honour the court order that was granted on the 19 th of July 2021 under case no. 973/2021	Removed at court due to debt relief	174 162 511
13. SCF Engineers // Municipality	Plaintiff is claiming damages for work done- professional engineering services	Case finalised	2 433 900
14. Three councillors// MLM	Breach of contract	Case abandoned by the applicant	Unquantifiable

Contingent assets

30 June 2025

The Municipality is suing Ideal Prepaid for Electricity Prepaid sales sold through Ideal Prepaid vendors but not remitted to the Municipality. The amount of such revenue is unknown as the Service Provider refused to furnish the Municipality with records of sales made during the year. According to our legal attorneys, they have made an application compelling Ideals prepaid to furnish us with statements to enable us to quantify losses and recover such monies.

Unquantifiable - The Municipality entered into the agreement with Nomandien Farms in 2017. The sale was for the sale of 140 hectares Municipal Mature pine plantations. According to the agreement the Normandien was expected to replant the fell compartments, however Normandien has not replanted despite numerous request

30 June 2024

The Municipality is suing Ideal Prepaid for Electricity Prepaid sales sold through Ideal Prepaid vendors but not remitted to the Municipality. The amount of such revenue is unknown as the Service Provider refused to furnish the Municipality with records of sales made during the year. According to our legal attorneys, they have made an application compelling Ideals prepaid to furnish us with statements to enable us to quantify losses and recover such monies.

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By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

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53. Related parties

Relationships

Accounting Officer

Mr M.J Mkhonza

Mr D.P Msibi

Ms A Mthetwa

Ms W Mahlangu

Mr S Nkosi

Mr M.J Mkhonza

Ms B.S Nxumalo

Mr FC Munzhelele

Mr S Chavarika

Mr T Motha

Refer to accounting officers' report note 6

Municipal Manager

Acting Municipal Manager

General manager - Community Services

General manager - Corporate Services

General manager - Technical Services

General manager - Town Planning

Acting General manager - Town Planning

Acting Chief Financial Officer

Acting Chief Financial Officer

Acting Chief Financial Officer

The Municipality has an a related party relationship in terms of GRAP 20 paragraph 10 (b) with Keyhealth in the normal course of its operations. These transactions primarily relate Post Employment Medical Aid contributions on behalf of employees. The transactions were conducted at arm's length and in accordance with the Municipality's approved policies.

Related party balances

Balance owing (to) by related parties

Keyhealth

9 989 000

9 730 000

Transactions related to the related parties

Keyhealth (Expenditure)

1 168 000

1 196 000

Keyhealth (Payments)

(909 000)

(901 000)

There are no commitments to Keyhealth other than contributions in the normal course the municipality's operations.

Key management information

Class

Executive Management

Mayor

Councillors

Municipal Managers

Description

General Managers

Cllr N Ndlovu

Ward and Proportional Representation

Mr M.J Mkhonza

Number

5

1

38

1

Remuneration of management

Refer to note 35 for the disclosure remuneration of Executive Management.

Refer to note 35 for the disclosure remuneration of the Municipal Manager.

Management class: Executive mayor

2025

Name	Basic salary	Pension	Cellphone and data	Medical Aid	Travel allowances	Total
Cllr N Ndlovu	911 806	116 278	47 004	51 066	545	1 126 699

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53. Related parties (continued)

2024

	Basic salary	Pension	Cellphone and data	Medical Aid	Total
Name					
Cllr N Ndlovu	867 840	62 854	53 208	46 350	1 030 252

Management class: Councillors

2025

	Basic salary	Other benefits received	Total
Name			
Executive Mayor	911 806	214 894	1 126 699
Councillors	15 067 159	3 570 008	18 637 167
	15 978 965	3 784 902	19 763 866

2024

	Basic salary	Other benefits received	Total
Name			
Executive Mayor	867 840	225 266	1 030 252
Councillors	14 567 342	3 078 394	17 645 736
	15 435 182	3 303 660	18 675 988

Additional information

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Management class: Councillors

2025

	Basic Salary	Pension	Cellphone and Data	Housing allowance	Medical Aid	Travel allowances	Total
Name							
Cllr BA Dlamini	303 590	22 429	47 004	-	-	-	373 023
Cllr BE Maisela	303 590	22 429	47 004	-	-	-	373 023
Cllr BM Khumalo	391 832	-	47 004	-	26 024	3 318	468 178
Cllr DM Ntshakala	699 072	51 595	47 004	-	-	3 521	801 192
Cllr DM Thwala	640 663	47 519	47 004	8 054	-	103 775	847 015
Cllr DW Nkosi	304 604	22 429	47 004	-	-	-	374 037
Cllr EF Nkosi	303 590	22 429	47 004	-	-	-	373 023
Cllr HW Weber	325 338	-	47 004	-	-	-	372 342
Cllr JLI Brussow	202 823	14 871	47 004	8 054	48 244	57 120	378 116
Cllr JM Nkosi	390 974	28 783	47 004	-	-	7 441	474 202
Cllr JR Sibiya	303 590	22 429	47 004	-	-	-	373 023
Cllr LL Ngubeni	303 590	22 429	47 004	-	-	-	373 023
Cllr MA Simelane	305 956	38 728	47 004	-	-	19 626	411 314
Cllr MJ Dlamini	300 078	38 728	47 004	-	-	45 611	431 421
Cllr MN Mbata	303 590	38 728	47 004	-	-	-	389 322
Cllr MRQ Mhlanga	303 590	22 429	47 004	-	-	-	373 023
Cllr MS Lukhele	303 590	22 429	47 004	-	-	-	373 023

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53. Related parties (continued)							
Cllr MS Ngwenya	389 608	28 783	47 004	-	-	-	465 395
Cllr MT Mkhabela	716 451	53 195	47 004	-	-	15 366	832 016
Cllr MZ Ngwenya	772 619	56 698	47 004	-	-	-	876 321
Cllr MZ Thomo	390 622	49 701	47 004	-	-	6 552	493 879
Cllr ND Sangweni	304 773	22 428	47 004	-	-	-	374 205
Cllr NG Gwebu	305 847	22 428	47 004	-	-	18 815	394 094
Cllr NN Zulu	303 591	22 428	47 004	-	-	-	373 023
Cllr NS Mthethwa	390 622	28 783	47 004	-	-	-	466 409
Cllr SD Thwala	698 703	88 656	47 004	-	26 539	51 555	912 457
Cllr SJ Methula	260 163	-	47 004	8 054	-	57 120	372 341
Cllr SM Shoba	389 608	28 783	47 004	-	-	3 413	468 808
Cllr SP Mkhwanazi	303 591	22 429	47 004	-	-	1 791	374 815
Cllr SP Sibiya	299 726	22 428	47 004	-	-	11 830	380 988
Cllr TE Khumalo	725 066	87 674	47 004	-	-	22 327	882 071
Cllr TH Mtshali	385 316	28 783	47 004	-	-	13 868	474 971
Cllr TM Qwabe	389 608	28 783	47 004	-	-	-	465 395
Cllr TW Manana	722 175	53 195	47 004	-	-	8 410	830 784
Cllr TW Tshandu	304 604	22 428	47 004	-	-	-	374 036
Cllr VS Hlophe	303 590	22 428	47 004	-	-	-	373 022
Cllr WH Vilakazi	720 815	91 841	47 004	-	-	34 175	893 835
	15 067 158	1 220 256	1 739 148	24 162	100 807	485 634	18 637 165

54. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Other receivables from exchange		871 881	511 901	287 562	1 671 344
VAT Receivable (Control)		43 483 546	-	(43 483 546)	-
VAT Input Accrual		-	(294 425 825)	393 724 070	99 298 245
Cash and cash equivalents		8 890 394	(126 647)	-	8 763 747
Inventories		20 059 006	1 678 739	-	21 737 745
Receivable from exchange transactions		60 542 007	-	(287 562)	60 254 445
Property plant and equipment		1 778 132 356	1 816 939	-	1 779 949 295
Payables from exchange transactions		(957 857 663)	13 480 408	-	(944 377 255)
Consumer deposit		(4 179 346)	(10 077)	-	(4 189 423)
VAT Output Accrual		-	293 941 730	(347 320 696)	(53 378 966)
VAT Payable (Control)		-	(225 036)	(2 919 828)	(3 144 864)
Accumulated Surplus		1 250 230 212	13 710 721	-	1 263 940 933
		-	-	-	-

Statement of financial performance

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54. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		218 856 156	5 257 247	(40 400 782)	183 712 621
Availability charges			-	40 400 782	40 400 782
Employee related costs		(248 348 994)	(11 949)	-	(248 360 943)
Depreciation and amortisation		(77 209 669)	(75 011)	-	(77 284 680)
Contracted services		(149 445 662)	1 729 729	-	(147 715 933)
Operational expenditure		(137 241 697)	(3 848 598)	-	(141 090 295)
Gain on disposal of assets and liabilities		(4 782 216)	(99 531)	(1 487 705)	(6 369 452)
Inventories losses/write-downs		(4 443 597)	-	1 487 705	(2 955 892)
Surplus for the year		-	-	-	-

Narrations of errors

Service Charges

During the current financial year, the municipality reclassified availability charges amounting to R40 400 782, levied on consumers from revenue from exchange transactions (service charges) to revenue from non-exchange transactions since the revenue is levied to consumer regardless of consumption. The comparative amounts have been appropriately restated.

In addition, during the current financial year, the municipality noted that revenue from sale of pre-paid electricity was incorrectly recorded net of the commission charged by the agents selling the electricity on behalf of the municipality in contravention to requirements of GRAP 9, resulting in understatement of revenue from exchange transactions (service charges electricity) as well as understatement of the Operational expense (commission expense), VAT Output Accrual and VAT Input Accrual. More over, the sales collections for the last few days of June 2024 months were, incorrectly recorded in the 2025FY resulting in understatement of revenue and the corresponding Receivable from exchange transactions. The comparative amounts were restated and the effect of this reclassification and error are as shown below:

Expenditure

During the current financial year, the municipality identified some invoices relating to the purchase of transformers amounting to R1 991 463 (Excl VAT) that were incorrectly expensed upon recording of the invoices instead of being capitalised resulting in overstatement of contracted services expenses and understatement of electrical infrastructure assets as well as understatement of the depreciation expense. The comparative amounts have been appropriately restated by capitalising the omitted assets in the prior year & processing depreciation from the acquisition date to the year-end of 30 June 2024, as well as crediting the contracted expenditure vote. In addition, during the prior financial year, an unpaid invoice at year-end from Tetra Mobile for an amount of R1 113 (Excl VAT) was incorrectly duplicated upon accruing for it as at year-end resulting in overstatement of contracted services expenditure and payable from exchange transactions (accrued liabilities). The effect of the correction of the identified error is as follows:

Expenditure

During the current financial year, the municipality identified some invoices from Department of Water & Sanitation (DWS) amounting to a total of R386 591.81 that were captured on the creditors sub-module and were also incorrectly recognised as accruals twice via a journal (Jnl 39983 & 40016) resulting in overstatement of accruals liabilities and Operational expenditure

In addition, during the preparation of the current financial statements, it was discovered that an Invoice from Mkhondo Fire and Tetra Mobile (Invoice # IN106111 & INA50730 respectively, were captured twice in the 2024FY resulting in overstatement Liabilities (Trade Payable Accruals) by R16 359.37 and overstatement of Operational Cost (Professional Bodies, Membership & Subscription) by R13 112.54. The effect of the correction of the identified error is as follows:

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54. Prior-year adjustments (continued)

During the current financial year, the municipality discovered some invoices totalling R5 949.5 for the 2024 financial year relating to commission expense for community agents selling pre-paid electricity on behalf of the municipality were incorrectly recorded in the current financial year of 2025 resulting in understatement of expenditure in the 2024 financial year and understatement of payables from exchange transactions (Accruals) in the same prior year.

Gain on disposal of assets and liabilities

During the current financial year, we discovered some transport assets that were part of disposal listing in the prior years but were not derecognised from the Fixed asset register. The effect of the correction of the identified error is as follows:

Inventories

During the current financial year, the municipality discovered that there some invoices reversals for the purchase of non-stock items amounting to R1 678 739 (Inc VAT) for the 2023FY that were incorrectly posted in the stock control vote(stores module) instead of non-stock segment,resulting in an understatement of Inventory Consumables at year-end as well as understatement of Inventory consumables expense. The effect of the correction of the identified error is as follows:

Consumer Deposits

During the current financial year, the municipality identified that the consumer deposits liability per mscoaTB were overstated due to non allocations of deposits and withdrawals resulting in a total overstatement of the consumer deposits liability on the financial statements vs consumer deposit regisster by R10 077. The error was corrected retrospectively in the prior year and the effect of the correction is as shown below:

Payables from Exchange Transactions

Unallocated Deposits

During the current financial year, the municipality discovered that there was money collected on behalf of department of transport by the municipality acting on an agent basis and paid over to the department upon termination of the agreement more than 3 years back. However, the payable amount on the financial reporting system was not cleared from the records of the municipality resulting in overstatement of liabilities and understatement of accumulated surplus by a total of R 7 717 059.52. The error was corrected retrospectively in the prior year and the effect of the correction is as shown below:

Creditors on the Age Analysis but not owed by the municipality

During the current financial year, the municipality discovered that there were creditors that were still on the creditors age analysis with a total outstanding balance of R4 246 686.54, but the municipality fully paid them in the prior years. The error was corrected retrospectively in the prior year and the effect of the correction is as shown below:

Invoices captured twice on the system

During the preparation of the current financial statements, it was discovered that an Invoice from Mkhondo Fire and Tetra Mobile (Invoice # IN106111 & INA50730 respectively, were captured twice in the 2024FY resulting in overstatement Liabilities (Trade Payable Accruals) by R16 359.37 and overstatement of Operational Cost (Professional Bodies, Membership & Subscription) by R13 112.54, Contracted Services Expenditure by R1 113, and VAT Receivable Input Tax Accrual by R2 133.83

The error was corrected by debiting the Trade & Payables (Accruals) in the prior year and crediting the Operational Expenditure and Contracted Services. The effect of the correction is shown below:

Assets not capitalised in prior year

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54. Prior-year adjustments (continued)

The Municipality conducted full scale Assets Verification during the Financial year end 30 June 2025 and during the physical Verification there were assets that were identified on the floor(Ground) and could not be traced or linked to the 2024 Fixed Assets Register. Those Assets related to the Electricity Infrastructure purchases o , the documentation for those Assets were search during the Verifications and are were found to be for the 2023/24 Financial Period. The comparatives amount have been appropriately restated by capitalising the ommitted Assets in the prior year & processing depreciation from the acquisition date to the end of 30 June 2024 as well as crediting the contracted expenditure vote to effect the correction on the newly identified Assets .There were also assets that were on the old fixed assets Register which could not be linked to the Assets found on the floor, this Assets relate to assets which were auctioned in the previous year but were not disposed on the assets register. The Comparative amounts have been appropriately restated by capitalising the ommitted Assets in the Prior year, disposing all those Assets which were auction by Crediting the FAR(Cost) and Debit (Accumulated depreciation) and debit the Profit and loss Account.The effect of the identified error is as follows

Sundry Creditors

The Municipality conducted a review of accounts reported as Payables from exchange transactions against the mscoa data strings and noted that there are accounts amounting to 1 232 743 relating to accrued creditors which were incorrectly reported as sundry creditors, this has been correct by remapping the accounts to the correct line item.

Value Added Tax

To comply with the pronouncements of Fact Sheet 11 issued by the Accounting Standard Board (ASB), that deals with the classification of VAT, management restated the VAT account balances.

The VAT accrual amount arising from all expenditure incurred by the municipality in its day-to-day operations and recognised on accrual basis was therefore traced in the general ledger VAT accounts and reclassified within the same VAT liability accounts to align the reporting to the newly pronounced VAT classification requirements per Accounting Standards Board.

The VAT Input Accrual account does not represent amounts to be received or paid but rather amounts that are associated with transactions that are yet to be settled due to the accrual basis of accounting that is used in accordance with GRAP 1. As a result, separate presentations of the VAT Input accrual receivable and VAT Output Accrual Payable were done.

Due to the previous intricacy of the VAT accounts, with transactions posting in various VAT accounts, management performed a reasonability test by recalculating the VAT accrual receivable based on the Trade Payables Age Analysis on 30 June 2024, as well as the VAT Accrual Output (Payable) Based on the Debtors Age Analysis and adjusted the VAT accounts accordingly by reclassifying the VAT.

This resulted in a prior year reclassification of VAT Input Accrual (Receivable) by 393 724 040 from VAT Receivable Control and an adjustment of (R294 444 124) as shown in the above note.

In addition, there was a reclassification of VAT Output Accrual (Payable) amounting to (347 320 696) from VAT Receivable Control and an adjustment R293 941 729 due to the reclassification within VAT accounts.

Furthermore 2 919 929 was reclassified from VAT Receivable Control to VAT Payable Control and an adjustment of 225 036 was made to reconcile with the amount due to SARS per statement of account.

Other receivables from exchange

The Municipality conducted a review of accounts reported as Receivables from exchange transactions against the consumer debtors ageing linked accounts and noted that there are accounts amounting to 287 562 relating to Other receivables from exchange which were incorrectly reported as receivables from exchange transactions, this has been correct by remapping the accounts to the correct line item

Cash and cash equivalents

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54. Prior-year adjustments (continued)

During the current financial year, the municipality in revisited the whole cash & equivalents accounts in trying to resolve COMAF 15 of 2024 raised by the AGSA, and to avoid any recurrence, and identified that there were posting errors for the transactions from the Fuel Bank Account as the transactions were posting in the Cash on Hand accounts. This resulted in overstatement of cash & cash equivalents. The error was corrected retrospectively in the prior year by creating a designated Fleet Account votes where transactions were reclassified to

UIFW

During the current financial year, the municipality identified that there were some typing errors upon capturing amounts on the summary note for UIFW on Note 56, resulting in the amount disclosed on the summary not agreeing to the amounts on the audited register. The error was corrected by updating the amounts disclosed on the summary note.

Contingent Liabilities

The Municipality performed a review of the contingent liability register and determined that there were cases which erroneously included in the contingent liability note as they failed to meet the GRAP 19 test, Management has removed the cases and updated the note

Contingent Assets

The Municipality performed a review of the contingent assets register and determined that there was a case which was erroneously included on the note and a case which was not reported on the note, the error has been corrected and the note has been updated with active cases

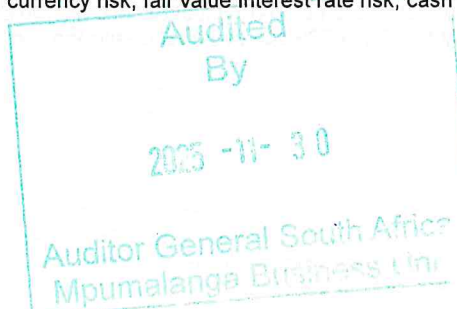
55. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Due to largely "non-trading nature" of activities and the way to which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs mainly apply. 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 Internal audit is responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body monitors the effectiveness of internal audit function. The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk



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55. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing 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 unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and available cash flow. Cash flow forecasts are prepared on monthly basis and adequately monitored. However as at 30 June 2025 the municipality was still unable to meet its financial obligation towards maintaining Eskom bulk account and Department of Water and Sanitation, which has accumulated balance of R 732 779 768 (Eskom) and R 140 072 661 (Department of water and sanitation) .This amount is included in the trade payables line items

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Financial instrument	2025	2024
Payables from exchange transactions	1 112 525 742	872 680 177
Consumer deposits	4 242 232	4 169 269

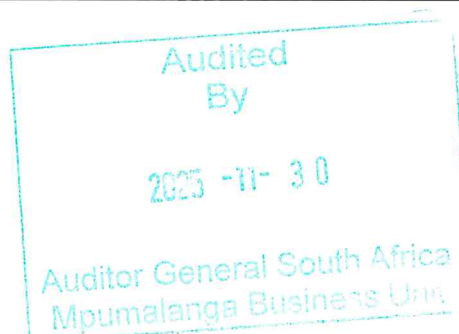
Maturity Analysis Financial Liabilities

Payables from exchange transactions

Current (0-30 days)	124 810 200	85 415 135
31-60 days	29 105 695	34 306 958
61-90 days	26 954 710	19 373 907
91-120 days	29 774 754	32 943 667
>121 days	901 880 383	700 640 510
Closing balance	1 112 525 742	872 680 177

Consumer Deposits

Current (0-30 days)	30 875	13 891
31-60 days	5 747	10 582
61-90 days	14 885	5 055
91-120 days	14 197	10 040
>121 days	4 176 526	4 129 700
Closing balance	4 242 230	4 169 268



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55. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality limits exposure by performing regular credit assessments and implementing a robust debt collection policy to manage the risk from trade and other receivables.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure of credit risk on cash deposits.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial instrument	2025	2024
Other Financial assets	58 079	53 982
Other receivables from exchange	2 123 333	1 671 666
Cash and cash equivalents	7 679 998	8 763 747
Receivables from exchange transactions - consumer debtors Current(0-30 days)	10 851 449	8 301 901
31-60 days	937 280	2 962 958
61-90 days	2 593 330	1 763 423
91-120 days	567 357	1 489 380
121-365 days	2 601 214	9 527 279
>365 days	5 702 373	36 659 111
Receivables from exchange transactions - consumer debtors Total	23 288 973	60 254 445

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10.50 %	23 288 973	-	-	-	-
Cash in current banking institutions	- %	7 679 998	-	-	-	-

56. Going concern

We draw attention to the fact that as at 30 June 2025, the municipality had an deficit of (109 317 642) (2024:(107 168 263))and that the municipality's total liabilities exceed its assets by 948 965 804 as at 30 June 2024 (2024 1 154 049 679).

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.

Even though the annual financial statements were prepared on the going concern assumption, the municipality identified some negative factors that affects the cash inflows and the ability to settle operational commitments thereby leading to uncertainties.

These factors include inter alia the following:

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56. Going concern (continued)

- The budget of the municipality is unfunded due to the operational and capital expenditure exceeding the income/funding.
- The municipality is operating on a deficit due to the operational expenditure exceeding the revenue.
- The current ratio (a liquidity measurement used to track how well a municipality may be able to meet its short-term debt obligations using its current assets) is poor (0.17:1) meaning the municipality is having trouble meeting its short-term obligations since the ratio is less than zero.
- The municipality is not able to pay its suppliers within 30 days as the Creditors payment period is 721 days
- The municipality is struggling with cash-collections from outstanding receivables due to non-payment by consumers, resulting in a high provision for doubtful debts. The Debtor's Impairment Provision at year-end as a percentage of accounts receivable is 90.6%.
- The Municipality had approximately 45% electricity loss which translated to R 80 964 826 during the 2023 – 2024 financial year. It was reported that the losses are mostly attributed to both technical and nontechnical losses. Technical losses are physical losses due to inherent characteristic of the electricity network, such as the resistance of wires and transformers, which convert some electrical energy into heat. The nontechnical are losses include meter tampering and bypassing, arranged false meter readings, and unmetered supply. The norm for the range for acceptable electricity distribution loss is 7% to 10% as set by National Treasury.
- In essence 35% of the electricity that the Municipality has purchased from Eskom in the 2023 – 2024 is unaccounted for by the Municipality. This is a lost revenue estimated at R 62 972 642 for the same period. The under recovery contributes to the Municipality not being able to honour the Eskom account thus resulting in the increase in the outstanding debt. The Eskom debt was reported to be R 709 077 396, and this will continue to increase unless there are significant systems and mechanism put in place to curb the revenue under recovery. The mechanism may include amongst others, meter audits, meter replacement, bill corrections, factor review and tariff review culminating with installation of zonal meters to identify areas of high losses as well as assisting with load balancing.

The following mitigating factors have been put in place to address and/or minimise the above uncertainties and improve the cash inflows and the financial viability of the municipality:

- The municipality has filled in the vacancy of a Revenue Manager who will meticulously be responsible for improving revenue collection rate and implementation of revenue enhancement strategy
- The Municipality also implemented some cost containment measures such as limiting overtime hours, reducing travelling and accommodation expenditure as well as some other contracted services with the aim of cutting down operational expenses and the deficit the municipality is in.
- More so, the municipality is capacitating the Revenue department so that they improve collection rate from outstanding receivables as well as billing. This includes sending out Customer statements timeously, disconnecting customers with long-outstanding debtors, clamping down on illegal connections.
- The Municipality intends on performing an audit for the 155 business consumers that do not have meters and 188 business consumers that have conventional meters. The audit will assist us in determining the size of the meters that needs to be bought for each property as per the size of the electricity breaker installed.
- The Municipality intends to procure 1000 locks for electricity meter kiosk which will immediately limit access to meter enclosures and therefore reduce tampering and illegal connections.

57. Events after the reporting date

The accounting officer is not aware of any adjusting or non-adjusting events after the reporting date:

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58. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	294 392 068	260 245 278
Fruitless and wasteful expenditure	68 839 502	91 363 158
Irregular expenditure	47 273 685	63 913 639
Closing balance	410 505 255	415 522 075

*Refer to reconciling notes in the annual report

59. Unauthorised expenditure

Opening balance as previously reported	260 245 278	161 114 830
Add: Unauthorised expenditure - current	195 261 630	99 130 448
Less: Amount written off - resolution 24/07/360AB and 24/12/400A	(161 114 830)	-
Closing balance	294 392 078	260 245 278

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	25 657 263
Cash	195 261 630	73 473 185
	195 261 630	99 130 448

Analysed as follows: non-cash

Loss on disposal of property, plant and equipment	-	452 649
Provision of impairment	-	25 204 615
	-	25 657 264

Analysed as follows: cash

Contracted services	56 428 926	49 871 272
General expenditure	34 122 775	11 596 311
Employee related costs	-	10 223 096
Finance cost	101 422 572	-
Inventory consumed	3 287 357	1 782 505
	195 261 630	73 473 184

Unauthorised expenditure: Budget overspending – per municipal department:

Technical services	74 272 359	50 223 815
Community services	-	5 251 788
Financial services	101 813 201	25 204 615
Executive and council	7 485 400	6 960 316
Afforestation	11 690 670	3 236 399
Administration and Governance	-	8 253 515
	195 261 630	99 130 448

Recoverability steps taken/criminal proceedings

The Unauthorised expenditure for the prior years up to the 2023 financial year was subjected to Forensic Investigation and based on the outcome of such Investigations, Council recommended that a cumulative amount of R 161 114 830 be written off on the basis that no person benefitted from it but it was for the benefit of the municipality..

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60. Fruitless and wasteful expenditure		
Opening balance as previously reported	91 363 158	51 771 758
Add: Fruitless and wasteful expenditure identified - current	29 248 102	39 591 400
Less: Amount written off - resolution 24/07/360AB and 24/12/400A	(51 771 758)	-
Closing balance	68 839 502	91 363 158

Details of fruitless and wasteful expenditure

Interest and penalties

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R51 771 758 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. The amount emanated from the liquidity problems the municipality is facing which resulted in interests and penalties due to failure to pay service providers within 30 days as stipulated in the MFMA section 65 (e) and 99 (b).

61. Irregular expenditure

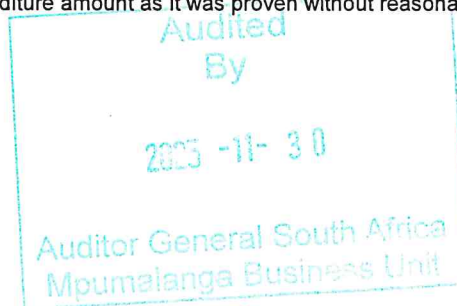
Opening balance as previously reported	63 913 639	51 708 060
Add: Irregular expenditure - current	3 142 793	12 205 579
Less: Amount written off - resolution 24/07/360AB and 24/12/400A	(19 782 747)	-
Closing balance	47 273 685	63 913 639

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Non-compliance with SCM regulations	No disciplinary or criminal proceedings have been taken	3 142 783	12 205 579

Amount recovered

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R19 782 747 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.



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62. Additional disclosure in terms of Municipal Finance Management Act

Other material losses

30 June 2025

Electricity losses for the current year amounted to 48% i.e. R65 680 771. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.

Non revenue water i.e. non billed water amounted to 36.86% i.e. R5 902 655. Water losses are due to aging infrastructure that causes leakages and unmetered consumption.

This problem is currently being addressed whereby additional meters are being installed.

30 June 2024

Electricity losses for the current year amounted to 48% i.e. R57 131 365. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.

Non revenue water i.e. non billed water amounted to 14% i.e. R1 527 741. Water losses are due to ageing infrastructure that causes leakages and unmetered consumption.

This problem is currently being addressed whereby additional meters are being installed.

Audit fees

Opening balance	12 368 088	10 661 546
Amounts invoiced	10 450 472	7 464 068
Interest charged	1 678 136	1 119 610
Amounts paid	(4 833 923)	(6 877 136)
	19 662 773	12 368 088

PAYE, UIF & SDL

Opening balance	33 218 542	16 851 731
Current year subscription / fee	48 153 283	43 922 689
Interest charged	4 071 986	5 300 924
Amount paid	(64 074 839)	(32 856 802)
	21 368 972	33 218 542

Pension and Medical Aid Deductions

Opening balance	8 207 387	3 479 996
Current year subscription / fee	63 391 348	57 943 378
Amount paid	(66 145 264)	(53 215 987)
	5 453 471	8 207 387

VAT

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

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62. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 2025:

2025	Outstanding more than 90 days	Total
Cllr. TW Tshandu	- 3 352	3 352
Cllr. BA Dlamini	- 33 586	33 586
Cllr. JR Sibiya	- 1 426	1 426
Cllr SD Thwala	- 9 160	9 160
Cllr NC Ndhlovu	- 7 718	7 718
	- 55 242	55 242
2024	Outstanding more than 90 days	Total
Cllr. M Dlamini	- 2 009	2 009
Cllr. BA Dlamini	- 31 342	31 342
	- 33 351	33 351

Supply chain management regulations

In terms of the Supply Chain Management Policy paragraph 50, the Municipality awarded a contract for the Appointment of a Reputable Service Provider for Supply and Delivery of Electrical Materials for a period of Thirty-Six (36) Months on an Ad-Hoc basis the contract value is on a rates basis. The director of the company of Zeph Group Mr D Xaba is married to Mrs GM Shongwe (Xaba) who is in the employment of the state employed at Mkhondo Local Municipality.

MR D Xaba declared the relationship to the Municipality on the MBD 4 on 12 June 2024.

In terms of the Supply Chain Management Policy paragraph 50, the Municipality awarded a contract for the Construction of eThandukukhanya Bulk Sewer Outfall Upgrade the contract value is R83 388 853. The director of the company of Zeph Group Mr D Xaba is married to Mrs GM Shongwe (Xaba) who is in the employment of the state employed at Mkhondo Local Municipality.

MR D Xaba declared the relationship to the Municipality on the MBD 4 on 11 October 2024.

In terms of the Supply Chain Management Policy paragraph 50, the Municipality awarded a contract for a Panel of service providers for Plant and Equipment Hire Services on a Wet Rate for a period of Twenty-Four (24) Months on an ad-hoc basis the contract value is on a rates basis. The director of the company of Zeph Group Mr D Xaba is married to Mrs GM Shongwe (Xaba) who is in the employment of the state employed at Mkhondo Local Municipality.

MR D Xaba declared the relationship to the Municipality on the MBD 4 on 18 June 2024.

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63. Deviation from supply chain management regulations

Paragraph 12(1)(d)(l) 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.

The following deviations were recorded during the year.

NO	Supplier	Service	Price	Purchase date	Order number	Reason
1	Auto House Piet Retief / Puma	Gearbox Repair work on an Isuzu D-Max Gen 6 Single Cab (KZH 370 MP), Replace Gear Oil, Repair Input Shift and Bearings	R 29 573.10	26/06/2025	031441	SCM Regulation 36(1)(a)(ii)(v) - such goods and services are produced or available from a single provider only and Impractical / impossible to follow official procurement processess.

64. Segment information

General information

Identification of segments

The municipality is organised and reports to council on the basis of seven major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.



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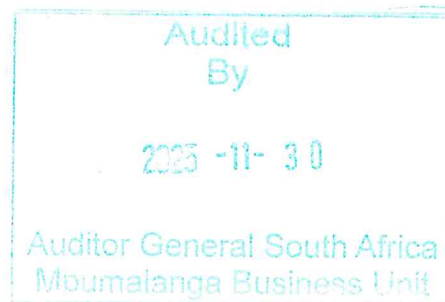
2024

64. Segment information (continued)

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Community Services	This segment consists of various departments with aligned objectives. It is responsible for community and social services, sport and recreation facilities, crime prevention and traffic enforcement.
Technical Services	This segment consists of various departments with aligned objectives. It is responsible for providing residents, business and industry with clean, safe and reliable drinking water, treatment of waste water; distribution of electricity to residential, commercial and industrial customers in eMkhondo and provide the link between Eskom and electricity consumers and also road maintenance.
Planning and Economic Development	This segment consists of various departments with aligned objectives. It is responsible for urban planning and development
Executive and Council	This segment is responsible for all aspects of governance of the municipality.
Budget and Treasury	This segment is responsible for all aspects of financial administration of the municipality. Various transactions are managed and administered centrally.
Corporate Services	The segment deals with administration and human resources.
Afforestation	This segments deals with the management of Municipality Forests



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64. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Afforestation	Budget and treasury	Community Services	Corporate Services	Executive and Council	Planning and Economic Development	Technical Services	Total
Revenue								
Revenue from exchange transactions	2 287 881	1 485 536	12 715 210	939 059	-	1 094 681	188 205 161	206 727 528
Revenue from non exchange transactions	-	87 414 903	4 198 370	306 931	331 487 940	-	231 423 819	654 831 963
Interest received	-	1 736 075	8 467 521	-	-	-	34 813 187	45 016 783
Interest received - taxation revenue	-	13 599 431	-	-	-	-	-	13 599 431
Total segment revenue	2 287 881	104 235 945	25 381 101	1 245 990	331 487 940	1 094 681	454 442 167	920 175 705
Entity's revenue								920 175 705
Expenditure								
Employee related costs	6 181 397	47 582 429	55 450 198	38 133 891	16 718 832	10 862 245	89 194 046	264 123 038
Remuneration of councillors	-	-	-	-	19 763 866	-	-	19 763 866
Finance costs	-	29 248 102	3 078 717	-	-	-	-	32 326 819
Depreciation, amortisation	-	-	32 756	74 904 092	67 774	-	5 071 603	80 076 225
Bulk purchases	-	-	-	-	-	-	206 582 209	206 582 209
Contracted services	46 956 711	30 820 040	8 858 836	506 530	12 133 840	465 400	46 956 611	146 697 968
Other	1 204 657	245 642 671	6 735 592	6 690 113	14 372 844	872 427	116 612 405	392 130 709
Total segment expenditure	54 342 765	353 293 242	74 156 099	120 234 626	63 057 156	12 200 072	464 416 874	1 141 700 834
Total segmental surplus/(deficit)	(52 054 884)	(249 057 297)	(48 774 998)	(118 988 636)	268 430 784	(11 105 391)	(9 974 707)	(221 525 129)
Loss on disposal of assets and liabilities								(7 276 429)
Fair value adjustment								12 409 355
Impairment loss								(58 657 962)
Inventories losses/write-downs								(7 643 642)
Reversal of impairment								70 333 196
Entity's surplus (deficit) for the period								(212 660 670)

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2025 -11- 30

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Mkhondo Local Municipality

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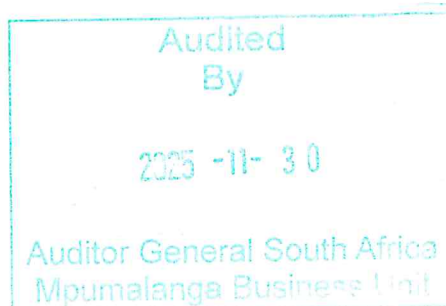
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	Afforestation	Budget and treasury	Community Services	Corporate Services	Executive and Council	Planning and Economic Development	Technical Services	Total
64. Segment information (continued)								
Assets								
Current Assets	(79 859 078)	1 354 313 851	(199 677 921)	(61 499 363)	1 908 478 024	(2 415 727)	(3 325 479)	207 386 605
Non current Assets	60 033 865	(186 256 065)	63 626 810	(101 726 907)	3 347 836	-	2 184 820 797	2 023 846 336
Total segment assets	(19 825 213)	1 540 569 916	(136 051 111)	(163 226 270)	1 911 825 860	(2 415 727)	2 181 495 318	2 231 232 941
Total assets as per Statement of financial Position								2 231 232 941
Liabilities								
Current Liabilities	(40 247 504)	142 684 977	(72 552 339)	(182 721 625)	(61 355 726)	(13 251 765)	(999 138 267)	1 226 582 249
Non current Liabilities	(41 819)	(51 437 115)	(1 970 175)	(59 485)	(11 904)	(12 692)	(1 791 576)	(55 324 766)
Total segment liabilities	(40 289 323)	91 247 862	(74 522 514)	(182 781 110)	(61 367 630)	(13 264 457)	1 000 929 843	1 281 907 015
Total liabilities as per Statement of financial Position								(1 281 907 015)

2024

	Afforestation	Budget and treasury	Community Services	Corporate Services	Executive and Council	Planning and Economic Development	Technical Services	Total
Revenue								
Revenue from exchange transactions	809	1 338 103	15 787 563	1 121 494	-	1 026 101	177 159 710	196 433 780
Revenue from non exchange transactions	-	87 884 886	6 571 500	432 762	325 789 240	-	198 728 876	619 407 264
Interest received	-	2 766 506	9 145 675	-	-	-	36 540 886	48 453 067
Interest taxation revenue	-	14 560 174	-	-	-	-	-	14 560 174
Total segment revenue	809	106 549 669	31 504 738	1 554 256	325 789 240	1 026 101	412 429 472	878 854 285
Entity's revenue								878 854 285



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64. Segment information (continued)

Expenditure									
Employee related costs	7 268 781	28 964 694	57 780 257	39 470 430	16 616 438	8 108 845	90 151 498	248 360 943	
Remuneration of councillors	-	-	-	-	18 675 989	-	-	18 675 989	
Finance costs	-	39 591 400	3 351 667	-	-	-	-	42 943 067	
Depreciation, amortisation	-	246 704	5 062 622	7 670 676	2 637 011	-	61 667 698	77 284 711	
Bulk purchases	-	-	-	-	-	-	182 082 205	182 082 205	
Contracted services	9 196 722	25 081 236	45 337 778	370 354	9 074 338	488 972	58 166 533	147 715 933	
Other	1 765 463	56 517 885	25 322 352	7 710 468	24 046 065	722 069	141 144 461	257 228 763	
Total segment expenditure	18 230 966	150 401 919	136 854 676	55 221 928	71 049 841	9 319 886	533 212 395	974 291 611	
Total segmental surplus/(deficit)	(18 230 157)	(43 852 250)	(105 349 938)	(53 667 672)	254 739 399	(8 293 785)	(120 782 923)	(95 437 326)	
Gain (loss) on disposal of assets and liabilities								(6 369 451)	
Fair value adjustments								2 448 222	
Inventories losses/write-downs								(2 448 222)	
Entity's surplus (deficit) for the period								(102 314 450)	
Assets									
Current Assets	(58 083 283)	(1 100 718 823)	(169 930 470)	(61 289 863)	1 611 101 986	(2 275 266)	3 117 197	221 921 478	
Non current Assets	47 483 572	(189 605 651)	63 216 277	(25 106 405)	3 415 610	-	2 112 800 862	2 012 204 265	
Total segment assets	(10 599 711)	(1 290 324 474)	(106 714 193)	(86 396 268)	1 614 517 596	(2 275 266)	2 115 918 059	2 234 125 743	
Total assets as per Statement of financial Position								2 234 125 743	
Liabilities									
Current Liabilities	16 360 676	(223 721 082)	116 656 224	178 893 964	71 432 368	12 959 069	850 460 166	1 023 041 385	
Non current Liabilities	-	48 175 503	1 282 372	-	-	-	-	49 457 875	
Total segment liabilities	16 360 676	(175 545 579)	117 938 596	178 893 964	71 432 368	12 959 069	850 460 166	1 072 499 260	
Total liabilities as per Statement of financial Position								1 072 499 260	

Measurement of segment surplus or deficit, assets and liabilities

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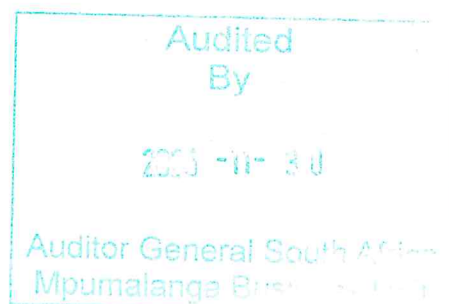
Notes to the Annual Financial Statements

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64. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.



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65. Accounting by principals and agents

The entity a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:

The municipality is the principal in a Principal Agent Relationship with Contour Technologies and Spectrum Utility Management (Pty) Ltd.

The Municipality (the Principal) has a principal-agent relationship with a service provider (Contour Technologies (Pty) Ltd) and Spectrum Utility Management (Pty) Ltd which directs the service providers (Agents), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit. These transactions relate to the selling of prepaid electricity to the Municipality's consumers. Contour Technologies (Pty) Ltd and Spectrum Utility Management (Pty) Ltd collect all cash relating to the sale of the prepaid electricity which is sold through its vendors in a bank account operated by them and remit all funds due to the Municipality after deduction of any application costs and fees. The agreement between the Municipality and Contour Technologies ended on February 2025

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

During the period the Agent transferred an amount of R84 773 251 and withheld commission of R7 710 252 to the Municipality bank account.

Spectrum Utility Management (Pty) Ltd

Total Sales Revenue Inc VAT

Less: Commission Spectrum @9%

Less: Licence Fess withheld

Less: TDI Charges

82 144 442	10 274 504
(6 428 833)	(789 757)
(5 434 728)	(1 104 480)
(167 084)	(162 374)

70 113 797	8 217 893
------------	-----------

Contour Technologies

Total Sales VAT Inc

Less: Commission Contour @ 5%

Online Sales Commission

15 940 872	42 054 994
(916 600)	(2 418 164)
(364 820)	(1 058 840)

14 659 452	38 577 990
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Fee paid

Fee paid as compensation to the agent

7 710 252	3 207 944
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66. New standards and interpretations

66.1 Standards and interpretations issued, but not yet effective

In accordance with GRAP 3.32 and GRAP 3.33, the municipality discloses information on Standards of GRAP issued but not yet effective at reporting date.

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

GRAP 104 (as revised): Financial Instruments

The Accounting Standards Board has issued a revised Standard of GRAP on *Financial Instruments*, which will replace the existing GRAP 104 with the effective date of 01 April 2025.

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Notes to the Annual Financial Statements

66. New standards and interpretations (continued)

The revised Standard introduces new principles for the **classification, measurement, and impairment** of financial assets and liabilities, as well as enhanced disclosure requirements on financial risk management.

Expected Impact

Management has assessed the potential effect of implementing the revised GRAP 104 and anticipates the following:

The municipality currently classifies financial assets and liabilities based on legacy GRAP 104 categories. Under the revised standard a principles-based **classification model** based on the entity's business model for managing financial assets and the characteristics of contractual cash flows will be used.

The **expected credit loss** model will replace the current incurred-loss model for impairment of financial assets.

This will result in **earlier and possibly higher impairment provisions**, particularly on long-outstanding **consumer and trade receivables**.

Based on preliminary estimates, impairment provisions may **increase**, depending on future collection trends and credit risk profiling.

Enhanced disclosure requirements to improve transparency regarding credit risk, liquidity risk, and market risk exposures.

At present, management does not anticipate a material effect on the municipality's overall financial position; however, a moderate impact is expected on the recognition of impairment losses and related disclosures.

No significant impact is expected on the classification or measurement of financial liabilities.

