



**MHLONTLO LOCAL
MUNICIPALITY**

**FINAL ANNUAL REPORT
2021/22**

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CHAPTER 1

**MAYORS FOREWORD
& EXECUTIVE SUMMARY**

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

MAYOR’S FOREWORD

The annual report for the year under review will outline in detail, the activities and the programmes our municipality embarked on. It will also give an account on the use of the budget and how these resources were used to impact positively on the quality of the lives of people living within the boundaries of Mhlontlo Local Municipality. We will provide in this report details of development projects in housing, electricity, water and local economic development initiatives that together impacted positively on the lives of all residents of Mhlontlo.

Developing our communities, creating jobs and improving the quality of service delivery to our residents will remain top priorities for the municipality for a long time to come. Equally so, the report will also provide information on how we sought to transform and strengthen the management team in order to position ourselves to serve the people of Mhlontlo better. This was not only in organizational restructuring and the appointment of new staff, but also in piloting new policies designed to empower the communities we serve and to continue to shift old paradigms, both in political leadership and management.

We are looking forward to an even more successful 2021-2022 financial year. With this report we further confirm our commitment to be a democratic, participatory and transparent local government. We hope this annual report will provide you with the information and answer questions you may have on what the municipality did with your mandate and public funds in 2021-2022 financial year.

In order to significantly contribute to the economy through our activities, in line with our Provincial Growth and Development programme, we would need to step our performance on what we have achieved, and put corrective measures where we have not lived up to expectations. To this, we shall re-channel both human and financial resources to where they are needed most.

The Auditor General’s report instructs our administration to put more effort in order to properly manage state resources. We are hopeful that we will move towards improvement in this regard.

I take this opportunity to thank the hard-working staff led by the municipal manager, my colleagues and fellow councillors as well as all the people of Mhlontlo who supported us and made these milestones achievable. Together we can and must do more to make Mhlontlo a better place for all who live in it.

a. Vision:

The roadmap that Mhlontlo Local Municipality assumed since the inauguration of this current term of office has come to an end. The baton will be given to the new Council to ensure that service delivery is enhanced. We have had our fair share of challenges nonetheless our vision kept us alive in ensuring that it is realized. The municipality has managed to incorporate views of the communities through IDP and Budget engagement sessions over the term. Ward Committees which are a vital link between Ward Councillors, the community, and the municipality assisted in influencing municipal planning in a manner that best addresses their needs.

It will be amiss of the institution not to mention that our budget has been negatively affected by COVID 19 which has not only affected the municipality but the community at large as most people have lost their lives, our economy has been badly affected nevertheless we have been very active in the Local Economic Development space, despite the challenges as a result of the resurgence of the Covid 19 pandemic, which led to an almost complete shutdown of our local economy.

b. Key Policy Developments:

The Mhlontlo Local Municipality has identified its key development objectives to be implemented over several years as some are easy to achieve and find the expression of being categorised as quick wins, whilst some are realised through the medium-term and long-term. The Mhlontlo Local Municipality is committed to:

- Provide Basic Services and Infrastructure.
- Improve the institutional systems.
- Promote economic growth through Agriculture, Tourism and Mining.
- Promote sustainable community livelihood.
- Promote comprehensive Rural Development.
- Improve financial management.

c. Key Service Delivery Improvements:

During 2021/22 financial year the municipality had planned to construct 50.24 km of new gravel access roads of which 17.8 km was completed as at 30th June 2022 and 32,44 was still work in progress. 49.9 kilometers of gravel access roads were rehabilitated. The state of roads within the municipal space is not good, more focus still needs to be given to them.

During the financial year under review, Mhlontlo LM had legal battles varying from those that are labour related to those pertaining to land invasion and projects related. All litigations, in their very nature, draw huge sums of money from the affected party as it was the case with Mhlontlo LM. The Municipality mostly defended rather than being the complainant. The municipality still struggles understanding with Balasi Community land claimants who forcefully continue erecting structures despite legal document, that is, Court Order issued against them. This is not limited to this as the Municipality is currently exposed to a huge amount of R48m litigation by Tsolo TDH, a developer suing the municipality under the pretext that the municipality was obliged to provide bulk services. Unfortunately, the matter is still to be heard at the Supreme Court of Appeal (SCA).

The Municipality is a beneficiary of Mzimvubu Multi-Purpose Project where two dams of Ntabelanga and Lalení would be constructed as per the pronouncement preceding 2014 National General Elections. Feasibility study and Environmental Impact Assessment have been completed. However, social facilitation meeting was done with the traditional leadership of O R Tambo District Municipality, Joe Gqabi and Alfred Nzo.

d. Public Participation:

Public participation is one of the political underlying principles in ensuring empowerment of citizens to better articulate their will and needs directly to political representatives and public officials. Public participation promotes good governance as it bears some elements of corporate governance such as responsibility, accountability, and transparency in delivering services. An open systems approach used by Mhlontlo Local Municipality mostly boosted the morale of the citizenry.

e. Future Actions:

Infrastructure development remains a fundamental aspect of assessing the impact on the implementation of SDBIP. Anyway, it must be clear that all municipalities are judged by the infrastructure roll-out projects. The communities are interested in projects that range from access roads, housing units, electrification, storm water drainage, as well as water and sanitation. Through the years the municipality had received INEP grant as schedule 5b (allocated direct to the municipality) and schedule 6 (allocated to Eskom) to address electricity backblock in our municipal space as a result historic backlog has been completely addressed. Currently the municipality is dealing with infills and extensions. It is a well-known fact that the mandate to address water and sanitation belongs to the district. Surfacing of all urban roads and well-planned storm water drains is a priority of the municipality. This statement does not, in any way try to

underestimate construction of rural access roads. However, it is always important to devise strategies that assist in attracting investors. This attraction could possibly be achieved through changing the outlook of urban areas. The KwaMadiba Small Scale Hydro Power (SSHP) that was reported to have been funded by the Department of Science and Technology which commissioned University of Pretoria for implementation has been completed and handed to the municipality and the plans to intergrade it to the main grid are underway.

Local Economic Development, Planning and Rural Development (LEDPARD), as a key element to enhance SMME development, job creation and economic growth remains a priority of the municipality. The municipality has adopted the LED strategy which is an enabler to achieving objectives of the institution.

f. Agreements / Partnerships:

Many of the agreements/ partnerships Mhlontlo Local Municipality has, are more focusing on skills revolution. This is an initiative which seeks to find the municipality on the right place in terms of the implementation of Skills Development Act. It does not only focus on employees, but also on unemployed, especially, the youth. Deliberately, the municipal learnerships have a focus on unemployed graduates. Bursaries were also granted to the municipality to assist in skilling of councillors and officials. Amongst the SETAs reported during the year under review are Local Government Sector Education and Training Authority, which is commonly referred to as LGSETA, Services SETA, TETA and AGRISSETA. There are also existing partnerships with government departments that include Department of Energy (DOE), Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), Department of Sport Recreation Arts and Culture (DSRAC), Department of Transport, as well as parastatals such as Eskom and Telkom.

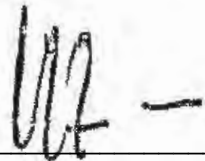
g. Conclusion:

The achievements articulated in the 2021/22 would not have been possible without the support and full commitment of Mhlontlo Council as a collective, and the administration as led by the Municipal Manager.

It should be borne in mind that the playing field has not been always level, as resource allocation to the municipalities differs according to the total amount given by the National Treasury through Grants and Equitable Share (EQ).

(Signed by :)

Mayor



COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

The municipality received a qualified audit opinion from its external auditors with several matters being emphasised by the Auditor General. All recommendations of the AG are being seriously adhered to and a detailed audit action plan was developed to keep regular monitoring of all compliance matters and the implementation of recommendation.

During the financial year under review, Mhlontlo Local Municipality tirelessly worked to meet the Constitutional mandate of the local government as set out in section 152. That was done through the adoption of Integrated Development Plan and Budget and implementation of the Service delivery and Budget Implementation Plan (SDBIP with clearly defined objectives to achieve. The institution also adopted organisational structure which is always a vehicle to implement and obtain predetermined objectives. This means that the Municipality, during the year under review, had all its focus based on legislative framework such as Municipal Structures Act, Municipal Systems Act, Municipal Finance Management Act and the other relevant Regulations and Circulars. Some objectives were realised whilst some were rearranged or revised during adjustment budget period.

In ensuring reaching out to the people, the municipality vigorously implemented its public participation programme successfully as all wards were visited through the office of the Speaker in collaboration with the Chief whip as well as the Mayoral Imbizos. Inter-denomination service prayer which takes form of public participation was conducted at Tsolo Junction in preparation for Good Friday and Easter Holiday. The event in question was co-ordinated in collaboration with religious fraternity.

Special Programmes Unit managed to facilitate programmes for all designated groups such Youth, Children, Disabled and Women. There is an ongoing support to both HIV/AIDS infected and affected people. Moral Regeneration programmes were conducted with the sole intention of rebuilding and recollecting the degenerated social fabric. Care for the elderly people was given through participation in Golden games at all levels.

The Municipality has been able to honour its current liabilities and debts as the annual financial statements reflect. Governance structures such as council and its committees, especially Audit Committee, played a crucial role in ensuring that the Municipality remains credible to the entire society. The municipality, though at a minimal capacity as attested to by the external auditors, has utilised its Internal Audit Unit to diagnose and recommend possible solutions to deal with internal weaknesses. O R Tambo District Municipality assisted by sending the Internal Audit team to deal with risk-wide management as Mhlontlo LM does not have Risk Management Unit.

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

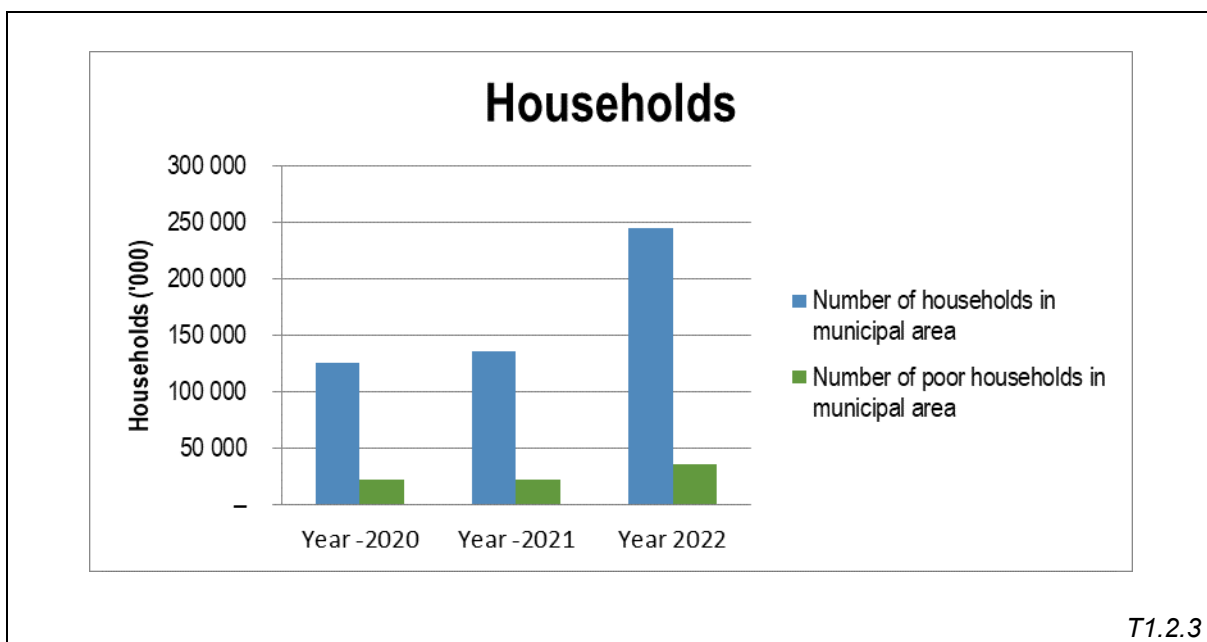
INTRODUCTION TO BACKGROUND DATA

Mhlontlo Local Municipality comprises of 48 900 households with a population totalling to 195 300. The municipality is mostly rural with 26 wards and two business centres (Tsolo and Qumbu). Revenue generation is a challenge as a result the municipality depends on grant funding for provision of services and its operations.

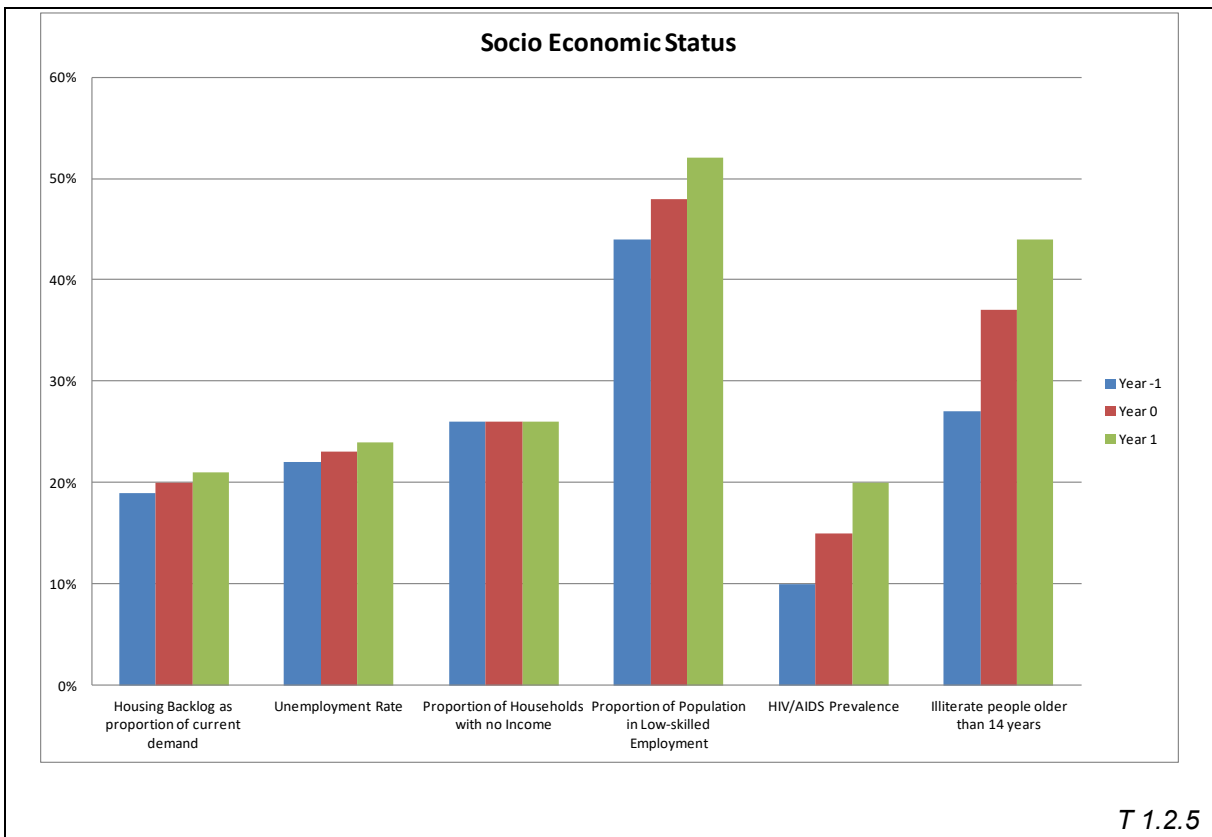
Mhlontlo local municipality is responsible for provision of electricity, roads, refuse removal, local economic development, storm water drainage and general planning. Water and sanitation are a responsibility of the district municipality whereas the provision of housing is being done by the department of human settled.

Population Details									
Age	Population '000								
	Year -2020			Year -2021			Year 2022		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	11 700	10 900	22 600	11 700	10 900	22 600	11 400	10 900	22 300
Age: 5 - 14	24 000	22 200	46 200	24 000	22 200	46 200	24 000	22 200	46 200
Age: 15- 24	19 390	16 240	35 630	19 390	16 240	35 630	19 260	16 190	35 450
Age: 25 - 34	13 910	14 080	27 990	13 910	14 080	27 990	14 090	14 190	28 280
Age: 35 - 44	7 600	10 820	18 420	7 600	10 820	18 420	7 970	11 030	19 000
Age: 45 - 54	5 710	10 080	15 790	5 710	10 080	15 790	6 860	10 130	16 990
Age: 55 - 64	4 080	9 180	13 260	4 080	9 180	13 260	4 230	9 330	13 560
Age: 65 - 74	2 490	5 000	7 490	2 490	5 000	7 490	2 460	5 140	7 600
Age: 75+	1 680	4 710	6 390	1 680	4 710	6 390	1 690	4 770	6 460

Source: Statistics SA T 1.2.2



Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2020	58%	43%	4%	56%	9%	15%
2021	58%	43%	4%	56%	9%	15%
2022	58%	43%	4%	56%	9%	15%



Overview of Neighbourhoods within 'Name of Municipality'		
Settlement Type	Households	Population
Towns		
Qumbu	2 500	20 000
Tsolo	2 000	10 000
Sub-Total	4 500	30 000
Townships		
Ext 1 Tsolo	1 000	5 000
Ext 2 Tsolo	400	160 000
Sub-Total	1 400	165 000

Overview of Neighbourhoods within 'Name of Municipality'		
Settlement Type	Households	Population
Rural settlements		
26 wards (which consists of at least 10 administrative areas per ward)	49	196 000
Sub-Total	49	196 000
Informal settlements		
langeni	500	2 500
Qumbu	500	2 500
Tsolo	500	2 500
Sub-Total	1 500	7 500
Total	5 949	391 000
<i>T 1.2.6</i>		

Natural Resources	
Major Natural Resource	Relevance to Community
Land	Future development and growth of the existing communities
Indigenous forests	Langeni & Ngandu forests
Water	Necessary basic service and pillar to the very existence of life
Sand	Financial benefit to community trust
<i>T 1.2.7</i>	

COMMENT ON BACKGROUND DATA:

There are financial and economic opportunities that can be derived from the indigenous forests and sand within the municipal area.

The challenge is that the municipality is not yet involved in nurturing and stewarding these resourced to contribute to the GDP of the municipality.

T 1.2.8

1.3. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

Service delivery is about providing basic services to the communities within the municipal space. These services include construction of roads, provision of water, sanitation, electricity, solid waste management, building decent houses and provision of social infrastructure in a form of (community hall, pre-schools, and sporting facilities). Services are not limited to that, but some are a mandate that is with other government departments and SOEs. The municipality has not and is still too far from satisfactorily providing services due to historic backlogs that continue haunting the communities of Mhlontlo.

Mhlontlo local is using grant funding (MIG, INEP EPWP and a portion of the Equitable share) to provide services to the communities as a result the pace is not in line with the competing needs of the community.

During 2021/22 financial year the municipality had managed to construct and complete 17.8 kilometers of gravel access roads, 32,44 kilometers was still work in progress at the end of financial year and all the projects are planned to be completed during 2022/23 financial year.

In terms of electricity roll-out the municipality is doing relatively well, 100% of the historic backlog has been completely addressed. Infills and the extensions is the new challenge facing the municipality in terms of electricity rollout. There are no clear targets in terms of backlog, the cost per connection has doubled due to density issues in the newly developed areas and the capacity in the bulk network is also a challenge. In most areas the bulk lines need to be upgraded before connection of new houses.

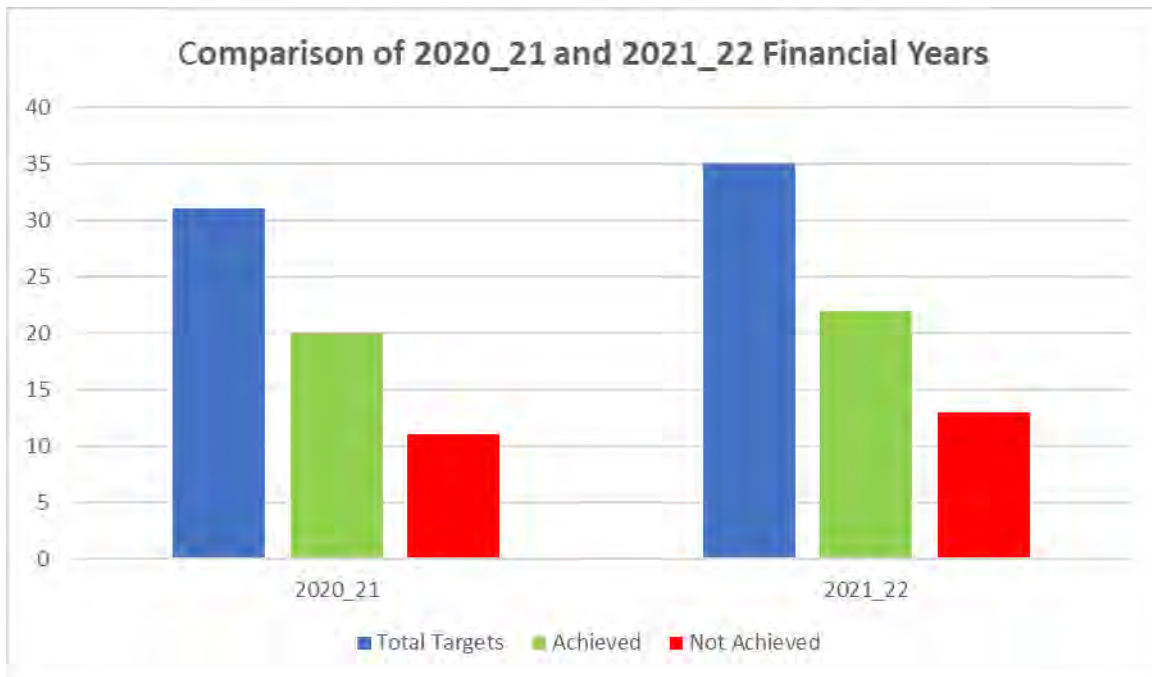
The municipality is having a high backlog around provision of social infrastructure in a form of sporting facilities, community hall and preschools. During the development of the new IDP (2022/27) the municipality had prioritized provision of community facilities in a form of pre-schools and community halls as a result planning and feasibility studies are underway. On provision of sporting facilities performance of service providers and contract management has been a challenge. Training of the personnel on contract management had since been conducted and also some of the contracts for the service providers that were not performing had since been terminated. Construction of Mvumelwano and Qumbu sports field was still in progress at the end of the financial year, completion is scheduled for 2022/23 financial year.

The Department of Roads and Transport operate within the municipality to ensure maintenance of roads and bridges, and the information is provided through Roads Forum. The intervention programmes such as the inhouse team from the department of transport and other intervention by SANRAL to assist in the construction and maintenance of roads that are leading to schools and Clinics.

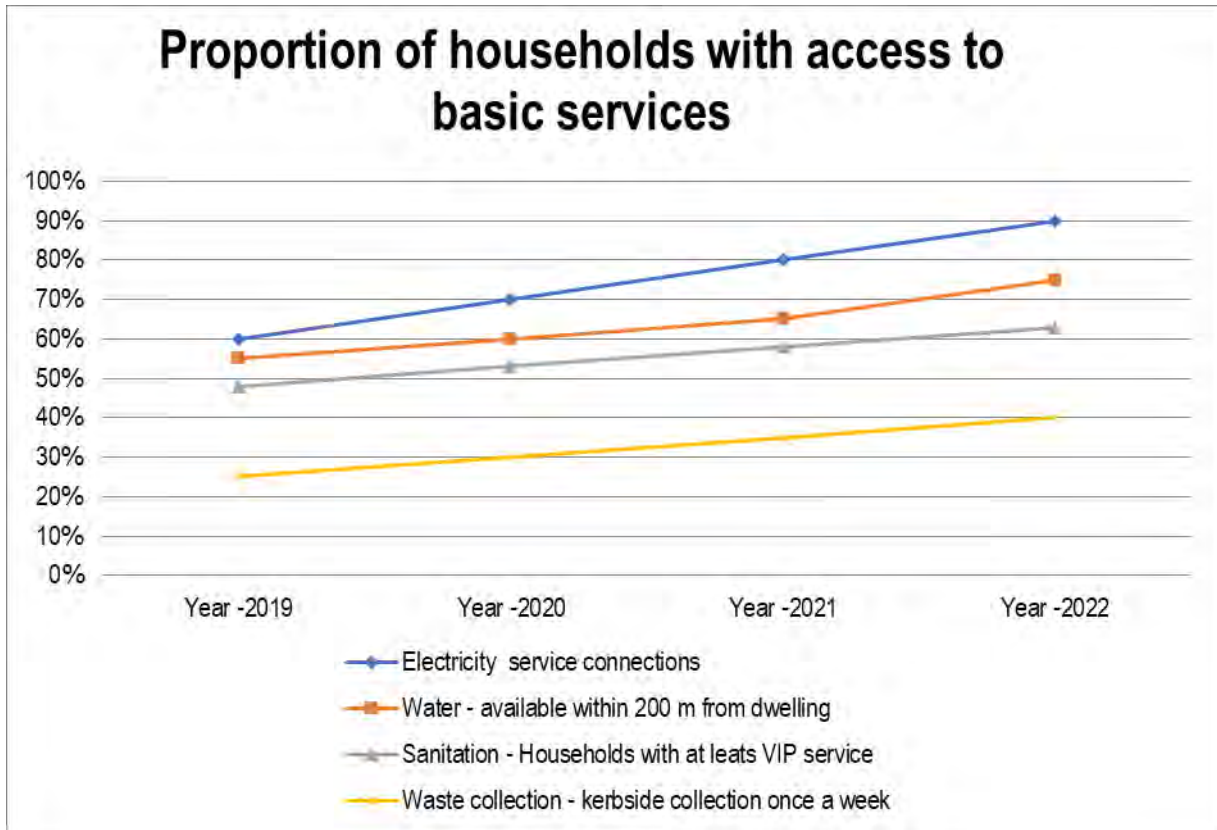
The District Municipality is both a Water Service Authority and a provider. Water and Sanitation is a funded mandate of the OR Tambo District municipality for both development of new infrastructure and maintenance. During the year under review, the municipality has experienced dire water shortages to an extent of having communities forced to purchase due to either poor workmanship on the existing water schemes and infrastructure or poor monitoring of the schemes. Currently wastewater and sewer collection remain a challenge in both towns within the municipal jurisdiction. Wastewater treatment works is currently under construction in Tsolo whereas it is still under planning in Qumbu as a result the state of the roads network is affected negatively.

Department of Human Settlements (DoHS) is responsible for budgeting for houses that are to be built within the municipal area. The coverage is below demand as there is a slow programme when the projects are on construction. The municipality works with DoHS through housing strategy to ensure that houses identified for housing construction are informed by Housing Sector Plan.

For the 2021/22 financial year, the department of Infrastructure Development Services set itself thirty-seven (35) targets. The department managed to achieve twenty-five (22) of those, whilst twelve (13) were not achieved due to various reasons that are ascribed and attributed on the quarterly reports.



T 1.3.1



T 1.3.2

COMMENT ON ACCESS TO BASIC SERVICES:

Service delivery had been affected by the number of issues ranging from:
 Poor performance of service providers,
 Disruptions by community business forum that constantly stops the construction process demanding to be appointed,
 Bad weather conditions and delays in materials delivery by third parties had affected the implementation of projects.

The incomplete projects will be rolled over to 2022/23 financial year for completion.

T 1.3.3

1.4. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The year under review has been an extremely difficult year with COVID-19 after effects extremely affecting the economic climate and activities in the country as a whole. The Statement of Financial Performance and the Statement of Budget Comparison clearly indicate in the table below that an actual operating deficit of R3 million realised compared to an operating surplus of R78 million in the prior year.

A huge demand is placed on the limited financial resources due to ageing infrastructure that requires maintenance and the municipality is unable to fully maintain the infrastructure.

However, the Municipality had an accumulated surplus of R 659 806 367 at 30 June 2022 and total assets exceeded its total liabilities by R659 806 367.

The annual financial statements have been prepared on the basis of accounting policies applicable to

a going concern. This basis presumes that funds will be available to finance future operations and that

the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur

in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent on a number of factors. In

assessment whether the going concern assumption is appropriate under the current economic climate

resulting from the COVID-19 pandemic; management considered a wide range of factors including the

current and expected performance of the Municipality, the likelihood of continued government funding

and, if necessary, potential sources of replacement funding.

The assumption is further based on the fact that the Municipality has a constitutional mandate to levy

property rates and service charges to enable the Municipality to be considered a going concern even

though the Municipality is unable to collect all monies due, we have assumed that the municipality will be operational over the short and medium term in a state where liquidity will be under pressure.

The Municipality has not defaulted on payment of creditors. The Municipality do have the ability to operate as a going concern and to continue rendering services to its community.

T 1.4.1

Financial Overview: 2021-2022				R' 000	
Details	Original budget	Adjustment Budget	Actual		
Income:					
Grants	208 751	208 712	271 854		
Taxes, Levies and tariffs	850	517	877		
Other	24 474	33 103	33 278		
Sub Total	139	919	037		
	8 178	10 958	11 233		
	954	571	994		
Less: Expenditure	241 404	252 775	316 366		
Net Total*	230	317 630	319 406		
	287	719	072		
* Note: surplus/(defecit)					T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	34%
Repairs & Maintenance	7,0%
Finance Charges & Impairment	0,1%
T 1.4.3	

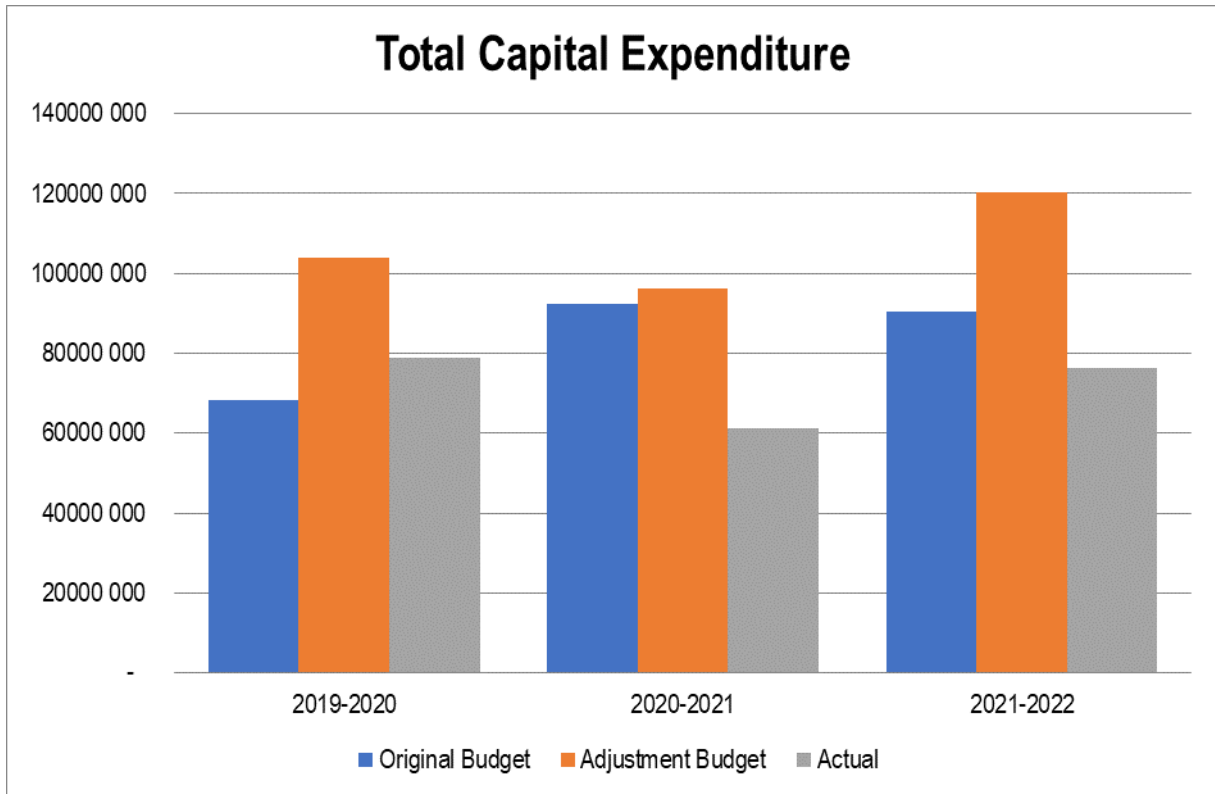
COMMENT ON OPERATING RATIOS:

Employee costs' ratios were sitting at 34% compared to expected norm of 25% to 40%. The Municipality's spending on repairs and maintenance as a percentage of operating expenditure is 7% which is within the expected norm of 7% to 8%.

Finance charges and impairment represent 0,1% of total expenditure. This is mainly due to an decreased impairment on debtors, and debtors are not serving their accounts.

T 1.4.3

Total Capital Expenditure: 2019-2020 to 2021-2022				R'000	
Detail	2019-2020	2020-2021	2021-2022		
Original Budget	68 198 489	92 289 689	90 499 726		
Adjustment Budget	103 861 064	96 157 357	120 329 199		
Actual	78 800 641	61 094 808	76 283 721		
					T 1.4.4



T 1.4.5

COMMENT ON CAPITAL EXPENDITURE:

The municipality’s performance on capital projects increased by 20% compared to last year’s capital expenditure.

T 1.4.5.1

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The municipality has strived to ensure that the organisation has been developed through various training programmes and new systems were introduced.

Organization Development (OD) is about improving performance at the individual, group, and organization levels. It is about improving the organization’s ability to effectively respond to changes in its external environment, and it’s about increasing internal capabilities by ensuring the organizational structures, human resources systems, job designs, communication systems, and leadership/managerial processes fully harness human motivation and help people function to their full potential.

The Organizational Development is a key transformation agent dealing with the structure and workforce of the Municipality to ensure that it remains aligned to its service delivery requirements.

One of the major challenges is that posts have not been formally evaluated through job evaluation and employees on new posts have not been fully capacitated but they acquired knowledge through on the job training. To resolve the major challenge of job evaluation will be to appoint an experience suitable qualified service to evaluate all posts through TASK System as approved by SALGA.

As part of capacitating individuals who have been placed in newly created positions, it is important that we move our focus to improving their skills by ensuring that they have access to various training programmes as part of skills development in order to ensure that staff members can perform their duties effectively.

T 1.5.1

1.6. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT: YEAR 2022

The Auditor General conducted the 2021/2022 Audit as per the requirements of Section 21(1) of the Public Audit Act of South Africa read in conjunction with Section 188 of the Constitution of the Republic of South Africa and Section 121 (3) of the Municipal Finance Management Act of South Africa.

The municipality regressed to a qualified audit opinion. The report is attached. An audit action plan has been developed, and will be monitored.

This report serves as a yard stick of measuring the financial health of an institution and compliance with laws and regulations as provided.

We however are equally mindful of the requisite and critical task of striking a healthy balance between attaining clean governance that is accompanied by a clean bill of financial affairs and striving with intense agility to equally address the chronic underdevelopment in our communities, of particular importance the rural communities.

T 1.6.1

1.7. STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	August 2021
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4 th quarter Report for previous financial year	
4	Submit draft 20/21 Annual Report to Internal Audit and Auditor-General	
5	Audit/Performance committee considers draft Annual Report of the municipality	31 August 2021
6	Mayor tables the unaudited Annual Report	
7	Municipality submits draft Annual Report including annual financial statements and performance report to Auditor General.	
9	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	September – November 2021
10	Auditor General assesses draft Annual Report including Annual Financial Statements and Performance data	
11	Municipalities receive and start to address the Auditor General's comments	January 2022
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
13	Audited Annual Report is made public, and representation is invited	
14	Oversight Committee assesses Annual Report	
15	Council adopts Oversight report	April 2022
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	January 2022
18	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	
T1.7.1		

COMMENT ON THE ANNUAL REPORT PROCESS:

The importance of achieving annual report deadlines will enable the Municipality to provide:

- Records or evidence of municipal activities during the year under review;
- Report on municipal performance against the budget for the year under review; and
- Account to the local communities for the decisions made by the municipality during the year under review.

ALIGNMENT OF IDP/BUDGET / SDBIP

IDP forms the basis on which the annual budget is based and it must be compatible with the National and Provincial Government Development Plans. Processes for IDP, Budget and SDBIP be integrated.

T 1.7.1.1



CHAPTER 2

GOVERNANCE

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

The purpose on annual report in the context of governance is to promote accountability to communities for decisions taken by the municipal Council and matters relating to administrative structures, throughout 2021/22 financial year. The following major characteristics were applied within the political and administrative structure of the municipality to ensure good governance: Participation – directly and through intermediate institutions or representatives, Rule of law through application and impartial enforcement of legal frameworks, Transparency, Responsiveness, Consensus through mediation of different interests, Equity and inclusiveness, Effectiveness and efficiency, Accountability, Sustainability.

T 2.0.1

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The mayor, as the political head of the institution, has without failure, given guidance to the principal committee of the council. The mayor made it a point that the municipality developed its IDP and Budget as per the legislative framework. In the year under review the Council has established all its committees which include executive committee, standing committees and section 79 committees. The municipality also had a vital committee called Audit Committee which tirelessly worked to improve both the municipal governance and administrative systems.

Note: The Constitution S151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community

T 2.1.0

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

Note: MFMA section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality

The mayor, as the political head of the institution, has given guidance to the committees of the council. In 2021/22, Council has established all its committees which include executive committee, standing committees and section 79 committees. The municipality also had an Audit Committee which helped to improve both the municipal governance and administrative systems.

T 2.1.1

POLITICAL STRUCTURE



MAYOR
Cllr M.G. Jara



SPEAKER
Cllr E. Pula



CHIEF WHIP
Cllr N. Gcaba

COUNCILLORS

The council of Mhlontlo Municipality has 51 Councillors. 26 are ward Councillors and 25 are proportional representative Councillors. There are ten traditional leaders in the council in line with the Local Government: Municipal Structures Act, 117 of 1998.

T 2.1.2

POLITICAL DECISION-TAKING

Council is the only decision-making body, and all other structures recommend to council. The council has eight (8) section 80 committees who report to the Executive Committee. Section 79 committees appointed during the period under review were four (4). They comprise of Municipal Public Accounts (MPAC), Women's Caucus, Public Participation and Petitions Committee as well as Ethics and Members' Interest Committee. The section 80 committees were assisted by their respective whip members to process recommendations, and this created a good mood of the working environment.

T 2.1.3

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer of the institution as per the Municipal Finance Management Act and is appointed according to the Local Government: Municipal Structures Act 117 of 1998 and the Local Government: Municipal Systems Act 32 of 2000.

The Municipal Manager, during the year 2021/22, has performed all the duties of the accounting officer as stipulated in the legislation with due diligence, taking into consideration all the applicable pieces of legislation governing municipalities. Management Committee meetings were scheduled to sit on Monday of every week, except when there are competing activities requiring attention of management. Management stability was the order of the day, hence there were no interruptions reported.

Senior management posts were all occupied during the financial year, except for that of the Municipal Manager.

T 2.2.1

TOP ADMINISTRATIVE STRUCTURE

TIER 1

ACTING MUNICIPAL MANAGER

Mr L. Ndabeni

Senior Managers:

CHIEF FINANCIAL OFFICER

Mrs N. Boti

SENIOR MANAGER: INFRASTRUCTURE SERVICES

Ms Z. Petse

SENIOR MANAGER: CORPORATE SERVICES

Mr W. Zwane

SENIOR MANAGER: COMMUNITY SERVICES

Mr L. Ndabeni

SENIOR MANAGER: LEDPARD

Ms S. Batyi

T2.2.2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Regulation governing Intergovernmental Relations (IGR) require the establishment of structures and mechanisms aimed at enabling integrated planning and management within the different spheres of government. In striving towards effective intergovernmental relations, the IGR Policy was developed and approved by the council with terms of reference and schedule of meetings for the year.

The IGR meeting are chaired by the Municipal Manager and the IGR meetings are sitting as per the schedule. The IGR is always at the centre during the IDP Representative Forums, Public Participation meetings and Mayoral Imbizo's to present their programmes or project that should be included in the IDP and setting of indicators during the Strategic Planning Session.

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

Mhlontlo is a Local Municipality that operates according to the legislative framework, which in this case would have participated in the meetings at the national level through a special invitation. During the 2021/2022 financial year, there was no invitation received in that regard.

T 2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The provincial IGR structures that Mhlontlo LM has participated in includes, amongst others, Technical and Political MuniMEC meetings to share progress reports on service delivery across the province. The service delivery models are also shared and benchmarked for the success of the municipalities. It is also worth reporting that the municipality had been exposed to workshops by SALGA covering all the Key Performance Areas. Not only the nice to report about issues are shared, but also challenges and possible solutions.

It is also important to acknowledge, though limited, that the municipality, through the office of the mayor and the municipal manager participated in the Premier's coordinating forum (PCF). The invitation was based on Part 3, Section 17 (3) of the Intergovernmental Fiscal Relations Act 97 of 1997 which states that the Premier may invite any person not mentioned in subsection (1).

T 2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITIES

Mhlontlo Local Municipality has not yet reached a level of having an entity established.

T 2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

The District IGR structures mostly depend on the schedule of the District Municipality. Mhlontlo has been consistently attending the Technical District Municipal Manager's Forum and District Mayor's Forum meetings whenever invited. However, it is true that the municipality would have a request made to the district based on a matter of interest. With open arms and duty-bound to support, ORTDM would convene such meetings.

T 2.3.4

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality accounts to the public through public participation meetings convened by the office of the Speaker and Mayoral Imbizo's convened by the office of the mayor. Good attendance by the communities during the public participation meetings indicates the appreciation that communities have. Most of the time the mayor invites the sector departments to be part of the meetings and respond to the issues raised by the communities.

T 2.4.0

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

Public meetings are conducted as a mechanism to report back to the communities. The municipality has formally dedicated the function of communicating with communities through the office of the Speaker, office of the Mayor, Ward Councillors and Ward Committee meetings. IDP representative forum meetings were conducted with communities participating to avoid top-down approach towards development. During the IDP and Budget development processes, communities were involved in all stages or phases. Comments were also done and accepted by the council. They were also incorporated to the IDP.

The IDP Representative Forum consists of the executive committee, councillors, municipal administration, ward committees, community development workers, traditional leaders, government departments and parastatals.

The IDP Steering Committee serves as an organisational platform for the purpose of information exchange, debating and finding common ground on suitable technical solutions and key planning challenges.

There are 5 phases of the IDP preparation, implemented from July 2021 to May 2022.

Measures aimed at enhancing the public participation included, conducting a ward-based planning approach, IDP representative forum and mayoral Imbizos.

The municipal website is used to upload municipal documents for ease of access to the public, i.e. IDP, SDBIP, Budget, SCM reports and performance agreements, amongst others.

T 2.4.1

WARD COMMITTEES

The ward committees were established as per section 73 of the Local Government: Municipal Structures Act (Act 117 of 1998). Election of ward committees was done 26 wards with 10 as a maximum per ward. However, due to various reasons such as attrition, resignations and expulsion, their number dropped from 260 to 257. Ward Committee meetings sat and had their minutes processed were submitted to Council.

The objective of a ward committee is to enhance participatory democracy within the municipality through liaison with the communities within the municipality.

T 2.4.2

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The ward committee meetings and public meetings were effective as community concerns have been considered in the municipal planning processes. The ward committee reports also inform the Municipality of the challenges faced by the communities as well as their needs.

However, the Municipality still struggles to compile reports after the meetings and submitted to Council for consideration. The IDP Public Consultation report was prepared and all issues raised by communities were captured in the reports and later in the 2021/2022 IDP Review.

T 2.4.3.1

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	No
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 of Municipal Systems Act 2000	T 2.5.1

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Mhlontlo Local Municipality, like all the institutions that subscribe to the New Public Management (NPM) and its principles, considers it so fundamental to adopt corporate governance principles according to the King Code Report, King IV.

All the oversight committees, with the Audit Committee playing its crucial role of being more of an advisory one and other council committees displayed their commitment. The municipality accounts to the public through annual report, community outreaches and financial statements as well as Auditor General's report.

The corporate governance structure within the municipality in brief, is composed of Council, executive committee, council committees including the audit and risk committee. Furthermore, there is a management committee which consists of senior management, and internal audit unit which is also responsible for risk management functions.

T 2.6.0

2.6 RISK MANAGEMENT

RISK MANAGEMENT

MFMA Act 56 of 2003 section 62(1)(c) states that the accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient, and transparent systems- (1) of financial and risk management and internal control.

The Internal Audit Unit conducts annual strategic risk assessments and develop a strategic risk register, departments develop their own operational risk registers. The risk profile of the municipality as per the risk registers is used to develop a strategic and operational internal audit plan.

Quarterly, the implementation of risk mitigations strategies/actions is monitored and reported to the Risk Management Committee and the Audit Committee.

The effectiveness of the risk management activities for 2021/22 will be reviewed by the OR Tambo district municipality and report will be submitted to the Risk Management Committee and Audit Committee as was previously done for the 2020/2021 financial year.

The municipality had identified the following Top 5 risks:

1. Lawlessness and chaotic environment
2. Poor infrastructure
3. Poor performance
4. Exposure to litigations
5. Inadequate Information and Communication Technology (ICT) System and infrastructure

T 2.6.1

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

The municipality had its own adopted Fraud and Anti-Corruption Policy during the year under review. The Municipality has put various measures to prevent fraud and corruption through signing of declaration forms and disclosure of interest forms. The municipality has established bid committees as per supply chain regulations and policy. Companies were registered in the municipality's data base and Central Supplier Data (CSD) base to prevent possible fraud.

Furthermore, fraud and corruption awareness workshops are facilitated by internal audit annually. A fraud risk register is compiled and monitored throughout the year. Report on fraud and corruption incidents are a standing agenda item of the risk management committee and external audit steering committee meetings.

T 2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The SCM Policy was reviewed during the 2021/2022 financial year. Certain amendments to the SCM Policy were tabled before Council in order to improve operational efficiency. The Municipality is required to forward its SCM Policy to the Provincial Treasury on an annual basis for scrutiny and compliance verifications against the Model SCM Policy that was issued by the National Treasury. The purpose of this exercise is to determine whether the Municipal SCM Policy deviates from the stipulations of the SCM regulations. The Municipality's SCM Policy complies with the regulatory framework.

The SCM function cuts across all departments. Although governance is at its core, supply chain management plays a vital role in contributing towards service delivery in a manner that is fair, equitable, transparent, competitive and cost-effective.

The Municipality applies the bid committee system for procurement above R 200,000 and for the procurement of long-term contracts. The bid committees namely the Bid Specification Committee, the Bid Evaluation Committee and the Bid Adjudication Committee are all functioning effectively. The bid committee members are appointed by the Municipal Manager in line with the relevant legislation.

The findings from the Auditor-General for the previous financial year were focused on and the department attempted to not have repeat findings on new matters for the next financial year.

T 2.8.1

2.9 BY-LAWS

By-laws Introduced during Year 2022					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Building management bylaw		Yes		No	N/A
Informal Trading bylaw		Yes		No	N/A
Waste bylaw		Yes		No	N/A
Liquor bylaw		Yes		No	N/A
<i>*Note: See MSA section 13.</i>					T 2.9.1

T 2.9.1.1

2.10 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	31-May-22
All current budget-related policies	Yes	31-May-22
The previous annual report (Year -1)	Yes	1-Jun-22
The annual report (Year 0) published/to be published	No	N/A
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes	30-Jul-21
All service delivery agreements (Year 0)	No	N/A
All long-term borrowing contracts (Year 0)	No	N/A
All supply chain management contracts above a prescribed value (give value) for Year 0	Yes	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in Year 0	No	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	Yes	
<i>Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i>		
		T 2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The Municipality Website has not been stable with more downtimes or interruptions.

T 2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFCATION LEVELS

No public participation satisfaction surveys were conducted.

T 2.11.1



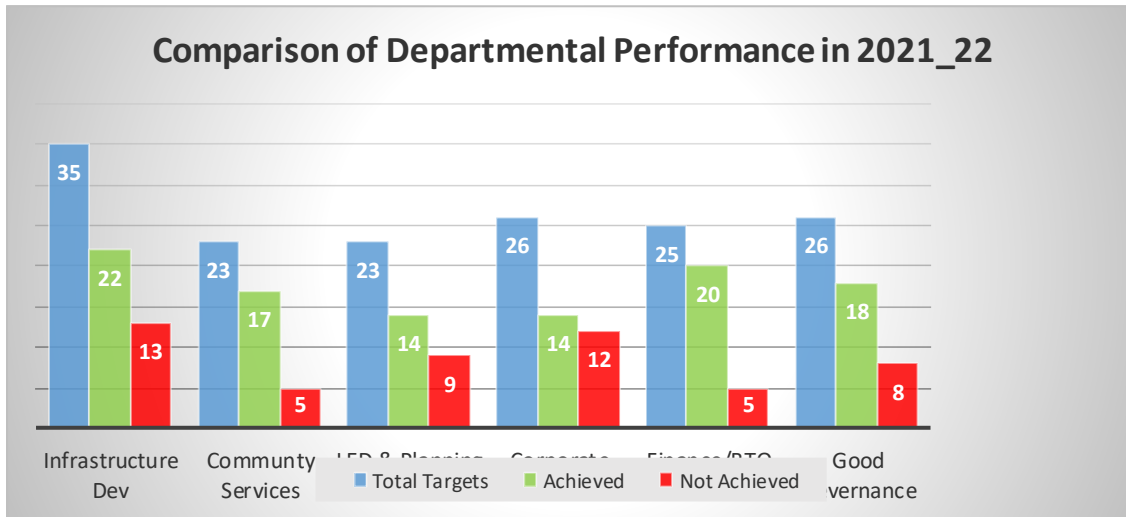
CHAPTER 3

SERVICE DELIVERY PERFORMANCE

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

INTRODUCTION

Annual performance of all departments in the 2021/22 financial year can be summarised as follows:



Institution’s overall performance was at 66 %, which was a slight improvement when compared to 51% achievement of the previous year i.e. 2020/21 financial year.

Out of One Hundred and thirty-four (157) targets set, the institution managed to achieve One Hundred and five (105) and failed to meet fifty-two (52) which translates to 66%.

T 3.0.1

COMPONENT A: BASIC SERVICES

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

INTRODUCTION TO BASIC SERVICES

Service delivery is about providing basic services to the communities within the municipal space. These services include construction of roads, provision of water, sanitation, electricity, solid waste management, building decent houses and provision of social infrastructure in a form of (community hall, pre-schools and sporting facilities). Services are not limited to that, but some are a mandate that is with other government departments and SOEs. The municipality has not and is still too far from satisfactorily providing services due to historic backlogs that continue haunting the communities of Mhlontlo.

The Municipality is using grant funding (MIG, INEP EPWP and a portion of the Equitable share) to provide services to the communities as a result the pace is not in line with the competing needs of the community.

During 2021/22 financial year the municipality had managed to construct 17.8 kilometres of new gravel access roads. Construction of 32.44 kilometres was still a work in progress as at the end of the financial year, completion is due in 2022/23 financial year. 49.9 Kilometres were rehabilitated from different wards of the municipality (ward26, ward 4, ward 9).

Two villages accounting for 2% of historic backlog was connected during 2020/21 financial year and they were finally energised during 2021/22. Currently the municipality is battling with infills and extensions which is kind of a dynamic target. The main challenge is around the cost per connection that has gone high and that can be attributed to density within the newly developed areas, the upgrade of bulk infrastructure that often need to be upgraded before connecting new houses and The municipality is having a high backlog around provision of social infrastructure in a form of sporting facilities, community hall and preschools.

During the development of the new IDP development of social infrastructure in a form of pre-schools and community halls has been given priority. Planning and feasibility studies are currently underway. On provision of sporting facilities performance of service providers and contract management has been a challenge. Training of the personnel on contract management had since been conducted and also some of the contracts for the service providers that were not performing had since been terminated. Construction of Mvumelwano and Qumbu sports field has been currently under construction, completion is scheduled for 2022/23 financial year.

Department of Roads and Transport operate within the municipality to ensure maintenance of roads and bridges, and the information is provided through Roads Forum. The intervention programmes such as the inhouse team from the department of transport and other intervention by SANRAL to assist in the construction and maintenance of roads that are leading to schools and Clinics.

The District Municipality is both a Water Service Authority and a provider. Water and Sanitation is a funded mandate of the OR Tambo District municipality for both development of new infrastructure and maintenance. During the year under review, the municipality has experienced dire water shortages to an extent of having communities forced to purchase due to either poor workmanship on the existing water schemes and infrastructure or poor monitoring of the schemes.

Currently wastewater and sewer collection remain a challenge in both towns within the municipal jurisdiction. Wastewater treatment works is currently under construction in Tsolo whereas it is still under planning in Qumbu as a result the state of the roads network is affected negatively.

Department of Human Settlements (DoHS) is responsible for budgeting for houses that are to be built within the municipal area. The coverage is below demand as there is a slow programme when the projects are on construction. The municipality works with DoHS through housing strategy to ensure that houses identified for housing construction are informed by Housing Sector Plan.

T 3.1.0

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

This function resides with the District Municipality; however the Municipality is experiencing major challenges in terms of water supply.

T 3.1.1

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

This function resides with the District Municipality; however, the Municipality is experiencing challenges with sewer spillages due to dilapidated infrastructure.

T 3.2.1

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

The Municipality is not licenced to provide electricity; hence it is an Eskom's area of operation and maintenance. The municipality has prioritised the electrification of Mhlontlo Municipality wards including urban and rural areas. The institution is solely funded by Department of Energy through schedule 6 B that gets to be allocated to Eskom and schedule 5 that gets to be allocated directly to the municipality for eradication of electricity backlogs in Mhlontlo.

The Municipality has achieved more than 100% of the historic backlog and the two villages that had been connected but not yet connected due to issues of the access roads had since been energised in the current year. The current challenges are around the new developments in a form of infills and extensions. The Municipality had managed to connect 628 households in two villages (Magutywa, Qolombana, Magqubeni, Lujecweni, Zingcuka, St Cuthberts, Mayaluleni, Jence, Mpoza and Mbinja) together with the 9 kilometres link line. The municipality had been conducting maintenance of street lights and high mast lights in both towns (Qumbu and Tsolo) in a quest to promote community safety. (28 high mast lights and street lights in Qumbu)

T 3.3.1

T 3.3.2

Electricity Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Households Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Energy:</u> (above minimum level)				
Electricity (at least min.service level)	655	547	565	523
Electricity - prepaid (min.service level)	565	587	846	565
<i>Minimum Service Level and Above sub-total</i>	1,220	1,134	1,411	1,088
<i>Minimum Service Level and Above Percentage</i>	52.8%	52.8%	66.3%	62.1%
<u>Energy:</u> (below minimum level)				
Electricity (< min.service level)	112	123	124	124
Electricity - prepaid (< min. service level)	955	865	565	487
Other energy sources	24	26	28	54
<i>Below Minimum Service Level sub-total</i>	1,091	1,014	717	664
<i>Below Minimum Service Level Percentage</i>	47.2%	47.2%	33.7%	37.9%
Total number of households	2,310	2,147	2,127	1,753
				T 3.3.3

Households - Electricity Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	100,000	100,000	100,000	100,000	100,000	100,000
Households below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	100,000	100,000	100,000	100,000	100,000	100,000
Households ts below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households ts below minimum service level	25%	25%	25%	25%	25%	25%
						T 3.3.4

Employees: Electricity Services					
Job Level	Year -2021	Year -2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
13 - 15	1	1	1	0	0%
Total	1	1	1	0	0%

Financial Performance Year 2022: Electricity Services					
R'000					
Details	Year -2021	Year -2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-	-	-	-	0%
Expenditure:					
Employees	838 815			821 914	0%
Repairs and Maintenance	2 001 830	3 000 000	2 860 040	4 177 386	0.043%
Other	1 987 308	2 228 725	2 228 725	4 395 732	0%
Total Operational Expenditure	4 827 954	5 228 725	5 088 765	9 395 032	0.059%
Net Operational Expenditure	4 827 954	5 228 725	5 088 765	9 395 032	0.059%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.3.7

Capital Expenditure Year 2022: Electricity Services					
R' 000					
Capital Projects	Year 2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	18 521	18 521	18 521	0%	
Amacwerha phase 3	18 521	18 521	18 521	0%	280
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.3.8

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

The municipality is not licenced therefore the issues of maintenance and vendoring are handled by eskom. 95% of the historical backlog had been adressed with only ward 11 that is not yet fully benefited. The challenge is with the extensions and the infills and Eskom is assisting the municipality in that regard.

T 3.3.9

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

INTRODUCTION TO WASTE MANAGEMENT

Waste removal service

The total number of households with access to waste removal services was 2 022 by June 2022, against the expected 43 414 households eligible for receiving the service.

The Municipal service extends to both Municipal towns (Tsolo and Qumbu) but excludes farms and rural areas.

The Municipality is experiencing spatial growth, both residential and business areas. As a result, the current departmental resources are under pressure to meet the demand for waste collection.

Waste management service is also provided to informal settlements although these are serviced through communal skip bins.

The street cleaning and clearing of illegal dumping

The street cleaning and clearing of illegal dumping services for all the streets in towns, main entrances, and open spaces was carried out by permanent Municipal employees, and temporary employees appointed through the Extended Public Works Programme (EPWP).

The cleaning of streets is also rendered after hours through EPWP to ensure that the town is kept clean at all times.

Waste storage and disposal

Currently, there is one (1) waste transfer station within the municipality which is located in Tsolo. There is one class B licensed landfill site in Qumbu. The Tsolo landfill site is not functional.

Recycling

Mhlontlo was declared as a regional waste recycling centre for the OR Tambo District. There are two by-back centres one in Tsolo and other one in Qumbu. They collect waste and separate it according to their categories like plastic, papers, glasses and tins and sell them to outside buyers.

Environmental education and awareness

A total of 8 awareness campaigns were conducted during the financial year 2021/2022.

Measures taken to improve performance include the acquisition of additional equipment annually and appointment of additional personnel to meet the increasing demand for waste management services. Bins have been installed in various areas within municipality for storage of waste to keep the environment clean.

All indigent households, including RDP houses in both towns, are provided with a waste collection service at least once a week. Where there is no kerbside waste collection services, bulk containers are provided at strategic points for collection by the Municipality. The Municipality plans to extend kerbside waste collection in the upcoming financial year.

T 3.4.1

Solid Waste Service Delivery Levels				
Description	Year -2019	Year -2020	Year -2021	Households Year -2022
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Solid Waste Removal:</u> (Minimum level)				
Removed at least once a week	1411	1611	1611	2022
<i>Minimum Service Level and Above sub-total</i>	1	2	2	2
<i>Minimum Service Level and Above percentage</i>	100,0%	100,0%	100,0%	100,0%
<u>Solid Waste Removal:</u> (Below minimum level)				
Removed less frequently than once a week	-	-	-	-
Using communal refuse dump	-	-	-	-
Using own refuse dump	-	-	-	-
Other rubbish disposal	-	-	-	-
No rubbish disposal	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
<i>Below Minimum Service Level percentage</i>	0,0%	0,0%	0,0%	0,0%
Total number of households	1	2	2	2
T 3.4.2				

Households - Solid Waste Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original	Adjusted	Actual
	No.	No.	No.	Budget No.	Budget No.	No.
Formal Settlements						
Total households	100,000	100,000	100,000	100,000	100,000	100,000
Households below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	100,000	100,000	100,000	100,000	100,000	100,000
Households ts below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households ts below minimum service level	25%	25%	25%	25%	25%	25%
T 3.4.3						

Employees: Solid Waste Magement Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.4.5

Employees: Waste Disposal and Other Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.4.6

Financial Performance Year 0: Solid Waste Management Services					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

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

T 3.4.7

Financial Performance Year 0: Waste Disposal and Other Services					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.4.8

Capital Expenditure Year 0: Waste Management Services					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.4.9

3.5 HOUSING

INTRODUCTION TO HOUSING

Housing Sector Plan review will be conducted this financial year 2022/2023 and housing allocation policy

Mhlontlo has been appointed by Department of Human Settlements as implementing agent for 260 housing units. The municipality meets on a regular basis with OR Tambo DM and Department of Human Settlements to address backlogs that are encountered. There is also a portfolio committee within the municipality that is mandated to play a facilitation role in relation to human settlements

The municipality is faced with number of unfinished projects and recent disasters that has led to litigation

T 3.5.1

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
Year -3	560000	350000	62.5%
Year -2	654000	450000	68.8%
Year -1	654000	500000	76.5%
Year 0	684000	540000	78.9%
			T 3.5.2

Employees: Housing Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
<p>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</p>					
					T 3.5.4

Financial Performance Year 0: Housing Services					
Details	R'000				
	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
<p>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</p>					T 3.5.5

Capital Expenditure Year 0: Housing Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T 3.5.6

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

Delete Directive note once comment is completed – Explain the priority of the four largest capital projects and explain variances from budget for operating and capital expenditure. Confirm your year 5 targets set out in the IDP schedule can be attained within approved budget provision and if not then state how you intend to rectify the matter. Explain the priority of the four largest capital projects and explain variances from budget for net operating and capital expenditure. Also explain any likely variation to the total approved project value (arising from year 0 and/or previous year actuals, or expected future variations).

T 3.5.7

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

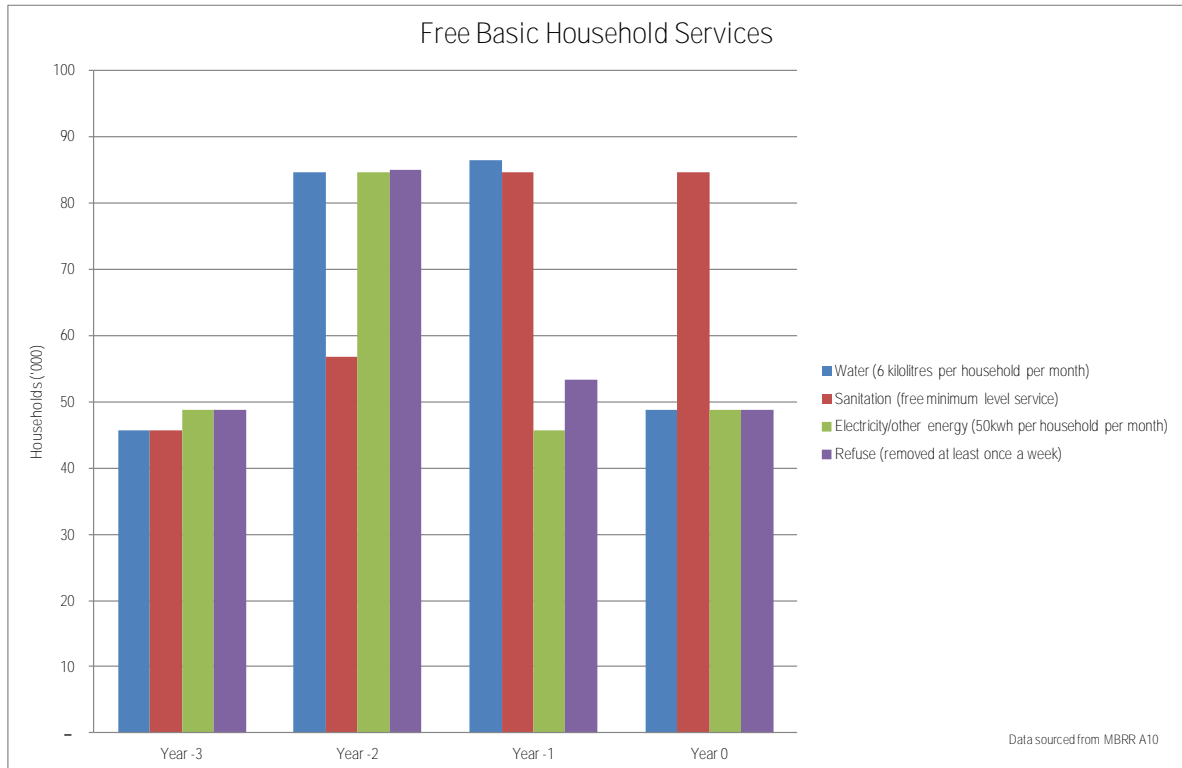
The purpose of the indigent policy is to implement the national initiative to improve the lives of indigents and to improve access to free basic services. The policy is aimed at providing a social safety net to relieve poverty within communities.

The Municipality does have dedicated personnel to update the indigent register of and to evaluate all applications for indigent support.

The following free basic services are provided to qualifying indigents:

1. 50kWh (units) of free basic electricity per month.
2. 100% rebate on assessment rates.
3. The waste removal rate in respect of indigents, which will be fully discounted

T 3.6.1



T 3.6.2

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,100 per month								
		Total	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
			Access	%	Access	%	Access	%	Access	%
Year - 2020	186 043	186 043		0%		0%	11 287	6%	265	0%
Year - 2021	203 421	203 421		0%		0%	12 836	6%	265	0%
Year - 2022	241 239	241 239		0%		0%	12 836	5%	265	0%

T 3.6.3

Financial Performance Year 2022: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year -2021	Year -2022			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	0	0	0	0	
Waste Water (Sanitation)	0	0	0	0	
Electricity	8 249 481	2 614 145	2 614 145	5 063 328	48%
Waste Management (Solid Waste)	19 281	-	-	266 641	100%
Total	8 268 762	2 614 145	2 614 145	5 329 969	51%

T 3.6.4

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Indigent relief is annually provided from an equitable share allocation. The number of indigents increased when compared to previous years mainly due to the economic climate in the country.

T 3.6.6

COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

INTRODUCTION TO ROAD TRANSPORT

Issues pertaining road transport are still a challenge in our municipal space. The mode of transport that is commonly used are the bakkies which are considered not safe to transport people. The conditions in our road network is also not in a position to bring relief to the challenge especially after the serve rains that had course a huge damage to the infrastructure.

T 3.7

3.7 ROADS

INTRODUCTION TO ROADS

The Municipality plays a pivotal role in the whole community to construct and maintain Access Roads and Road Black Top Surfacing to ensure swift mobility from and to different nodal points.

The Municipal Infrastructure Grant and Equitable Share actual assist with the funding in ensuring that roads which are prescribed to be constructed and maintained by the LM are implemented.

The Service Providers actually do the implementation of the projects and have a responsibility to ensure the high standard of work.

The Department ensures that the monitory value and the standard of work do tally each other in any of the projects undertaken within the area of jurisdiction of the Municipality.

T 3.7.1

Gravel Road Infrastructure					Kilometers
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained	
Year -2020	46,39	20,54	17,85		213,00
Year -2021	60,19	60,19	25,85		198,00
Year -2022	50,24	17,80	0,00		106,00
					T 3.7.2

Tarred Road Infrastructure						Kilometers
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained	
Year -2020		0	0	0		14
Year -2021			0	0		14
Year -2022			0	0		14
						T 3.7.3

Cost of Construction/Maintenance							R' 000
	Gravel			Tar			
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained	
Year -2020	28 741 412	-	401 944	-	-	-	
Year -2021		-		-	-	-	
Year -2022	36 680 038	-	8 067 084	698 000	-	5 373 564	
						T 3.7.4	

T 3.7.5

Road Service Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets		Year -2021			Year -2022		Year -2023		Year -2024
	Service Indicators (i)	(ii)	Target (iii)	Actual (iv)	*Previous Year (v)	Target (vi)	Actual (vii)	*Current Year (viii)	Target (ix)	*Following Year (x)
Maintenance of 100km access roads				Maintenance of 255.6 km from various access roads had been conducted. Key activities that were undertaken its blading and patch re-gravelling.		Maintenance of 170km of gravel access roads (Blading & Patch Graveling)		Maintenance of 170km of gravel access roads (Blading & Patch Graveling)	N/A	N/A
Maintenance of 14km access and urban roads				7km of the road maintenance (Pothole patching, asphalt, concrete works were done)	Maintenance of 14km urban roads	7km of the road maintenance (Pothole patching, asphalt, concrete works were done)		Maintenance of 14km urban roads	N/A	N/A
Maintenance of provincial roads (T-roads)		14km gravel access constructed and completed		The project was planned to be implemented by the district municipality	Construction of 2km Oumbu Landfill Site surfaced road	Construction of 2km Oumbu Landfill Site surfaced road		Construction of 10.1km of gravel access roads	N/A	N/A
Construction of Oumbu side walks				Construction of 60.5 km of access road has been completed	Construction of 120 km gravel access roads	Construction of 13.64km Gqunu farms gravel access road in ward 15		Construction of 13.64km Gqunu farms gravel access road in ward 15	N/A	N/A
Construction of 2km Oumbu Landfill Site surfaced road				rehabilitation of 50.8 km of gravel access road	rehabilitation of 50.8 km of gravel access road	Construction of 8.7km OF Sbokko to stadium gravel access road in ward 14 by June		Construction of 8.7km OF Sbokko to stadium gravel access road in ward 14 by June	N/A	N/A
Construction of 120 km gravel access roads				The municipality had only managed to do the designs for provision of storm water facilities in Oumbu and Tsolo towns	Provision of storm water facilities in Oumbu and Tsolo towns	Construction of 8.30km Mithonyameni to Mopbisso access road i		Construction of 8.30km Mithonyameni to Mopbisso access road i	N/A	N/A
Rehabilitation of 50.8 km of gravel access road				Maintenance of stormwater drains is being done through EPWP programme.	To maintain 4km of urban roads and storm water management	Construction of 6.87km T101-Lwandlana access road in		Construction of 6.87km T101-Lwandlana access road in	N/A	N/A
Provision of storm water facilities in Oumbu and Tsolo towns				To maintain 4km of urban roads and storm water management	To maintain 4km of urban roads and storm water management	8.3km Machibini-Dumaneni Access Road access road		8.3km Machibini-Dumaneni Access Road access road	N/A	N/A
						Construction of 11.02 km Gungululu Access Road		Construction of 11.02 km Gungululu Access Road		
						to maintain 3.27 km of urban roads and storm water management		to maintain 3.27 km of urban roads and storm water management		
						Khankomo Slab		Khankomo Slab		
						Ngxakalo Access Road		Ngxakalo Access Road		
						Landfill Site Access Road		Landfill Site Access Road		
						rehabilitation of 30km of gravel access roads from various wards of Mhlonitso LM by June 2022		rehabilitation of 30km of gravel access roads from various wards of Mhlonitso LM by June 2022		

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round. **Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs), and chapter 6 sets out the requirements for the reduction of performance management.

Employees: Road Services					
Job Level	Year -2021		Year 2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	2	18	17	850%
4 - 6	17	34	2	0	0%
Total	20	36	20	17	47%

Financial Performance Year 2022: Road Services					
Details	Year -2021		Year -2022		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	Total Operational Revenue	0	4653950	4653950	21963196
Expenditure:					
Employees	4293	8446407	8446407	15140300	44%
Repairs and Maintenance	520	1540123	1540123	647080	-138%
Other	0	73458666	73458666	47866872	-53%
Total Operational Expenditure	4813	83445196	83445196	63654252	-31%
Net Operational Expenditure	4813	78791246	78791246	41691056	-89%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T 3.7.8

Capital Projects	Year 2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	51 188 039,5	-	57 727 268	11%	
Construction of T101 Lower Lwandlana access road	1 500 000,0		2 170 686	100%	6 795 137
Construction of Tsolo Bulk Storm water	5 500 000,0		10 293 175	100%	22 573 504
Rehabilitation of Oumbu Sports Field	7 000 000,0		7 538 021	100%	21 467 700
Rehabilitation of Mvumelwano SportField Phase 2	3 000 000,0		3 007 296	100%	10 500 957
Construction of Sboko- Stadium access road	7 100 000,0		6 089 878	100%	10 419 788
Construction of Mthonyameni to Mqobiso Access Road	1 200 000,0		3 717 674	100%	9 010 574
Construction of Goqwana-Jojweni Access Road	3 700 000,0		4 362 298	100%	5 206 498
Construction of Machibini-Dumaneni Access Road	199 000,0		224 248	100%	5 052 873
Construction of Tar to Suthwini Access Road	4 000 000,0		3 747 050	100%	8 337 319
Construction of Gungululu Access road	314 000,0		344 497	100%	7 852 526
Construction of Gqunu farms access road	6 800 000,0		1 719 992	100%	6 528 440
Construction of Shawbury to Mncetyana access road	1 047 730,9		1 204 891	100%	10 160 866
Construction of Tsolo Bulk storm water phase 2	742 308,7		853 655	100%	14 962 969
			235 677	100%	4 948 711
Rehabilitation of Mvumelwano Phase 1			928 625	100%	25 849 547
Completion of Oumbu Town Hall and Municipal Offices	85 000,0		2 453 750	100%	15 656 068
Professional Fees for Tsolo Service Station			684 214	100%	3 481 576
Construction of Landfill site access road	2 000 000,0		2 390 556	100%	3 488 515
Construction of Ngxakolo access road Phase 2	500 000,0		343 812	100%	475 913
Khalankomo Concrete Slab	500 000,0		489 336	100%	563 677
Emergency water and sanitation intervention	1 000 000,0		2 366 991	100%	3 340 560
Construction of Vehicle Testing center	5 000 000,0		2 560 948	100%	4 729 152
Shawbury to Mncetyana Access Road					
Tsolo Storm Water Phase 2					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as					T 3.7.9

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

The Municipality has prioritised eight Gravel Access Roads with 78.17km planned kilometres to be constructed of which 60.5 km were completed in the reporting year and 17,67 has been rolled over to be completed in the next financial year 2021/2022.

Completed Access roads are as follows:

Gungululu access road 11km, Nxothwe to Nkonkabi access road 11km, Mhlangala access road 11km, Debeza access Road 6.1km, Machibini to Dumaneni access road 8.3km and Mdeni access road 8.39.

T 3.7.10

3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

INTRODUCTION TO TRANSPORT

Mhlontlo Local Municipality’s licensing and testing services carry out the licensing and testing functions in terms of the Service Level Agreement entered into between the municipality and the Eastern Cape Provincial Department of Community Safety, Security & Liaison. The Municipality is having two centres in Qumbu - which offers vehicle licencing and testing services, and Tsolo, which does not however, offer testing services due to inadequate facilities.

The services offered at the Licensing Department include the following:

- Vehicle Registrations and Renewal of Vehicle License discs.
- Issuing of learners and drivers licenses
- Deregistration of motor vehicles.
- Maintaining 7 working days turnaround time to process applications for learners and drivers’ licenses.

CHALLENGES ARE AS FOLLOWS:

1. Increased demand for licensing services, but the facilities have not been upgraded to meet the customers’ demands.
2. There is a need to upgrade the existing facilities and to build the new one as our Municipality is the fastest growing town.
3. Inadequate new eye testing machines to process the application for learners, driver’s licenses and professional driving licenses.

T 3.8.1

Employees: Transport Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.8.4

Financial Performance Year 0: Transport Services					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.8.5

Capital Expenditure Year 0: Transport Services					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.8.6

3.9 WASTE WATER (STORMWATER DRAINAGE)

INTRODUCTION TO STORMWATER DRAINAGE

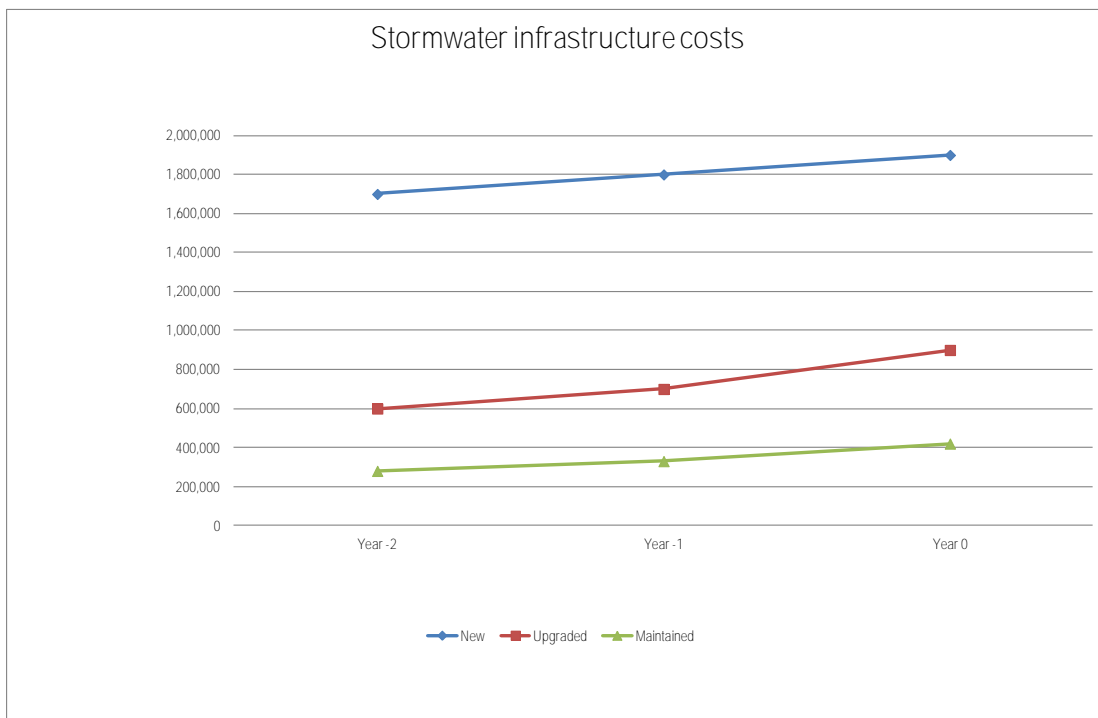
Mhlontlo Municipality has prioritised the implementation of stormwater drainage projects specifically for the urban areas. These projects have not been implemented in previous financial years due to funding unavailability. The funding for planning and design of the stormwater facilities in the urban areas had been budgeted for in the next financial year.

Minor stormwater drainage is done with roads construction as for diverting surface water to lower lying areas such as nearby rivers.

T 3.9.1

Stormwater Infrastructure				Kilometers
	Total Stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
Year -2020	0	0	0	0
Year -2021	0	0	0	0
Year -2022	0	0	0	0
				T 3.9.2

Cost of Construction/Maintenance				R' 000
	Stormwater Measures			
	New	Upgraded	Maintained	
Year -2	1,700,000	600,000	280,000	
Year -1	1,800,000	700,000	330,000	
Year 0	1,900,000	900,000	420,000	
				T 3.9.3



T 3.9.4

Employees: Stormwater Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.9.6

Financial Performance Year 0: Stormwater Services					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.9.7

Capital Expenditure Year 0: Stormwater Services					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.9.8

COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:

Mhlontlo Municipality has prioritised the implementation of storm water drainage projects specifically for the urban areas. These projects have not been implemented in previous financial years due to funding unavailability and till to date storm water as major project has been a challenge.

T3.9.9

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

Planning is a primary spatial response to the development context, needs and development vision of the municipality. It is a key land use management tool of the Municipality as it has an important role to play in guiding and managing Municipal decisions relating to the use, development and planning of land. It does this by:

- a. Identifying key spatial challenges facing the municipality. In so doing identify key strategies for spatial restructuring and achieving the desired outcomes for future use and development of land.
- b. Identifying areas that are not suitable for development and outlining areas that should be conserved;
- c. Providing policy guidance to direct decision making on the nature, form, scale and location of urban development;
- d. Guiding the direction of growth by outlining areas in which particular types of land use should be encouraged or discouraged and areas in which the intensity of land development could either be increased or reduced;
- e. Guiding both private and public development investment initiatives to appropriate areas for investment
- f. Guiding and informing municipal infrastructure investment;
- g. Guiding public investment, namely the provision of community facilities or any other spending of public funds;
- h. Providing a visual representation of the desired spatial form of the municipality.
- i. Providing sustainable functional and integrated human settlements and maximise resources efficiency

T 3.10

3.10 PLANNING

INTRODUCTION TO PLANNING

Planning is a primary spatial response to the development context, needs and development vision of the municipality. It is a key land use management tool of the Municipality as it has an important role to play in guiding and managing Municipal decisions relating to the use, development and planning of land. It does this by:

- a. Identifying key spatial challenges facing the municipality. In so doing identify key strategies for spatial restructuring and achieving the desired outcomes for future use and development of land. Identifying areas that are not suitable for development and outlining areas that should be conserved;
- b. Providing policy guidance to direct decision making on the nature, form, scale and location of urban development;
- c. Guiding the direction of growth by outlining areas in which particular types of land use should be encouraged or discouraged and areas in which the intensity of land development could either be increased or reduced;
- d. Guiding both private and public development investment initiatives to appropriate areas for investment
- e. Guiding and informing municipal infrastructure investment;
- f. Guiding public investment, namely the provision of community facilities or any other spending of public funds;
- g. Providing a visual representation of the desired spatial form of the municipality.

The Mhlontlo SDF is a strategic document and is prepared at a broad scale. It is meant to guide and inform land development and management. It should:

- Determine spatial priorities;
- Set out spatial form objectives;
- Detail strategies and policies for the above that indicate desired patterns of land use, address spatial reconstruction, and provide decision making processes relating to the nature and location of development
- Provide basic guidelines for a Land Use Management System;

Through the SDF, the municipality is informed about the problems affecting its municipal land area and, being guided by information on available resources, is able to develop and implement appropriate strategies and projects to address spatial problems. The Mhlontlo SDF (2007) defines Mhlontlo municipality as an area that covers approximately 234.4 km with urban centres and comprises of extensive land utilised for agricultural purposes (livestock farming and crop production) around two urban centres that is Tsolo and Qumbu. Increasing urbanization of the rural areas and poor planning of the past has been a cited in the SDF as a serious threat to the development of agriculture in Mhlontlo area. The second economy (manufacturing or value adding activities) is also considered to be weak. Various types of retailers in the tertiary sector of the economy dominate the economic activity of the region. Qumbu and Tsolo serve as service centres for the broader municipal area (Mhlontlo SDF, 2018/2019)

According to the Mhlontlo SDF (2018/2019), some special development areas (nodal areas) have been indicated and has further identified priority nodal areas for priority spending by the Municipality. These areas have existing potential which need to be improved and already have some facilities to promote integrated development. They are strategically located at points of accessibility where higher order community facilities can be clustered to ensure that a number of rural settlements are served in a more efficient manner.

It is further indicated that Qumbu and Tsolo urban centres are considered the most important nodal areas within Mhlontlo Municipality. According to the Mhlontlo SDF (2018/2019), some projects have already been identified to improve the function of these Urban Centres. Improvement of infrastructure in both these Urban Centre’s will ensure provision of a higher level of services. According to the Mhlontlo SDF (2018/2019), most people from Mhlontlo are still commuting to Mtata to buy high order goods and for banking facilities. The Mhlontlo Spatial Development Framework (SDF) was last reviewed in the 2018/19 financial year.

The SDF goes further and identifies prioritized secondary nodes. These are rural nodes where the focus would be on development planning for livelihoods support and agricultural development. They are key target areas for land reform. These rural settlements were not formally planned and the need for rationalisation has been identified. The prioritized secondary nodes include the following areas:

- Tsolo Junction
- Langeni Forest
- Tsitsa Falls
- Tina Falls
- St Cuthberts
- Sulenkama

In order to achieve all the proposed interventions and to manage the development lot by lot basis, it is required to prepare land use management guidelines as identified in the Mhlontlo SDF, 2018/2019. In addition, incorporation of such initiative will ensure that the spatial form of development as envisaged in the IDP is achieved. The issue of lack of management and uncontrolled development of land necessitate development of a land use management system. This results in some social, health and environmental hazards like:

Uncontrolled development can have a negative effect on natural resources, including air and water quality; and some land uses are detrimental to health and safety.

The municipality is currently in the joint municipal planning tribunal with Nyandeni Local Municipality and the OR Tambo DM; there is Council resolution to this effect

T 3.10.1

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
Planning application received						
Determination made in year of receipt						
Determination made in following year						
Applications withdrawn						
Applications outstanding at year end						
						T 3.10.2

Employees: Planning Services					
Job Level	Year -2021		Year -2022		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	1	1	1	1	100%
13 - 15	2	2	2	0	0%
16 - 18	1	1	1	0	0%
Total	4	4	4	1	25%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.10.4

Financial Performance Year 2022: Planning Services					
R'000					
Details	Year -2021	Year -2022			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue	-	-	-	-	#DIV/0!
Expenditure:					
Employees	2 344 973	2 473 297	2 473 297	2 224 321	-11%
Repairs and Maintenance	-	-	-	-	#DIV/0!
Other	934 120	2 100 000	2 100 000	123 320	-1603%
Total Operational Expenditure	3 279 093	4 573 297	4 573 297	2 347 641	-95%
Net Operational Expenditure	3 279 093	4 573 297	4 573 297	2 347 641	-95%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.10.5

Capital Expenditure Year 0: Planning Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T 3.10.6

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

The municipality is currently overcoming the issue of land claims which makes it very difficult for the execution of the various physical planning projects, several interventions are being done to overcome such challenges, also as the municipality we are trying to align our development objectives to the land development guiding documents as prescribed by the Spatial Planning Land Use Management act of 13 of 2016.

The Municipality will be funded by the Development Bank of Southern Africa through the Small Towns Revitalisation program for the Urban regeneration of both our Towns (Qumbu and Tsolo) this urban regeneration will prioritise in providing a framework for co-ordinating public and private investments as well as directing developments.

T 3.10.7

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)**INTRODUCTION TO ECONOMIC DEVELOPMENT**

The key economic drivers of the municipality are tourism ,community services, retail and trade and agricultural sectors; however, retail and trade and agriculture have experienced low growth in the recent period. This can be attributed to lack of infrastructure investment, educational and skills development ,low levels of investment promotion and attraction ,declining population and rural-urban migration . Land tenure issues are a constraint to economic development. The local economy is mainly consumptive with limited production which can be attributed to the rural nature of the area. Private investment has been mainly in the forestry sector particularly at Langeni Forest which has a saw mill, veneer plant and chipboard of which the latter has been closed down in recent years. The municipality has developed 5 year LED Strategy, Tourism Master Plan and adopted Trade and Investment Promotion Strategy as a means of attracting and retaining investors with the dedicated official responsible for the portfolio.

The area is endowed with natural resources and heritage sites which can contribute to tourism development.

Part of the challenges is basic infrastructure that can enhance economic development of the municipality. In order to address the challenges highlighted above key priority sectors have been identified as catalysts for economic growth: Agriculture, Forestry, Tourism and Retail and Wholesale.

Development Corridors

With regards to the development corridors; whilst they are strongly influenced by access to, and key roads, they can be defined as areas of greatest activity that should be managed in a particular long-term planning manner to catalyse social and economic development as growth anchors. They have major implications in terms of zones of activity be it:

- a) Hazards and risk factors
- b) Potential revenue
- c) Potential businesses and investment potential
- d) Potential development
- e) Potential contributory capacity in terms of economies of scope and scale

In most municipalities and from a planning perspective, there are generally two levels of development corridors. These are secondary and primary corridors based on the extent and magnitude of socio – economic and development impact. In the case of Mhlontlo, the two urban spaces linked to Tsolo junction and Elangeni will be considered primary corridors to some extent including the corridor linking neighbouring towns such as Mthatha, Maclear and Mt Frere through N2 whilst the road network linking Tsitsa Falls, Tina Falls and or Sulenkama to Caba or St Cuthbert's to Tsolo will be considered secondary corridors.

Development nodes

On the other hand, development nodes are the main centres, which are being fed by development corridors in terms of traffic flow, people and physical thresholds. Development nodes are important points providing concentration of different social, services and economic activities. Development nodes can be used to concentrate activities, which could have a multiplier effect to a broader municipal area. Accordingly, Mhlontlo plans to use nodes such as Qumbu and Tsolo urban centres as growth poles to anchor future growth. Some work has been done towards realising this planning approach in the municipality. The Spatial Development Framework was reviewed during 2010/2011, the municipality plans to anchor its urban or corridor planning in the two urban areas.

The municipality will therefore consider putting mixed land uses together for economies of scale and scope. High order services will be accessed by the public from these two major urban spaces with essential services accessible from all secondary node. The municipality will in the reviewed spatial development framework consider grading its development nodes into three categories:

- Primary nodes such as Tsolo, Qumbu and Elangeni forest
- Secondary nodes such as St Cuthberts, Sulenkama, Tsitsa and Tina Falls and
- Tertiary nodes such as Tsolo Junction and Qumbu because of their strategic position in relation to the national road (N2)

In addition, the municipality has several areas of strategic importance though the measure of development impact is not similar to those listed above. The municipality has thus identified through its Spatial Development Framework a number of sectors. These will be clearly depicted in the final SDF maps as areas of potential investment such as agriculture (various sub sectors by soil type) forestry, tourism, and manufacturing.

Mzimvumbu Water Projects

The Mzimvumbu Water Project is a Strategic Integrated Project (SIP3 project) that is intended to inject stimulus for economic development and social upliftment in the project area. The project scope entails the development of a multipurpose dam on Tsitsa River, a tributary of the Mzimvumbu River, to supply irrigated agriculture domestic and industrial water requirements and hydropower generation. The project footprint spreads over OR Tambo, Alfred Nzo and Joe Gqabi District Municipalities

Ntabelanga-Laleni Conjective Scheme

The scheme being investigated is a conjunctive scheme comprising a large dam at Ntabelanga and smaller dam at Laleni, both to be operated as an integrated scheme. In addition to supplying domestic and irrigation water, the upstream Ntabelanga dam will also serve to regulate stream flow required to generate hydropower at Laleni. While Ntabelanga dam is investigated at detailed level of feasibility, Laleni hydropower scheme has so far only been investigated at preliminary level. The conjunctive scheme marks the initial phase of a broader development programme of the Mzimvubu Catchment to be phased over time.

Ntabelanga-Laleni Conjunctive Scheme

In relation to market place the municipality attends trade and tourism (Grahamstown Art festival, Tourism Indaba, Macufe and Dundee July) shows to showcase its products to the market. There are also scheduled flea markets held on a quarterly basis. The is functional local tourism association that is mandated to marlet tourism products and attract more tourists.

T 3.11.1

Economic Activity by Sector			
	R '000		
Sector	Year -2	Year -1	Year 0
Agric, forestry and fishing	2	1.5	1.5
Mining and quarrying	6	5	2
Manufacturing	56	58	63
Wholesale and retail trade	45	51	52
Finance, property, etc.	51	48	52
Govt, community and social services	23	25	25
Infrastructure services	34	38	41
Total	217	226.5	236.5

T 3.11.2

Economic Employment by Sector			
	Jobs		
Sector	Year 1 No.	Year -1 No.	Year 0 No.
Agric, forestry and fishing	20,000	25,000	30,000
Mining and quarrying	400,000	435,000	372,000
Manufacturing	320,000	300,000	270,000
Wholesale and retail trade	190,000	200,000	210,000
Finance, property, etc.	275,000	255,000	235,000
Govt, community and social services	300,000	310,000	320,000
Infrastructure services	400,000	430,000	450,000
Total	1905000	1955000	1887000

T 3.11.3

COMMENT ON LOCAL JOB OPPORTUNITIES:

Local Job opportunities are created on a short temporary basis through projects such as fencing of hectares and community works programme.

T 3.11.4

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
Year -2	40	2,000
Year -1	50	2,900
Year 0	66	4,500
* - Extended Public Works Programme		T 3.11.6

Employees: Local Economic Development Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.					
					T 3.11.8

Financial Performance Year 0: Local Economic Development Services					
Details	R'000				
	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T 3.11.9

Capital Expenditure Year 0: Economic Development Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					<i>T 3.11.10</i>

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

As the main contributor of GDP Mhlontlo Local Municipality is responsive in relation to economic development. We are proud to report that we have introduced entrepreneurial skills in higher learning institutions as we prescribed to this notion of education being a societal matter. This is a three-year programme where we incubate schools to practice entrepreneurship. Due to COVID 19 the municipality is no exception in the negative effect this has had to the economy, as a result payment breaks to business licensing. An economic recovery plan has been developed which is aligned to national and provincial plans.

We have number of incubator programmes which include livestock, crop production and fashion designer mentorship programme where we intending that our businesses should graduate into big businesses and having share in the market.

Priority economic sectors. The priority economic sectors which will underpin the LED strategy are, agriculture and forestry which focus on aquaculture and horticulture, production of high value crops, livestock farming, and forestry and timber production; wholesale trade and retail sector focussing on tourism and retail trade; mining sector, focussing on stone quarrying and sand pits; and the manufacturing sector focussing on agro-processing as well as textile and clothing sector.

High impact catalytic projects. Mhlontlo is well positioned to benefit from a set of high impact and catalytic projects that have been identified within the OR Tambo District. These include the Integrated Wild Coast Development Programme (IWCDP), which is a strategic, integrated initiative aimed at bringing significant changes in whole of the Wild Coast planning area, incorporating district municipalities of OR Tambo, Alfred Nzo and Amathole. The programme is built around three pillars namely agro-processing, green industries, tourism supported by major infrastructure projects. Infrastructure projects include the construction of the N2 highway, the Wild Coast Meander, Mzimvubu Dam. Plans are also afoot to declare Wild Coast as Special Economic Zone (SEZ).

Implementation Framework. Mhlontlo is primarily responsible for creation of an LED-enabling environment. Among others this includes building institutional capacity for LED, creating an LED enabling environment, and building partnerships across all spheres of government, as well as private sector players. To this end, a five-year implementation framework has been developed with annual outputs linked to the strategic objectives.

We have afforded our business community a marketing platform both internal and externally, on a quarterly basis we convene a flea market and have afforded our tourism product owners to participate in the national tourism indaba, our horse racers in Berlin November and Dundee July, our crafters in Grahamstown Art Festival and Macufe and agricultural entrepreneurs in the Royal Show.

Capacity to implement LED. Mhlontlo's coordinative capacity is critical to the success of the LED Strategy. In addition to strengthening IGR, there is a need to revive the Local Economic Development Forum (LED Forum).

LED forum is now functional, all relevant stakeholders are represented. There are quarterly meetings scheduled. Linked to the Mhlontlo's priority economic sectors such a forum ideally comprises stakeholders drawn from all spheres of government, the state-owned enterprises, private sector players with strong presence within Mhlontlo, organised local business (both formal and informal), education and training service providers, and community-based organisations. Chaired by the Mayor and attended by all Councillors, and the municipal executive management team, the LED Forum will meet quarterly to review progress made, identify obstacles to LED implementation, and map the way forward.

The capability of the both the political and administrative arm of the Mhlontlo is critical to the success of the LED Strategy. Administratively, Mhlontlo needs to significantly and continuously enhance both its managerial, as well as technical capacity. In light of the key economic sectors identified in this strategy, Mhlontlo will, going forward, pay particular attention towards strengthening specialist capacity in the areas of agricultural production especially in agro-economics, forestry, tourism and small-scale industrial business development

LED funding. LED is a broad policy outcome and as such, a responsibility of all government spheres, agencies and other non-state role players. That said, and for historical reasons, local government revenues as well as intergovernmental grants have remained the major source of LED funding followed by private sector investment. While ensuring full exploiting of all available public resources, Mhlontlo intends to aggressively mobilise LED funding through Public Private Partnerships (PPPs). Within Mhlontlo, LED funding is to be mobilised from across the various functions. Each department therefore will be required to reflect explicitly how its annual plan and budget support LED.

Monitoring and evaluation. LED is conducted in order positively impact the lives of communities living within a locality. In the process, LED also consumes a lot of limited public resources. Monitoring evaluation provides evidence-based mechanism for impact analysis and allocation of resources. LED however forms an integral part of municipal IDP. Out of necessity therefore, the monitoring and evaluation of the LED is to be directly linked to that of the IDP. That said however, the Mhlontlo intends setting specific indicators to track LED implementation progress on monthly, quarterly and annual basis. Such indicators need to be robust enough to go beyond tracking outputs, but also the impact. Similarly, LED indicators must be fully integrated into the municipal-wide performance management

T 3.11.11

COMPONENT D: COMMUNITY & SOCIAL SERVICES

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

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

Community services' department is responsible for providing the following services:

1 Waste & Environmental Management Services

Refuse collection for households and businesses; refuse storage and removal of illegal dumping.

2. Libraries, Sports, Arts and Culture

The Municipality is responsible for the provision of information to the public through libraries thereby contributing to nation building and recreation through Sports, Arts and Culture.

3. Traffic & Security Services

To provide Road safety for pedestrians and vehicles, traffic law enforcement to control the street trading and public transport control. Funeral and VIP escorts. Security Services ensure that the Municipality's facilities are safe for staff and the public. They also ensure procurement of private security contractors and monitor their performances.

4. Licensing Services

is responsible for the licensing of vehicles and learner driver testing and also includes businesses and the approval of applications for the posters on the street pavements.

T 3.52

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

INTRODUCTION TO LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

The public library provides educational information and social services to people under Mhlontlo community. It serves general community, and, as a result, is referred to as the "layman's university". It is a service-oriented institution usually owned or funded by governments, responsible for fulfilling the information needs of the community.

Preserve and promote cultural heritage and diversity and foster mutual understanding and respect among cultures and peoples.

We have engaged schools both high schools and junior secondary schools, ABET and out school i.e., generally public in our annual events that promote reading, cultural activities, and self-development.

To improve performance as we only have one library serving Mhlontlo population as a whole, we have identified areas to place temporal structure in order to improve access to information, we have received container library, modular library.

Achievements

We have hosted both District library week and National world book day successfully.

T3.12.1

SERVICE STATISTICS FOR LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

T 3.12.2

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.12.4

Financial Performance Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

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

T 3.12.5

Capital Expenditure Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90

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

T 3.12.6

COMMENT ON THE PERFORMANCE OF LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC) OVERALL:

Delete Directive note once comment is completed – Explain the priority of the four largest capital projects and explain the variations from budget for net operating and capital expenditure. Confirm your year 5 targets set out in the IDP schedule can be attained within approved budget provision and if not then state how you intend to rectify the matter. Explain the priority of the four largest

capital projects and explain variances from budget for net operating and capital expenditure. Also explain any likely variation to the total approved project value (arising from year 0 and/or previous year actuals, or expected future variations).

T 3.12.7

3.13 CEMETORIES AND CREMATORIIUMS

INTRODUCTION TO CEMETORIES & CREMATORIIUMS

Currently, two (2) cemeteries are operational in both Qumbu and Tsolo towns. The community in the rest of the incorporated areas in the Mhlontlo Local Municipality area utilises the cemeteries in the nearest vicinity.

The service delivery priorities are to provide and maintain cemeteries, to continuously update and keep record of cemetery registers – also captured on electronic database. Plans are underway to develop future cemeteries (especially on New Homes) to ensure that sufficient space is available. Another priority is to maintain and upgrade the existing equipment system, and procedures to ensure a quality service to the community.

The foregoing priorities were not met through the maintenance of all cemeteries by cutting grass, removal of weeds, and planting of trees. The database is not kept up to date, and the cemetery registers are not updated regularly, hence a system upgrade has been planned for the upcoming financial year.

The Municipality is planning on introducing EPWP projects to clean cemeteries on an ad-hoc basis, and through that, local people will receive an income and cemeteries will be cleaned.

T 3.13.1

Employees: Cemeteries and Cremotoriums						
Job Level	Year -1		Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)	
	No.	No.	No.	No.	%	
0 - 3	1	1	1	0	0%	
4 - 6	3	3	3	0	0%	
7 - 9	6	8	6	2	25%	
10 - 12	7	15	7	8	53%	
13 - 15	9	15	9	6	40%	
16 - 18	11	21	11	10	48%	
19 - 20	18	30	18	12	40%	
Total	55	93	55	38	41%	

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.13.4

Financial Performance Year 0: Cemeteries and Crematoriums					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.13.5

Capital Expenditure Year 0: Cemeteries and Crematoriums					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.13.6

COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIUMS OVERALL:

Priority was not given to the maintenance of existing cemeteries according to the IDP and available allocated budgets. The targets set in the five-year IDP schedule will be met provided that the budget allocations are approved, and suitable land is available for future development.

T 3.13.7

3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

2 SPU programmes (Children) were coordinated by supplying school uniform to 10 schools, supplying inputs to preschools, Child protection week was not achieved due to covid restrictions.

T 3.14.1

Employees: Child Care; Aged Care; Social Programmes						
Job Level	Year -1		Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)	
	No.	No.	No.	No.	%	
0 - 3	1	1	1	0	0%	
4 - 6	3	3	3	0	0%	
7 - 9	6	8	6	2	25%	
10 - 12	7	15	7	8	53%	
13 - 15	9	15	9	6	40%	
16 - 18	11	21	11	10	48%	
19 - 20	18	30	18	12	40%	
Total	55	93	55	38	41%	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.14.4

Financial Performance Year 0: Child Care; Aged Care; Social Programmes						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	120	125	100	95	-32%	
Expenditure:						
Employees	125	244	250	248	2%	
Repairs and Maintenance	25	244	250	248	2%	
Other	45	244	250	248	2%	
Total Operational Expenditure	195	732	750	744	2%	
Net Operational Expenditure	75	607	650	649	6%	

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.14.5

Capital Expenditure Year 0: Child Care; Aged Care; Social Programmes						R' 000
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	260	326	378	31%		
Project A	100	130	128	22%	280	
Project B	80	91	90	11%	150	
Project C	45	50	80	44%	320	
Project D	35	55	80	56%	90	

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.14.6

COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

INTRODUCTION TO ENVIRONMENTAL PROTECTION

There were no environmental protection programmes conducted in 2021/22 financial year besides the continuous maintenance of the landfill site in Qumbu.

T 3.14

3.15 POLLUTION CONTROL

INTRODUCTION TO POLLUTION CONTROL

Provision of waste bins and conducting of waste management awareness and clean-up campaigns against burning of refuse/waste were conducted during the 2021/22 financial year.

T 3.15.1

SERVICE STATISTICS FOR POLLUTION CONTROL

T 3.15.2

Pollution Control Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year 0		Year 1		Year 2		Year 3	
		Target	Actual	Target	Actual	*Current Year	Target	*Current Year	Target
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	(ix)	*Following Year (x)
(i) Service indicators Service Objective xxx Water and air purity	(ii)								
	Water: x% of all readings taken throughout the year on at least weekly to be found acceptable (clean) by National Standards	T0% clean	A0% clean	T1% clean	A1% clean	T2% acceptable	A1% clean	T5% acceptable	T5% acceptable
	Air: x% of all readings taken throughout the year on at least weekly to be found acceptable by National standard	T0% clean	A0% clean	T1% clean	A1% clean	T2% acceptable	A1% clean	T5% acceptable	T5% acceptable
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are universal municipal indicators. * Previous Year refers to the targets that were set in the Year -1 Budget/IDP round. *Current Year refers to the targets set in the Year 0 Budget/IDP round. *Following Year refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by T 3.15.3									

Employees: Pollution Control					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.15.4

Financial Performance Year 0: Pollution Control					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.15.5

Capital Expenditure Year 0: Pollution Control					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.15.6

3.16 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

SERVICE STATISTICS FOR BIO-DIVERSITY AND LANDSCAPE

T 3.16.2

Employees: Bio-Diversity; Landscape and Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.16.4

Financial Performance Year 0: Bio-Diversity; Landscape and Other					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.16.5

Capital Expenditure Year 0: Bio-Diversity; Landscape and Other					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T 3.16.6

COMPONENT F: HEALTH

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

INTRODUCTION TO HEALTH

The municipality observed all health protocols relating to COVID 19 pandemic as directed by the department of health. Furthermore, employee wellness programmes were hosted during the reported financial year.

Note: Recent legislation includes the National Health Act 2004.

T 3.17

3.17 CLINICS

INTRODUCTION TO CLINICS

The municipality has no clinic under its management.

T 3.17.1

3.18 AMBULANCE SERVICES

INTRODUCTION TO AMBULANCE SERVICES

The municipality does not have any ambulances under its management.

T 3.18.1

3.19 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS, ETC

The municipality did not conduct any health inspections, food and abattoir licensing during the 2021/22 financial year. This function is provided by OR Tambo District.

T 3.19.1

COMPONENT G: SECURITY AND SAFETY

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

INTRODUCTION TO SECURITY & SAFETY

Traffic Services ensure that roads are safe and there is a free flow of traffic whenever possible. This is done through application of strict general law enforcement, speed check enforcement, road safety campaigns, provision of traffic control at congested traffic intersections, training of scholar patrols to assist fellow learners to cross the road safe, installation of traffic calming measures and road awareness programmes. Selective law enforcement targets accident prone areas and main municipal entrance/ exits roads.

As road traffic accidents and drunken driving remains major challenges in South Africa. The STLM traffic is no exception to such challenges, however law enforcement interventions assist to keep the situation under minimum control.

Security Services is responsible for the safeguarding of all municipal property and personnel. It is also responsible for monitoring private security companies that provide security services to the municipality

T 3.20

3.20 POLICE

INTRODUCTION TO POLICE

The Mhlontlo Local municipality provides security and safety through community safety forums. The projects prioritised were: revival of community safety forums.

Coordination of community safety forums.

T 3.20.1

Metropolitan Police Service Data					
	Details	Year -1	Year 0		Year 1
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of road traffic accidents during the year				
2	Number of by-law infringements attended				
3	Number of police officers in the field on an average day				
4	Number of police officers on duty on an average day				

T 3.20.2

Employees: Police Officers					
Job Level	Year -1	Year 0			
Police	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Police Officer & Deputy					
Other Police Officers					
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.20.4

Financial Performance Year 0: Police					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Police Officers					
Other employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

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

T 3.20.5

Capital Expenditure Year 0: Police					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90

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

T 3.20.6

COMMENT ON THE PERFORMANCE OF POLICE OVERALL:

The Traffic officers are on duty 6 days per week, standby on Sundays. The following projects prioritized: Law enforcement, Learners, and Driving License tests, registering and licensing of motor vehicles.

T 3.20.7

3.21 FIRE**INTRODUCTION TO FIRE SERVICES**

The municipality does not provide fire services but relies on the district municipality for the function.

T 3.21.1

3.22 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)**INTRODUCTION TO DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC**

Delete Directive note once comment is completed – Provide brief introductory comments. Set out your top 3 service delivery priorities and the impact you have had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by your service during the year. Refer to support given to those communities that are living in poverty.

T 3.22.1

SERVICE STATISTICS FOR DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

T 3.22.2

COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

INTRODUCTION TO SPORT AND RECREATION

Delete Directive note once comment is completed – Provide brief introductory comments. Set out your top 3 service delivery priorities and the impact you have had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by your service during the year. Refer to support given to those communities that are living in poverty.

T 3.23

3.23 SPORT AND RECREATION

SERVICE STATISTICS FOR SPORT AND RECREATION

T 3.23.1



COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

INTRODUCTION TO CORPORATE POLICY OFFICES, Etc

Delete Directive note once comment is completed – Provide brief introductory comments.

T 3.24

3.24 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

INTRODUCTION TO EXECUTIVE AND COUNCIL

The executive is composed of the Mayor, who is elected by other councillors during the first council sitting. Mayor then appoints MMCs from amongst the members of Council. In addition to the Executive Mayor, the executive is also made up of the councillors and the municipal manager. They assist the Mayor to execute his duties.

The Municipal Council has 26 ward councillors and 26 proportional representative councillors. For Council to take a decision, it needs simple majority, where the meeting forms a quorum i.e. 50% of councillors plus one councillor.

T 3.24.1

Employees: The Executive and Council					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.24.4

Financial Performance Year 0: The Executive and Council					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.24.5

Capital Expenditure Year 0: The Executive and Council					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.24.6

3.25 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

Financial services, an administrative support service, generated an operating surplus of R 169.4 million for the 2021/2022 financial year mainly due to the property rates revenue recognised at this cost centre. The surplus is used to subsidise other community and subsidised services. No administrative costs were charged out to trading and economic services.

T 3.25.1

Debt Recovery							
R'							
Details of the types of account raised and recovered	Year -2021		Year -2022			Year -2023	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	31 091 969	76%	33 278 037	33 278 037	61%	34 609 158	63%
Refuse	1 810 647	38%	2 031 968	2 031 968	-23%	2 113 247	20%
<i>B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.</i>							T 3.25.2

Concerning T 3.25.2

The municipality's collection rate is of great concern especially on refuse removal services. Collection rate has decreased drastically to a negative 23% when compared to the 2021 financial year.

T 3.25.2.1

Financial Service Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets		2021/22			2022/23			2023/24	
	(i)	(ii)	Target	Actual	*Previous Year	Target	Actual	*Current Year	Target	
			(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To develop and fully implement a Revenue Enhancement and Management Strategy by 2022	Service indicators	Percentage of debt collection rate	Collection rate of 100% on arrear debt (Government) by 30th June 2021	R1,0 million collected since July 2020	Collection rate of 100% on arrear debt (Government) by 30th June 2021	Collection rate of 100% on Government debt by June 2022	R1,6 million collected since July 2021	Collection rate of 100% on Government debt by June 2022	N/A	N/A
To develop and fully implement a Revenue Enhancement and Management Strategy by 2022		Percentage of debt collection rate	To ensure monthly collection rate of 30% on arrear debt (Businesses) by 30th June 2021	R1,9 million collected since July 2020	To ensure monthly collection rate of 30% on debt Businesses by June 2022	Collection rate of 50% on debt Businesses by June 2022	R1,1 million collected since July 2021	Collection rate of 50% on debt Businesses by June 2022	N/A	N/A
To develop and fully implement a Revenue Enhancement and Management Strategy by 2022		Percentage of debt collection rate	Collection rate of 30% on arrear debt (Households) by 30th June 2021	R789 thousand collected since July 2020	Collection rate of 30% on arrear debt (Households) by 30th June 2021	Collection rate of 30% on Household debt by June 2022	R1,8 million collected since July 2021	Collection rate of 30% on Household debt by June 2022	N/A	N/A
To develop and fully implement a Revenue Enhancement and Management Strategy by 2022		Number of General Valuation roll and Supplementary valuation roll	Completion of 1 Supplementary valuation roll by 31st March 2021	One Supplementary valuation roll completed	Completion of 1 Supplementary valuation roll by 31st March 2021	Completion of 1 Supplementary valuation roll by June 2022	One Supplementary valuation roll completed	Completion of 1 Supplementary valuation roll by June 2022	N/A	N/A
To develop and fully implement a Revenue Enhancement and Management Strategy by 2022		Number of reviewed revenue management strategy	Implement revenue enhancement strategy by 31st March 2021	Revenue enhancement strategy not reviewed	Implement revenue enhancement strategy by 31st March 2021	Review 1 revenue enhancement strategy by June 2022	Revenue enhancement strategy not reviewed	Review 1 revenue enhancement strategy by June 2022	N/A	N/A
Compliance with payment schedule		30 days turnaround time	100% Compliance with payment schedule (30 days turnaround time) by 30th June 2021	Creditors paid within 30 days on receipt of an invoice	100% Compliance with payment schedule (30 days turnaround time) by 30th June 2021	100% Compliance with payment schedule (30 days turnaround time)	Creditors paid within 30 days on receipt of an invoice	100% Compliance with payment schedule (30 days turnaround time)	N/A	N/A
To ensure credible budgeting and proper financial reporting in line with relevant legislation by 2021		Credible budget	Formulate 1 credible budget by 31st March 2021	One annual funded annual and adjusted budget compiled	Formulate 1 credible budget by 31st March 2021	Formulate 1 credible budget	One annual funded annual and adjusted budget compiled	Formulate 1 credible budget	N/A	N/A
To ensure that assets are managed and utilised in line with relevant policies and procedures		Updated Asset Register in line with GRAP Standard	1 Update assets register to be GRAP compliant by 30th June 2021	One GRAP compliant fixed asset register maintained	1 Update assets register to be GRAP compliant by 30th June 2021	1 Updated assets register to be GRAP compliant	One GRAP compliant fixed asset register maintained	1 Updated assets register to be GRAP compliant	N/A	N/A
To ensure that supply chain policies comply with MFEMA and all relevant regulations		Procurement Plan	100% compliance with the SCM policy and procurement plan by 30th June 2021	77% compliance with procurement plan	100% compliance with the SCM policy and procurement plan by 30th June 2021	100% compliance with the SCM policy and procurement plan	87% compliance with procurement plan	100% compliance with the SCM policy and procurement plan	N/A	N/A

T.3.25.3

Employees: Financial Services					
Job Level	Year -2021	Year -2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
4 - 6	21	21	11	10	48%
10 - 12	4	4	4	0	0%
13 - 15	10	10	8	2	20%
16 - 18	2	2	2	0	0%
Total	37	37	25	12	32%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.25.4

COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL

The main challenges experienced during the compilation of the 2021/22 MTREF have not changed to those experienced in the previous financial year as well as the budget review process, for ease of reference they have been summarized as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained roads;
- The need to reprioritize projects and expenditure within the existing resource envelope;
- Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year’s capital investments needed to be factored into the budget as part of the 2021/2022 MTREF process; and
- The collection of outstanding debtors remains a challenge and requires that far more attention is needed to be paid to minimising debt at an early stage, that is, before it reaches 90 days.

T 3.25.7

3.26 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

Human Resources is a unit under corporate services directorate and is responsible for the support all other directorates of the municipality through recruitment and selection, leave management, skills development, payroll management, occupational health and safety and council support.

T 3.26.1

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

Human resources supported all 5 directorates of the municipality according to its responsibilities stated above.

T 3.26.2

Employees: Human Resource Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.26.4

Financial Performance Year 0: Human Resource Services					
Details	R'000				
	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

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

T 3.26.5

Capital Expenditure Year 0: Human Resource Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					<i>T 3.26.6</i>

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information and communication technology (ICT) is a unit under corporate services and is responsible for all ICT services within the municipality.

T 3.27.1

SERVICE STATISTICS FOR ICT SERVICES

ICT is manned by two employees, i.e. Systems Administrator and Technician. They support the 6 directorates of the municipality. They provide: Network administration, Desktop support services, Systems administration, ICT governance, Development and maintenance of municipal website.

T 3.27.2

Employees: ICT Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
<i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i>					<i>T3.27.4</i>

Financial Performance Year 0: ICT Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	120	125	100	95	-32%	
Expenditure:						
Employees	125	244	250	248	2%	
Repairs and Maintenance	25	244	250	248	2%	
Other	45	244	250	248	2%	
Total Operational Expenditure	195	732	750	744	2%	
Net Operational Expenditure	75	607	650	649	6%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.27.5	

Capital Expenditure Year 0: ICT Services						R' 000
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	260	326	378	31%		
Project A	100	130	128	22%	280	
Project B	80	91	90	11%	150	
Project C	45	50	80	44%	320	
Project D	35	55	80	56%	90	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.27.6	

3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes: property; legal; risk management and procurement services.

INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

The municipality owns properties around Qumbu and Tsolo towns and are management by LED unit within the municipality.

Legal services are outsourced to a panel of attorneys appointed over a period of 3 years.

Risk management functions are conducted by the internal audit unit and procurement services are managed by the supply chain management unit.

T3.28.1

SERVICE STATISTICS FOR PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

Municipal properties are spread throughout Qumbu and Tsolo towns.

Three legal firms form part of the appointed panel of attorneys.

One strategic risk register and 6 operational risk registers were developed and maintained in 2021/22.

A contracts register was maintained for all procurement conducted during 2020/21 financial year.

T 3.28.2

COMMENT ON THE PERFORMANCE OF PROPERTY SERVICES OVERALL:

The municipality did not have established units for legal services, hence outsourced to a panel of attorneys and no risk management unit, hence conducted by the internal audit unit. Procurement and property services fall under financial and planning services, respectively; therefore, they have no separate employees and budget.

T 3.28.7

COMPONENT J: MISCELLANEOUS

This component includes: the provision of Airports, Abattoirs, Municipal Courts and Forestry as municipal enterprises.

INTRODUCTION TO MISCELLANEOUS

Delete Directive note once comment is completed – Provide brief introductory comments. Set out priorities and the impact you have had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by this service during the year.

T 3.29.0

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

This component includes: Annual Performance Scorecard Report for the current year.

Plan Number: Plan Name																	
No.	Strategic Focus Area (IDP)	Key Performance Indicator	Baseline (Previous years actual)	Demand	Backlog	Annual Target (Year)	5 Year Target	Means of verification	Unit of Measure	Quarterly Target	Quarterly actual	Status (Achieved/ Not Achieved)	Measures taken to improve performance	Performance Monitoring Quality Assurance comment	Management Response	Internal Audit Comment	Portfolio of Evidence

Note: Set out key plans as per performance scorecard e.g Plan 1: Sustain and build natural environment, Plan 2: Economic Development and job creation, Plan 3: Quality living environment, Plan 4: Safe, healthy and secure environment, Plan 5: Empowering our citizen, Plan 6: Promoting cultural diversity, Plan 7: Good governance, Plan 8: Financial viability and sustainability. T 3.30



CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE

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

INTRODUCTION

To ensure that the organization's effectiveness is increased, the Municipality conducts personnel needs analysis and makes the necessary provision in the Municipal Budget on an annual basis. To ensure effectiveness and efficiency within the organisation, the Municipality annually develops a Workplace Skills Plan, after conducting a training needs analysis. The necessary training is then provided depending on available financial resources. Employees are also provided with all the necessary tools including, but not limited to, ICT tools, furniture, and equipment.

Necessary policies, systems, procedures, and mechanisms are put in place to ensure organizational development. These include, but are not limited to, recruitment, selection, training, discipline, and the retention of staff. Employees are developed as far as possible to assist them to function effectively as human beings and to reach their full potential.

Changes in business process and changing environment requires the organization to review its organizational structure on a regular basis.

T 4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Department	Year -2021	Year -2022			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Municipal Manager's Office	9	11	20	11	100%
Infrastructure Development and Planning	19	3	25	5	167%
Budget and Treasury office	31	11	36	14	127%
Community Services	92	32	126	52	163%
Local Economic Development	10	4	15	5	125%
Corporate Services	29	6	50	17	283%
Totals	190	67	272	104	155%
Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.					T 4.1.1

Vacancy Rate: Year 2022			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	1	
CFO	1	0	
Other S56 Managers (excluding Finance Posts)	5	1	
Deputy Directors	11	5	
Traffic officers	11	5	
Fire fighters	0	0	
Senior management: Levels 13-15 (excluding Finance Posts)	4	1	
Senior management: Levels 13-15 (Finance posts)	1	0	
Highly skilled supervision: levels 9-12 (excluding Finance posts)	9	5	
Highly skilled supervision: levels 9-12 (Finance posts)	2	0	
Total	45	18	
<p><i>Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i></p>			T 4.1.2

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
Year -2019	12	6	50%
Year -2020	4	9	225%
Year -2021	5	18	360%
<p><i>* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year</i></p>			T 4.1.3

COMMENT ON VACANCIES AND TURNOVER:

Elementary/entry level vacancies are advertised on local media and municipal notice boards while vacancies at management, skilled and professional occupations are advertised using both local and national media in line with the recruitment policies in order to ensure sufficient coverage.

All senior management positions were filled, although there were some unfortunate incidents of senior managers passing away. Appointments on an acting basis were made when such vacancies occurred.

The Employment Equity Plan is always considered when making appointments. The turnaround time for the filling of vacant posts varies depending on the scarcity of skills in the labour market, qualifications and experience required. The target turnaround time to fill a vacancy is three (03) months.

The reason for turnover is mainly due to resignations, retirement, death, and to a limited extent dismissal. Employees mainly resign as a result of career advancement. We have an inactive Employee Assistance Programme in place and also had staff wellness events during the year. There is also a long service recognition system in place which is implemented in terms of the conditions of service and internal policies.

Due to other institutions offering more benefits than we can afford, it is not always possible to retain scarce and skilled employees.

T 4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE**INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT**

The municipality is structured in such a way it meets its objectives in terms of the integrated development plan. There are 6 departments in the municipality, and they are in line with the key functions of the municipality. They are Infrastructure planning and development, Community Services, Corporate Services, Local Economic Development and Strategic services Department. The municipality has developed its policies that guide the institution and has instilled a culture of good management ethics.

T 4.2.0

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
1	Affirmative Action	100%	29-APRIL- 21	Con-11-22/22
2	Attraction and Retention	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
3	Code of Conduct for employees	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
4	Delegations, Authorisation & Responsibility	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
5	Disciplinary Code and Procedures	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
6	Essential Services	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
7	Employee Assistance / Wellness	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
8	Employment Equity	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
9	Exit Management	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
10	Grievance Procedures	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
11	HIV/Aids	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
12	Human Resource and Development	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
13	Information Technology	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
14	Job Evaluation	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
15	Leave	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
16	Occupational Health and Safety	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
17	Official Housing	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
18	Official Journeys	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
19	Official transport to attend Funerals	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
20	Official Working Hours and Overtime	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
21	Organisational Rights	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
22	Payroll Deductions	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
23	Performance Management and Development	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
24	Recruitment, Selection and Appointments	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
25	Remuneration Scales and Allowances	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
26	Resettlement	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
27	Sexual Harassment	100%	3-4 Nov 2020 & 12 March	29-Apr-21

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
			2021	
28	Skills Development	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
29	Smoking	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
30	Special Skills	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
31	Work Organisation	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
32	Uniforms and Protective Clothing	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
33	Other:	100%	3-4 Nov 2020 & 12 March 2021	29-Apr-21
				<i>T 4.2.1</i>

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

Although most policies are in place and approved by council, compliance with policies and the ability of management to enforce compliance with policies remains a challenge and requires attention. Knowledge and understanding of policies by all staff also remain an issue of concern and therefore it becomes crucial to improve and accelerate awareness activities amongst staff. Workplace policies are developed and reviewed as and when necessary, in consultation with labour as prescribed by the relevant pieces of labour legislation and signed collective agreements.

T 4.2.1.1

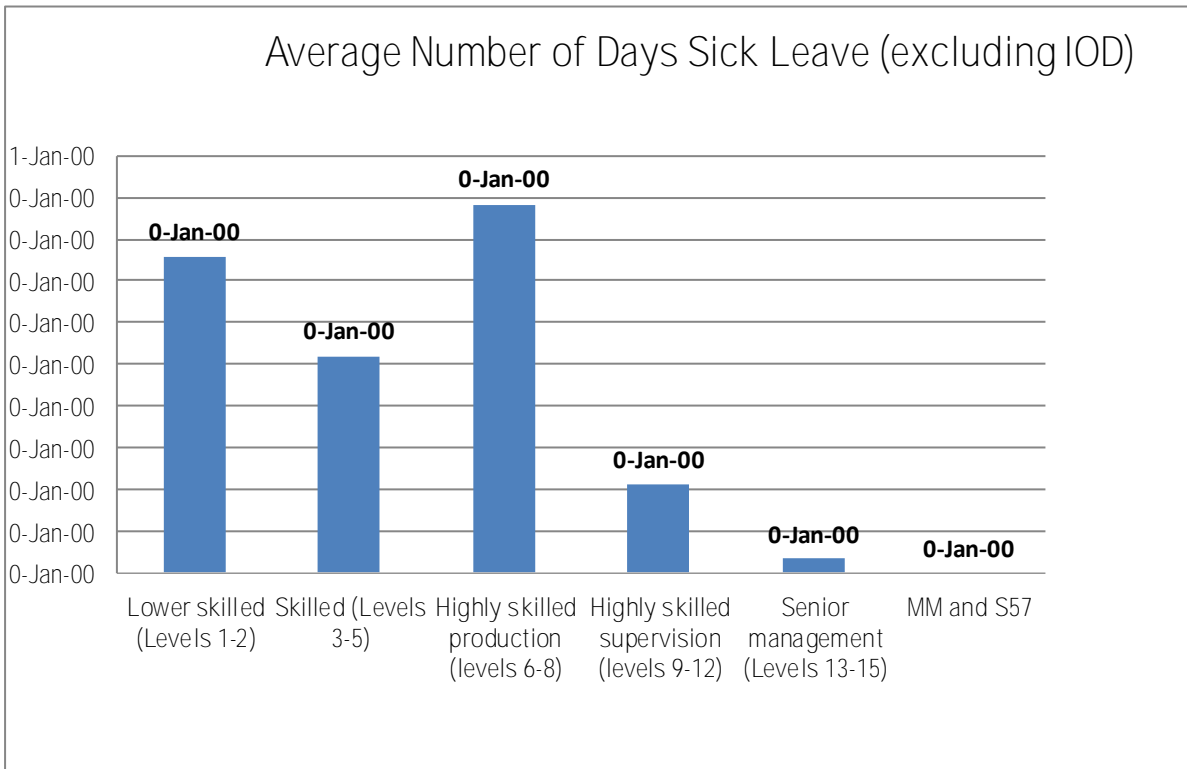
4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	-	-	-	-	-
Temporary total disablement	-	-	-	-	-
Permanent disablement	-	-	-	-	-
Fatal	-	-	-	-	-
Total	-	-	-	-	-
					<i>T 4.3.1</i>

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	207	0%	73	107	0,76	
Skilled (Levels 3-5)	142	0%	49	69	0,52	
Highly skilled production (levels 6-8)	241	0%	48	75	0,88	
Highly skilled supervision (levels 9-12)	58	0%	11	17	0,21	
Senior management (Levels 13-15)	9	0%	5	5	0,03	
MM and S57	0	0%	0	0	0,00	
Total	657	0%	186	273	2,41	0

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

T 4.3.2



T 4.3.3

COMMENT ON INJURY AND SICK LEAVE:

No serious injuries recorded. Awareness campaigns on Health and safety issues were conducted. Only sick leaves with medical certificate were recorded.

T 4.3.4

4.4 PERFORMANCE REWARDS

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards Year 1 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	20	9		45%
	Male	30	12		
Skilled (Levels 3-5)	Female				
	Male				
Highly skilled production (levels 6-8)	Female				
	Male				
Highly skilled supervision (levels 9-12)	Female				
	Male				
Senior management (Levels 13-15)	Female				
	Male				
MM and S57	Female				
	Male				
Total		50	21		
Has the statutory municipal calculator been used as part of the evaluation process ?					Yes/No
<p><i>Note: MSA 2000 S51(d) requires that ... 'performance plans, on which rewards are based should be aligned with the IDP'... (IDP objectives and targets are set out in Chapter 3) and that Service Delivery and Budget Implementation Plans (developed under MFMA S69 and Circular 13) should be consistent with the higher level IDP targets and must be incorporated appropriately in personal performance agreements as the basis of performance rewards. Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i></p>					T 4.4.1

COMMENT ON PERFORMANCE REWARDS:

Performance assessments were conducted, however there were no performance rewards paid to municipal employees in 2020/21 financial year.

T 4.4.1.1

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Workplace Skills Plan is in place to guide all the training and development initiatives of the municipality. To improve the training and skills development the municipality is busy sourcing out funds to assist its employees and the Councillors as well as for the community of Mhlontlo.

Note: MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient, and accountable way.

T 4.5.0

4.5 SKILLS DEVELOPMENT AND TRAINING

		Skills Matrix															
Management level	Gender	Employees in post as at 30 June Year 2021	Number of skilled employees required and actual as at 30 June Year 2022						Total								
			Learnerships			Skills programmes & other short courses			Other forms of training								
		No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target
MM and s57	Female						0	0		0	0		0		0		
	Male	1					1	1		1	1		1		1		1
Councillors, senior officials and managers	Female	6					6	6		6	6		6		6		6
	Male	6					6	6		6	6		6		6		6
Technicians and associate professionals*	Female	0								0	0		0		0		0
	Male	0								0	0		0		0		0
Professionals	Female	13								13	13		13		13		13
	Male	5								5	5		5		5		5
Sub total	Female	19								19	19		19		19		19
	Male	12								12	12		12		12		12
Total		62	0	0	0	0	0	0	0	62	62	0	62	0	62	62	62

* Registered with professional Associate Body e.g CA (SA)

T 4.5.1

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	-	1	-	1	1
Chief financial officer	1	-	1	-	1	1
Senior managers	4	-	4	-	3	3
Any other financial officials	13	-	13	-	-	13
Supply Chain Management Officials						
Heads of supply chain management units	1	-	1	-	1	1
Supply chain management senior managers	2	-	2	-	1	2
TOTAL	22	0	22	1	8	21
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						T 4.5.2

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

Training plan was implemented partially due to limited funds that are available for training. The Variance between training budget and the actual budget is caused by the money paid for accommodation. The municipality is planning to increase the training budget through sourcing of funds from outside funders', i.e., SETA's. In terms of the MFMA Competency Regulations, the range of officials to which it relates and the deadline of 2013 by which it will become fully effective. 20 Municipal Senior management and the relevant officials are competent in terms of the MFMA.

T 4.5.4

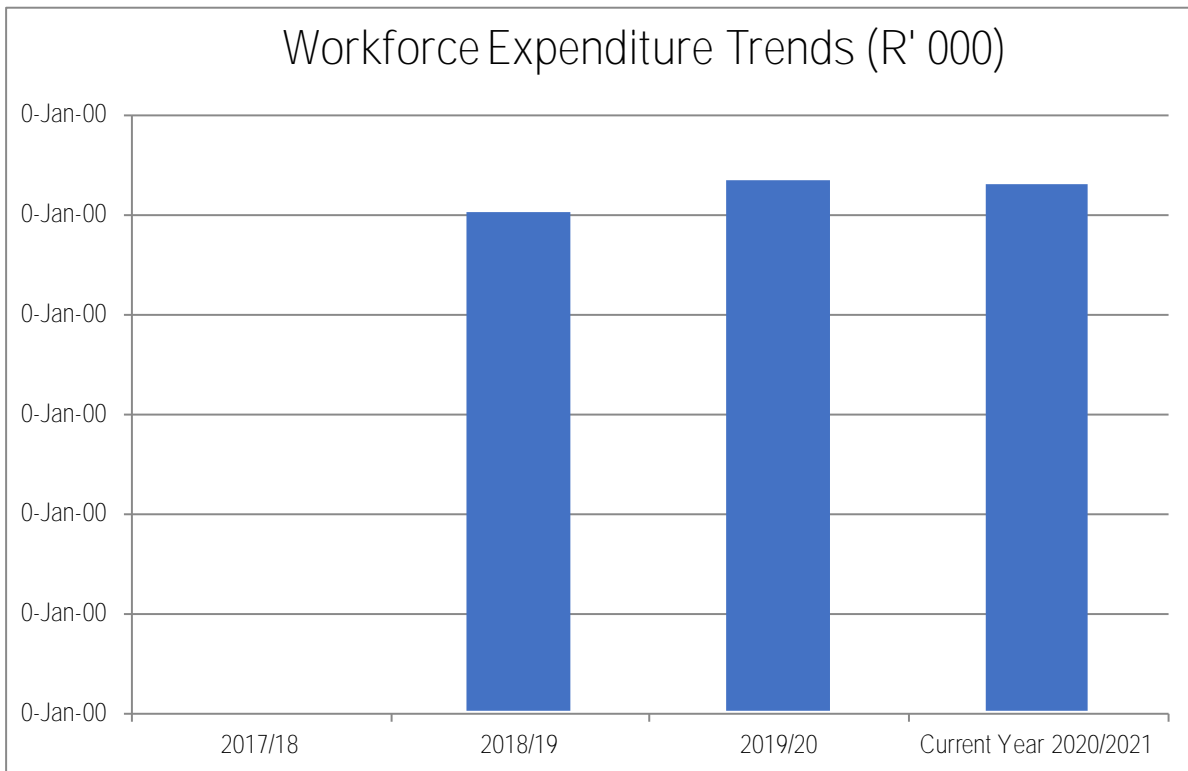
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

The personnel expenditure has been kept under the budget as reflected in the financial statements for 2021/2022 financial year. The trends show that personnel expenditure in the year under review increased. In 2020/2021 the employee expenditure was R85 million whilst in 2021/2022 it has increased to R88 million. Councilor’s allowances show an increase from R20 million to R20 going to 2021/2022 financial year. In overall, personnel expenditure was within the budgeted amount.

T 4.6.0

4.6 EMPLOYEE EXPENDITURE



Source: MBRR SA22

T 4.6.1

COMMENT ON WORKFORCE EXPENDITURE:

Expenditure in this regard has been stable compared to previous years because the municipality has not yet implemented Task Job Evaluation which has the potential of increasing workforce expenditure. Job evaluation exercise is still underway.

T 4.6.1.1

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	
	Male	
Skilled (Levels 3-5)	Female	
	Male	
Highly skilled production (Levels 6-8)	Female	
	Male	
Highly skilled supervision (Levels9-12)	Female	
	Male	
Senior management (Levels13-16)	Female	
	Male	
MM and S 57	Female	
	Male	
Total		0
<i>Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as</i>		<i>T 4.6.2</i>

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
				<i>T 4.6.3</i>

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
				<i>T 4.6.4</i>

COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:

The municipality has not implemented the TASK job evaluation, as a result salary are paid not based on any remuneration system. There are disputes between unions and the municipality regarding this because the job evaluation process has not been finalised.

T 4.6.5

DISCLOSURES OF FINANCIAL INTERESTS

Officials and councillors declared their financial interests for 2020/21 financial year and declarations are done annually by all staff and councillors to foster a culture of integrity and accountability and to give high priority towards the needs of communities as per the code of conduct for both officials and councillors in terms of the municipal systems act.

T 4.6.6



CHAPTER 5

FINANCIAL PERFORMANCE

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

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

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Cash Flow Management and Investments
- Component D: Other Financial Matters

The overall operating results achieved for the past financial year closed off with a deficit of R3 - million compared the prior year surplus of R78 - million. Operating revenue for the year is R316 - million (2021: R332 - million), which reflects a decrease.

The operating expenditure for the year is R319 - million (2021: R253 million), which reveals an increase.

The total capital expenditure capitalized for the year in respect of property, plant, and equipment amounted to R7 million. This includes R55 million from government grants, and the rest from own cash resources.

Cash and short-term investments increased to R172 million (2021: R169 - million).

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

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

T 5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

Operating revenue excluding capital grants and subsidies for the year is R316 million (2021: R332-million), which shows a decrease of 5%.

Included in the above figure are operating government grants to the amount of R271-million, which constitute 85% of total revenue.

Service charges comprise 0.6% of total revenue and increased by R221 thousand from 2021 (R1.8-million) to R2-million in the reporting financial year.

Property rates constitute 10% of revenue and increased by 6.5% from the previous financial year.

Interest received has decreased from R126-thousand to R120-thousand, which can mainly be attributed to the interest rate decrease during the year.

Revenue from fines decreased by R545-thousand from the previous year.

The operating expenditure for the year is R319-million (2021-R253-million), which indicates an increase of 20% from the previous financial year.

The main expenditures are employee-related costs at R88-million (2021 R85-million), remuneration of councilors at R20.4-million, depreciation and amortization R47 million, general expenses at R125-million.

Repairs and maintenance expenditure are included in the general expenses figure.

Capital expenditure for the year amount to R76-million. This includes capital grants of R65-million and R10-million of internally generated funds.

T 5.1.0

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	2021/22							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R thousands	1	2	3	6	7	9	10	11
Financial Performance								
Property rates	24 474	-	33 104	33 104	33 278	(174)	101%	136%
Service charges	1 810	-	2 000	2 000	2 032	(32)	102%	112%
Investment revenue	3 261	-	4 735	4 735	5 274	(539)	111%	162%
Transfers recognised - operational	208 752	-	208 713	208 713	271 855	(63 142)	130%	130%
Other own revenue	3 107	-	4 223	4 223	3 928	296	93%	126%
Total Revenue (excluding capital transfers and contributions)	241 405	-	252 775	252 775	316 367	(63 592)	125%	131%
Employee costs	83 255	-	88 172	88 172	88 688	(515)	101%	107%
Remuneration of councillors	19 077	-	24 038	24 038	20 381	3 657	85%	107%
Debt impairment	17 800	-	8 200	8 200	13 743	(5 543)	168%	77%
Depreciation & asset impairment	50 611	-	48 544	48 544	47 308	1 236	97%	93%
Finance charges	-	-	-	-	551	(551)	#DIV/0!	#DIV/0!
Transfers and grants	1 126	0	1 166	1 166	1 166	1 166	0%	0%
Other expenditure	122 484	-	147 511	147 511	148 737	(1 226)	101%	121%
Total Expenditure	294 352	0	317 631	317 631	319 407	(1 776)	101%	109%
Surplus/(Deficit)	(52 947)	(0)	(64 856)	(64 856)	(3 040)	(61 816)	0	0
Transfers recognised - capital	-	-	-	-	-	-	#DIV/0!	0%
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	0%	
Surplus/(Deficit) after capital transfers & contributions	(52 947)	(0)	(64 856)	(64 856)	(3 040)	(61 816)	5%	6%
Share of surplus/ (deficit) of associate	-	-	-	-	-	-		
Surplus/(Deficit) for the year	(52 947)	(0)	(64 856)	(64 856)	(3 040)	(61 816)	5%	6%
Capital expenditure & funds sources								
Capital expenditure	62 847	-	82 847	54 069	65 562	(11 493)	121%	104%
Transfers recognised - capital	62 847	-	82 847	54 069	65 562	(11 493)	121%	104%
Total sources of capital funds	62 847	-	82 847	54 069	65 562	(11 493)	121%	104%
Cash flows								
Net cash from (used) operating	269 401		70 491	70 491	75 521			
Net cash from (used) investing	(92 290)		(95 957)	(95 957)	(72 224)			
Cash/cash equivalents at the year end	208 049		57 245	57 245	172 630			

T 5.1.1

Financial Performance of Operational Services						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	26,485	23,572	28,075	23,042	-2.30%	-21.84%
Waste Water (Sanitation)	8,541	8,285	9,054	8,456	2.02%	-7.07%
Electricity	12,355	10,254	12,478	13,219	22.43%	5.61%
Waste Management	14,232	13,235	13,662	12,097	-9.41%	-12.94%
Housing	6,542	5,496	5,954	6,346	13.40%	6.19%
Component A: sub-total	68,155	60,842	69,222	63,161	3.67%	-9.60%
Waste Water (Stormwater Drainage)	5,643	5,530	5,925	5,304	-4.26%	-11.70%
Roads	5,643	5,530	5,925	5,304	-4.26%	-11.70%
Transport	5,322	4,470	5,747	4,630	3.45%	-24.14%
Component B: sub-total	16,607	8,455	8,624	9,554	11.50%	9.73%
Planning	1,254	1,003	1,191	1,354	25.93%	12.04%
Local Economic Development	2,516	2,063	2,264	2,340	11.83%	3.23%
Component B: sub-total	3,769	3,066	3,455	3,693	17.00%	6.46%
Planning (Strategic & Regulatory)	12,546	10,413	11,793	11,542	9.78%	-2.17%
Local Economic Development	2,355	2,190	2,425	2,402	8.82%	-0.98%
Component C: sub-total	14,900	12,603	14,218	13,944	9.62%	-1.97%
Community & Social Services	4,565	3,698	4,337	4,291	13.83%	-1.06%
Environmental Protection	5,649	4,971	6,157	4,971	0.00%	-23.86%
Health	5,649	4,971	6,157	4,971	0.00%	-23.86%
Security and Safety	5,649	4,971	6,157	4,971	0.00%	-23.86%
Sport and Recreation	5,649	4,971	6,157	4,971	0.00%	-23.86%
Corporate Policy Offices and Other	5,649	4,971	6,157	4,971	0.00%	-23.86%
Component D: sub-total	32,808	28,552	35,122	29,145	2.04%	-20.51%
Total Expenditure	136,240	113,518	130,642	119,497	5.00%	-9.33%
In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T 5.1.2

COMMENT ON FINANCIAL PERFORMANCE:

The actual performance indicates less expenditure was incurred than the budget, resulting in an unfavourable variance of R3-million.

T5.1.3

5.2 GRANTS

Grant Performance						
Description	R' 000					
	2020/21	2021/22			2021/22 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<u>Operating Transfers and Grants</u>						
National Government:	246 469	226 435	226 435	226 435		
Equitable share	229 857	200 960	200 960	200 960	0,00%	0
Municipal Systems Improvement	-					
Finance Management	2 400	2 300	2 300	2 300	0,00%	0,00%
EPWP Incentive	1 813	2 321	2 321	2 321	0,00%	0,00%
Integrated National Electrification Programme	12 399	18 521	18 521	18 521	0,00%	0,00%
MIG - Operational		2 333	2 333	2 333	0,00%	0,00%
Provincial Government:	550	550	550	550		
Library & Subsidies	550	550	550	550	0,00%	0,00%
Total Operating Transfers and Grants	247 019	226 985	226 985	226 985	-	-
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.</i>						

T 5.2.1

COMMENT ON OPERATING TRANSFERS AND GRANTS:

The equitable share is an unconditional grant, and the full gazetted amount of R226-million was received. The Finance Management Grant was utilised for the internship program and for consultants to assist with the compilation of an infrastructure asset register. The amount was fully utilized at year end.

The EPWP incentive grant is utilised for job creation projects. During the year, R2.3-million was spent to employ temporary workers for street cleaning and cleaning of overgrown main streets.

Integrated electrification program is for electrification of villages, R18-million was received for the year under review.

The municipal infrastructure grant is for constructing basic municipal infrastructure. An amount of R46 million was gazetted and received. An additional allocation of R20 million was received because of good spending on Municipal Infrastructure Grant.

T 5.2.2

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

Hundred per cent (100%) of the 2021/2022 INEP allocation was spent by 30 June 2022. There was a MIG roll-over of funds for the 2021/2022 financial year.

T 5.2.4

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The Asset Management Policy is developed to comply with all relevant legislative requirements and complies with the standards specified by the Accounting Standards Board. Asset management within the municipality is overseen by the Chief Financial Officer.

Fixed Asset Register

The CFO established and maintained an asset register containing key financial data on each item of property, plant, or equipment that satisfies the criterion for recognition.

Organizing Asset Management, Staff Involved, and Delegations

The CFO is responsible to the Municipal Manager and needs to ensure that the financial investment in the municipality's assets is safeguarded and maintained.

The Assistant Manager - Assets ensures that appropriate physical management and control systems are established and maintained for all assets in their area of responsibility and that the municipal resources assigned to them are utilized effectively, efficiently, economically, and transparently. The Asset Champions must assist the Asset Manager in performing his/her functions and duties in terms of asset management.

T 5.3.1

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2021/22				
Asset 1				
Name	Construction of Sboko to Stadium Access Road			
Description	Construction of Sboko to Stadium Access Road			
Asset Type	Infrastructure			
Key Staff Involved	Ms XY Nqatyelwa			
Staff Responsibilities	To be the project manager. Acting as a consultant for the project.			
Asset Value	208/19	2019/20	2020/21	2021/22
	-	-	0	7 135 000,00
Capital Implications	None			
Future Purpose of Asset	Provisioning of access roads			
Describe Key Issues	None			
Policies in Place to Manage Asset	None			
Asset 2				
Name	Rehabilitation of Oumbu Sports field Phase 2			
Description	Rehabilitation of Oumbu Sports field Phase 2			
Asset Type	Provision of sporting ground to the community			
Key Staff Involved	Ms XY Nqatyelwa			
Staff Responsibilities	To be the project manager. Acting as a consultant for the project.			
Asset Value	208/19	2019/20	2020/21	2021/22
				17 862 047,86
Capital Implications	None			
Future Purpose of Asset	Provisioning of access roads			
Describe Key Issues	None			

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2021/22				
Policies in Place to Manage Asset	None			
Asset 3				
Name	Electrification of Amacwerha villages			
Description	Electrification of Amacwerha villages			
Asset Type	Infrastructure			
Key Staff Involved	M. Mqeke			
Staff Responsibilities	To be the project manager. Acting as a consultant for the project.			
Asset Value	208/19	2019/20	2020/21	2021/22
			-	31 500 000,00
Capital Implications	None			
Future Purpose of Asset	Provision of sporting ground to the community			
Describe Key Issues	None			
Policies in Place to Manage Asset	None			
<i>T 5.3.2</i>				

COMMENT ON ASSET MANAGEMENT:

With reference to the three projects approved in the year, these projects were evaluated from a cost and revenue perspective, including municipal tax and tariff implications in accordance with Section 19(2)(a) and (b) and MSA Section 74(2)(d), (e) and (i).

The responsible implementing departments ensure that project files are maintained, and these files are readily accessible for audit inspection. Financial data regarding asset management may be sourced from MBRR Table A9.

T 5.3.3

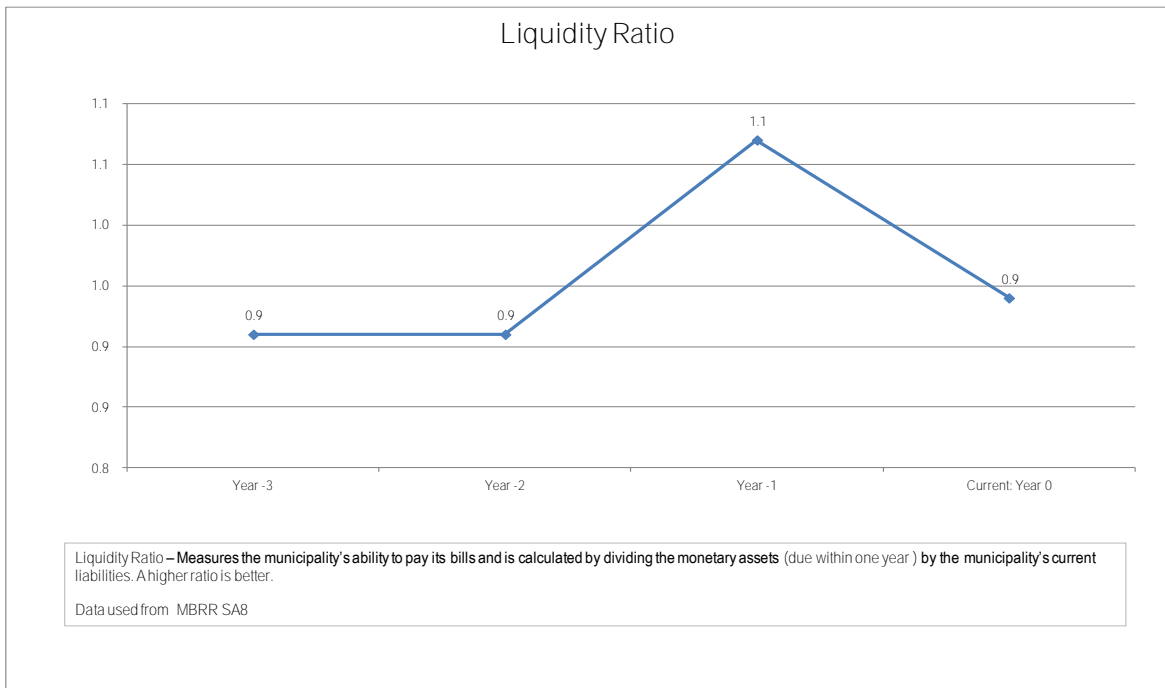
Repair and Maintenance Expenditure: 2021/22				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	16 556,00	23 509,00	17 789,00	-7%
<i>T 5.3.4</i>				

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

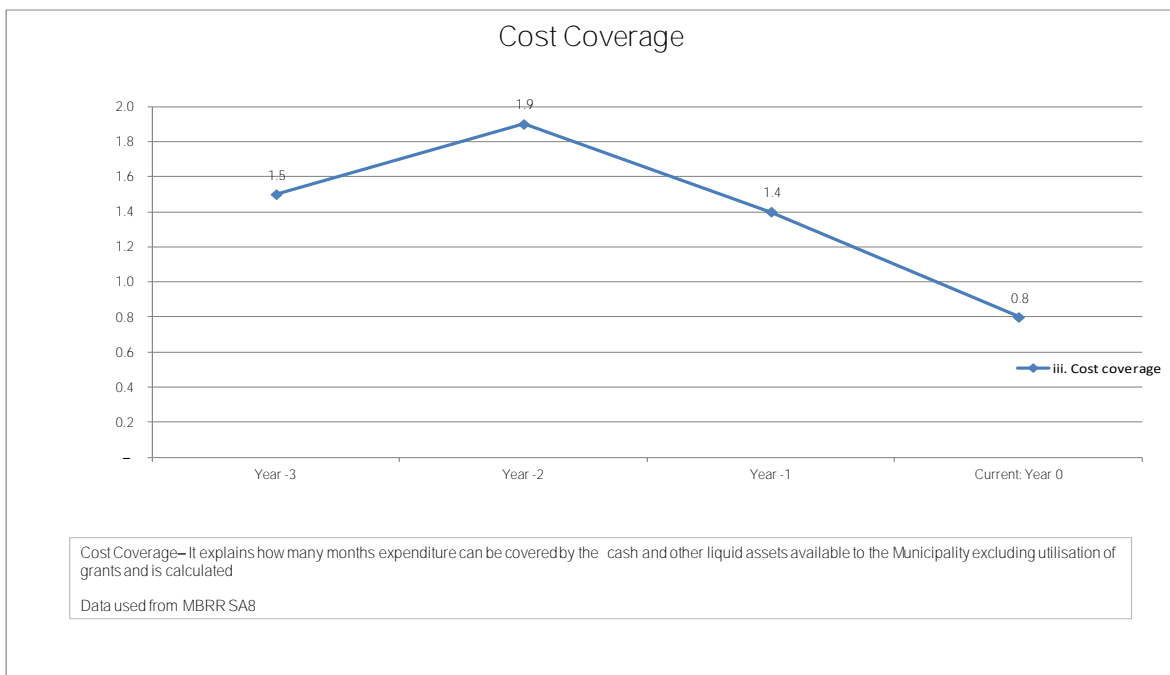
The aging infrastructure of the municipality requires that larger amounts be made available for the maintenance and replacement of rural roads. However, the pressure placed on budget provision for the extension of infrastructure to cater for new developments limits the availability of funds for maintenance purposes. The intention is to substantially increase maintenance expenditure in future budgets. The amount spent on repairs and maintenance is for materials only and decline proportionate to the budget considering the increases in other expenditures

T 5.3.4.1

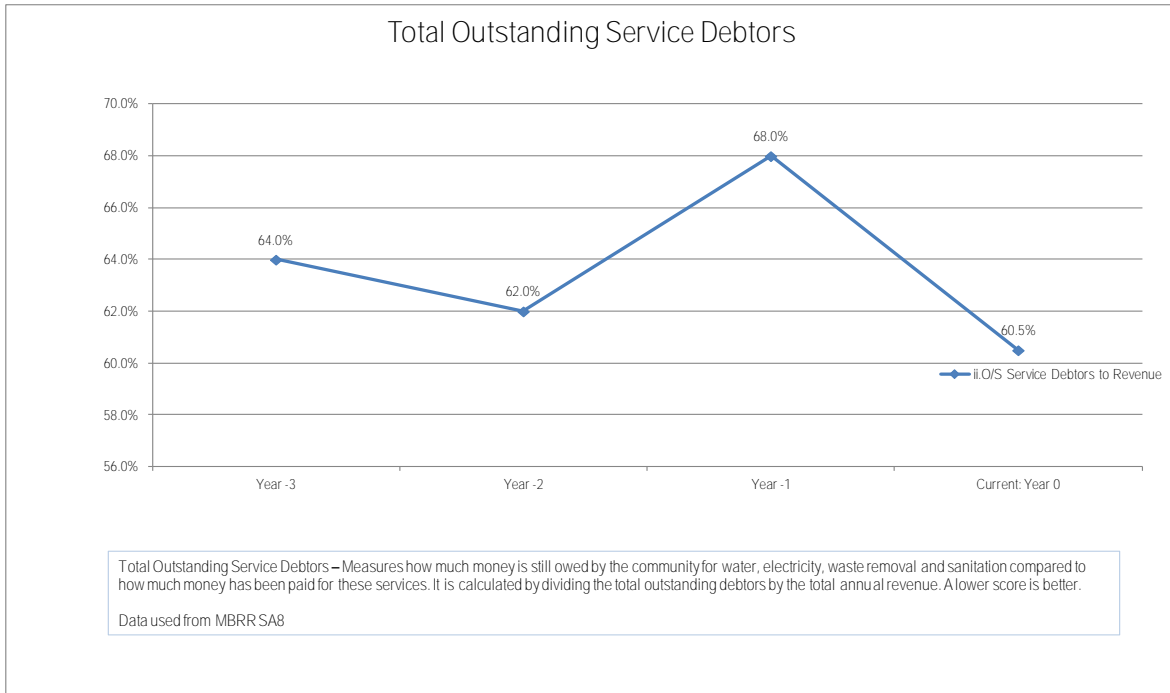
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



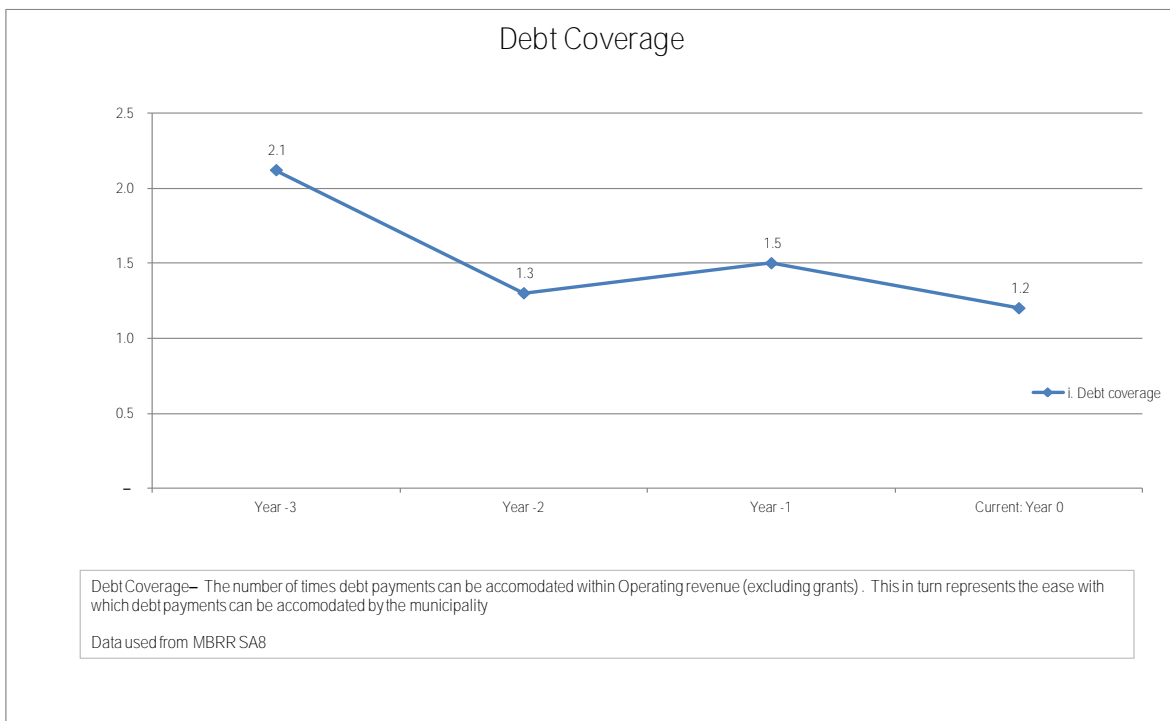
T 5.4.1



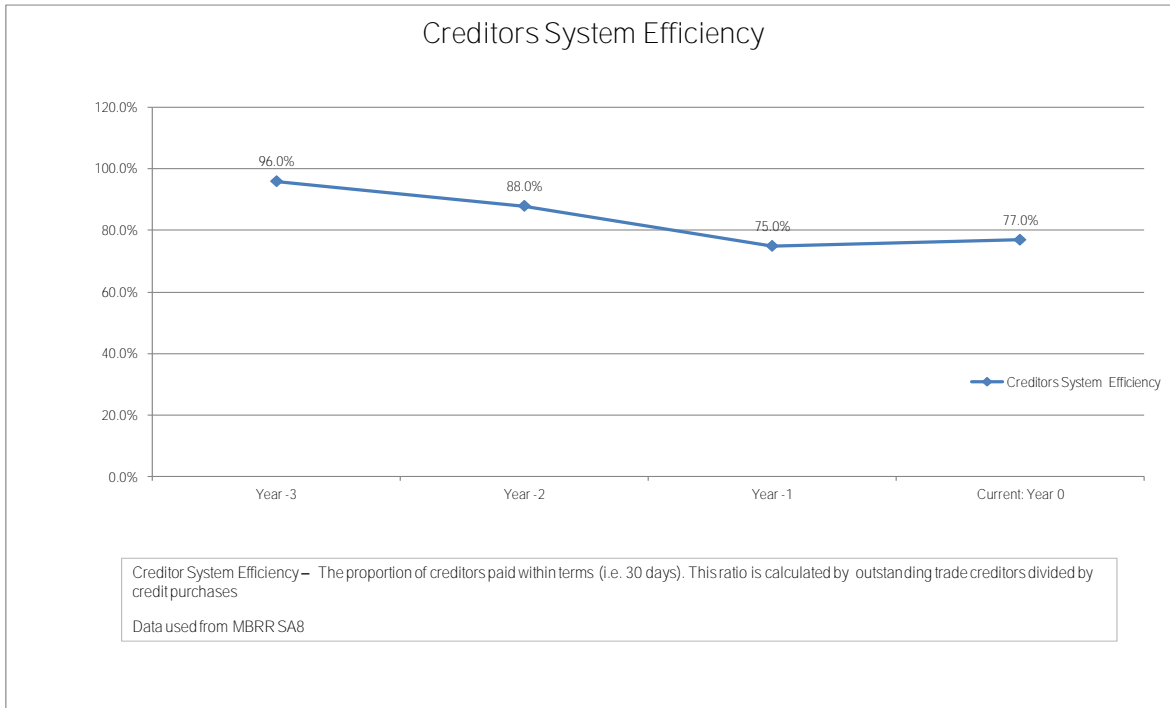
T 5.4.2



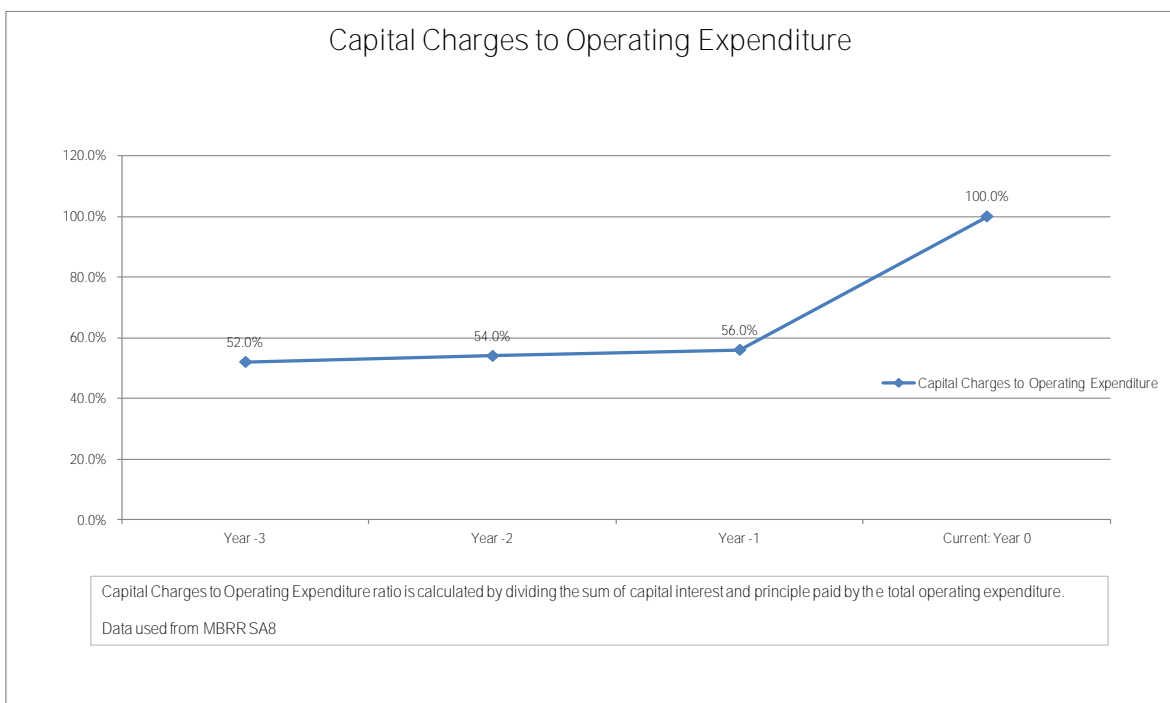
T 5.4.3



T 5.4.4



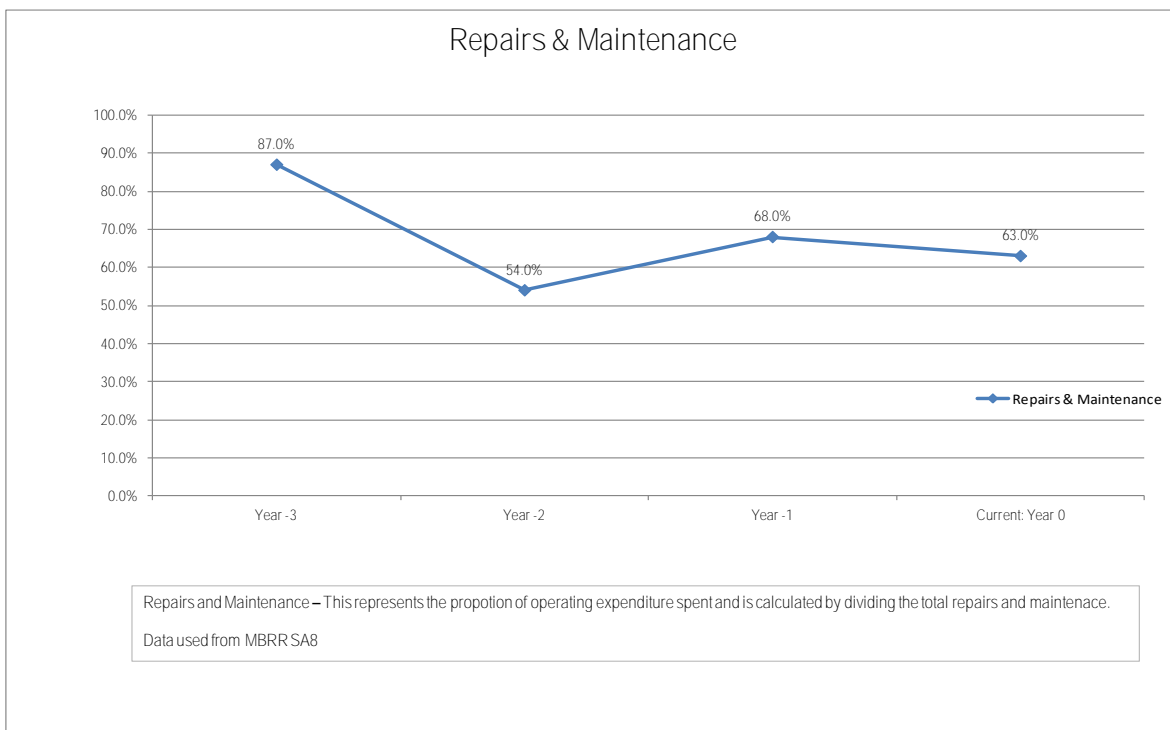
T 5.4.5



T 5.4.6



T 5.4.7



T 5.4.8

COMMENT ON FINANCIAL RATIOS:

The liquidity ratio measures the extent to which the municipality has cash and short-term investments available to settle short-term liabilities. The ratio has increased, meaning the municipality can settle its short-term liabilities with cash and short-term investments.

The cost coverage ratio indicates the time taken to pay for expenditure incurred; this has decreased. It thus indicates that we can pay creditors faster.

Total outstanding service debtors to revenue has increased. This reveals that more accounts are irrecoverable in proportion to billed revenue.

The total outstanding net consumer debtors are unacceptably high.

Debt coverage ratio indicates the ease with which debt payments can be honored. The municipality's debt coverage is not healthy.

Repairs and maintenance have decreased. This highlights that municipal assets are not well maintained.

These ratios are derived from table SA8 of the MBRR.

T 5.4.9

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET**INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET**

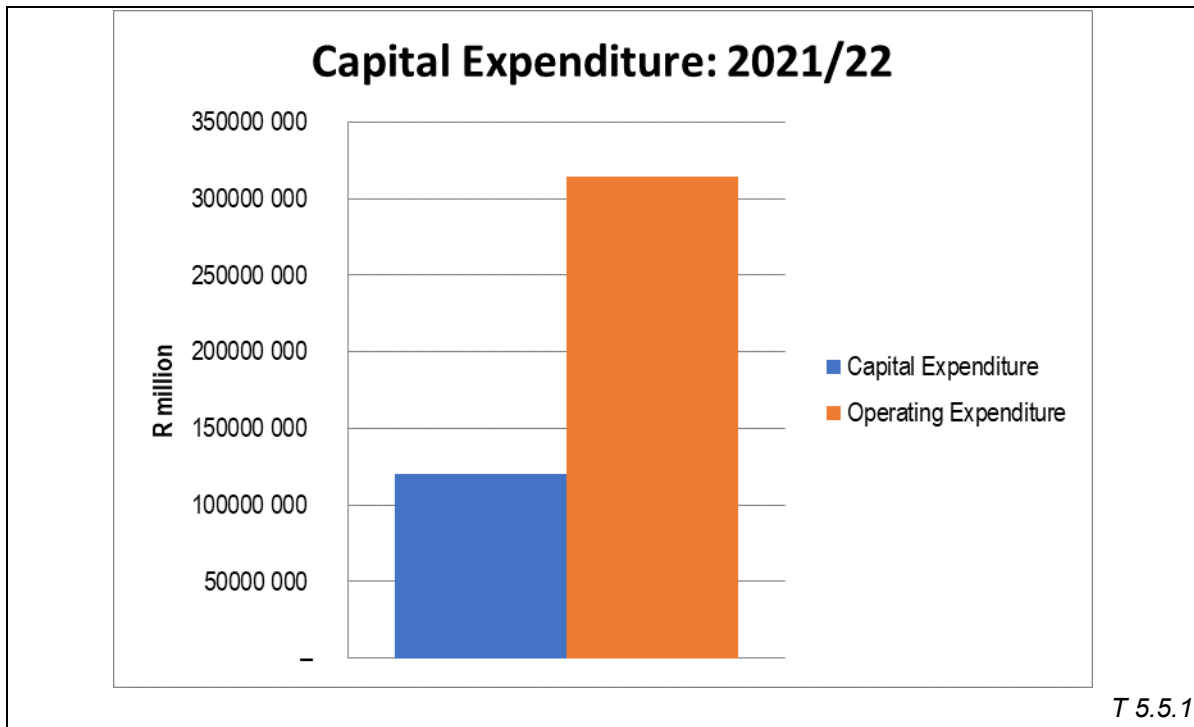
Capital expenditure relates mainly to the construction of assets that will have value, lasting over many years. Capital expenditure is funded from grants, and surpluses.

During the financial year under review, capital expenditure amounts to R76-million. The capital expenditure for the year has increased by 19% when compared to the previous year expenditure (R61-million).

The capital expenditure realized on roads and storm water amounts of R30 million, and other capital expenditure amounts to R35 million. The capital budget was funded by government grants amounting to R65 million, and the balance was funded internally.

T 5.5.0

5.5 CAPITAL EXPENDITURE



5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2020/21 to 2021/22						
R' 000						
Details	2020/21	2021/2022				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance						
Grants and subsidies	55 826	69 967	82 847	65 562	18,41%	-6,30%
Other	5 240	20 533	37 482	10 722	82,55%	-47,78%
Total	61 066	90 500	120 329	76 284	100,95%	-54,08%
Percentage of finance						
External loans		0,0%	0,0%	0,0%	0,0%	0,0%
Public contributions and donations		0,0%	0,0%	0,0%	0,0%	0,0%
Grants and subsidies	91,4%	77,3%	68,9%	85,9%	18,2%	11,6%
Other	8,6%	22,7%	31,1%	14,1%	81,8%	88,4%
Capital expenditure						
Electricity	12 300	18 521	18 521	18 521	0,00%	0,00%
Roads and storm water	25 469	28 820	27 176	-	-5,70%	-100,00%
Other	23 297	43	75	58	72,92%	33,84%
Total	61 066,00	90 500	120 329	76 284	67,22%	-66,16%
Percentage of expenditure						
Roads and storm water	41,7%	31,8%	22,6%	0,0%	-8,5%	151,1%
Other	38,2%	47,7%	62,0%	75,7%	108,5%	-51,1%
						T 5.6.1

COMMENT ON SOURCES OF FUNDING:

Capital expenditure is mainly financed by conditional grants and a portion of reserves.

T 5.6.1.1

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
Name of Project	Current: 2021/22			Variance: Current 2021/22	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
	R' 000				
A - Rehabilitation of Qumbu sport field	7 000 000	7 000 000	7 538 022	-8%	0%
B - Gravel Access Road - Gqunu farms (Ward 15)	6 887 000	4 041 061	1 719 992	75%	41%
C - Gravel Access Road - Sboko to stadium (Ward 14)	7 135 000	4 735 000	6 089 878	15%	34%
D - Tsolo Stormwater drainage	5 506 011	30 815 335	8 810 390	-60%	-460%
E - Electrification of Amacwerha	18 520 999	18 520 999	18 520 999	0%	0%
* Projects with the highest capital expenditure in 2019/20					
A - Rehabilitation of Qumbu sport field					
Objective of the Project	To improve socio economic conditions of the community.				
Delays	Rainfall that had damaged the completed works, business forum demanding to be employed				
Future Challenges	Maintenance				
Anticipated citizen benefits	Access to dignified sporting facilities				
B - Gravel Access Road - Gqunu farms (Ward 15)					
Objective of Project	Provisioning of Access Road for the community				
Delays	Delays are as a result of disastrous rainsfalls that tends to damage the work in progress and also the business forum that had stopped the projects demanding to be appointed				
Future Challenges	Maintenance				
Anticipated citizen benefits	Access to dignified sporting facilities				
C - Gravel Access Road - Sboko to stadium (Ward 14)					
Objective of Project is to improve accessibility for the community of ward 14	Access to road infrastructure				
Delays	Disasterous rainsfalls that tends to damage the work in progress and also the business forum that had stopped the projects demanding to be appointed				
Future Challenges	Maintenance				
Anticipated citizen benefits	Access to road infrastructure				
D - Tsolo Stormwater drainage					
Objective of Project	To adress the issues of stormwater that tends to flood the businesses and the residential homes in Tsolo when ever it rains				
Delays	Delays are as a result of disasterouse rainsfalls that tends to damage the work in progress				
Future Challenges	None				
Anticipated citizen benefits	Maintenance				
E - Electrification of Amacwerha					
Objective of Project	Provisioning of Access Road for the community				
	None				
Future Challenges	Maintenance				
Anticipated citizen benefits	Access to electricity				

T 5.7.1

COMMENT ON CAPITAL PROJECTS:

Capital expenditure relates mainly to the construction of assets that will have value, lasting over many years. Capital expenditure is funded from grants, and surpluses. During the financial year under review, capital expenditure amounts to R61 million. The capital expenditure for the year has increased by 3% when compared to the previous year expenditure.

The capital expenditure realized on roads and storm water amounts of R25 million, and other capital expenditure amounts to R36 million. The capital budget was funded by government grants amounting to R55 million, and the balance was funded internally.

T 5.7.1.1

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Shortage in refuse collection trucks results in a backlog in household refuse collections which could not be collected daily.

T 5.8.1

Service Backlogs as at 30 June 2021				
				Households (HHs)
		*Service level above minimum standard		**Service level below minimum standard
	No. HHs	% HHs	No. HHs	% HHs
Water				
Sanitation				
Electricity				
Waste management	644	40%	967	60%
Housing				
<p>% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to * formal and ** informal settlements.</p>				T 5.8.2

Municipal Infrastructure Grant (MIG)* Expenditure Year 0 on Service backlogs						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Infrastructure - Road transport				%	%	
Roads, Pavements & Bridges				%	%	
Storm water				%	%	
Infrastructure - Electricity				%	%	
Generation				%	%	
Transmission & Reticulation				%	%	
Street Lighting				%	%	
Infrastructure - Water				%	%	
Dams & Reservoirs				%	%	
Water purification				%	%	
Reticulation				%	%	
Infrastructure - Sanitation				%	%	
Reticulation				%	%	
Sewerage purification				%	%	
Infrastructure - Other				%	%	
Waste Management				%	%	
Transportation				%	%	
Gas				%	%	
Other Specify:				%	%	
				%	%	
				%	%	
				%	%	
Total				%	%	
<p>* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</p>						T 5.8.3

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Proper cash flow management is a critical element to ensure the municipality meets its obligations. A stable positive cash flow balance relative to the growth of the municipality is a good indication of the municipality financial position and health. Cash flow projections are done monthly, and cash not immediately required is invested for a better return on the short-term.

T 5.9

5.9 CASH FLOW

Cash Flow Outcomes				
		R'000		
#REF!	2020/21	Current: 2021/22		
	Actual	Original Budget (OB)	Adjustment Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	23 010	12 482	16 883	20 118
Government - operating	290 442	269 299	291 560	291 473
Interest	3 573		-	5 274
Service charges	686	923	1 020	783
Other revenue	4 579	3 261	4 735	3 096
Payments				
Suppliers and employees	191 055	-	-	245 222
Finance charges	527	-	-	
Transfers and Grants	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	130 707	285 965	314 198	75 521
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	(61 066)	-	-	1 623
Decrease (Increase) in non-current debtors	286	-	-	
Decrease (increase) other non-current receivables	(338)	-	-	
Decrease (increase) in non-current investments		-	-	
Payments				
Capital assets	-	(120 330)	-	(73 848)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(61 118)	(120 330)	-	(72 224)
CASH FLOWS FROM FINANCING ACTIVITIES				
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	69 589	165 635	314 198	3 297
Cash/cash equivalents at the year begin:	99 743	74 675	106 506	169 332
Cash/cash equivalents at the year-end:	169 332	240 310	420 704	172 629
<i>Source: MBRR A7</i>				T 5.9.1

COMMENT ON CASH FLOW OUTCOMES:

The cash flow from operating activities indicates a positive cash flow of R172 million. Further, R72 million was utilized on investment activities mainly to purchase property, plant, and equipment.

Considering the above movements, the net cash position at financial year end is R172 million, which indicates an increase.

The net cash position of the municipality has remained stable over the past three years. This is a good indication that the municipality has and will meet its obligations in the future.

T 5.9.1.1

5.10 BORROWING AND INVESTMENTS**INTRODUCTION TO BORROWING AND INVESTMENTS**

External borrowings are obtained to supplement the municipal capital program. During the financial year under review, no external loans were taken up.

Surplus cash not immediately required for operations and cash backed internal reserves are invested on a short-term basis.

Fuds are only invested with A1 rating banks and according to the Municipality's investment policy. Municipality's internal reserves over the past year have remained stable and have increased.

T 5.10.1

Municipal and Entity Investments			
			R' 000
Investment* type	2019-2020	2020-2021	2021-2022
	Actual	Actual	Actual
<u>Municipality</u>			
Securities - National Government	0,00	0,00	0,00
Listed Corporate Bonds	0,00	0,00	0,00
Deposits - Bank	99 623 476	169 228 078	172 421 766
Repurchase Agreements - Banks	0,00	0,00	0,00
Municipal Bonds	0,00	0,00	0,00
Other	0,00	0,00	0,00
Municipality sub-total	99 623 476,00	169 228 078,00	172 421 766,00
Consolidated total:	99 623 476,00	169 228 078,00	172 421 766,00
			<i>T 5.10.4</i>

COMMENT ON BORROWING AND INVESTMENTS:

The Municipality did not have any borrowing at year end.

T 5.10.5

5.11 PUBLIC PRIVATE PARTNERSHIPS**PUBLIC PRIVATE PARTNERSHIPS**

No public private partnerships were entered into.

T 5.11.1

COMPONENT D: OTHER FINANCIAL MATTERS**5.12 SUPPLY CHAIN MANAGEMENT****SUPPLY CHAIN MANAGEMENT**

The Council has developed an SCM Policy and practices in compliance with the guidelines set out by the Supply Chain Management Regulations, 2005, which was approved in May 2021 with effect from 01 July 2021.

The SCM policy incorporating the above-mentioned regulations, as well as all other relevant legislation pieces received during the budget preparation process.

Three bid committee systems have been established, and supply chain management officials are attending trainings provided by Treasury office.

The SCM unit consists of (2) two personnel, including the SCM Manager. The municipality is in the process of ensuring that the SCM unit is adequately capacitated in terms of skills and actual personnel.

The municipality reviewed its policy to ensure that the policy was in line with the SCM Model Policy and covers the guidelines set out in SCM Regulations of 2005.

Bid committees were in place for the duration of the 2021/22 financial year and no councilors were part of the committees.

T 5.12.1

5.13 GRAP COMPLIANCE**GRAP COMPLIANCE**

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

T 5.13.1



CHAPTER 6

AUDITOR GENERAL AUDIT FINDINGS

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

The Municipality obtained a qualified audit opinion the 2021/2022 financial year.

T 6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR -1

6.1 AUDITOR GENERAL REPORTS YEAR -1 (PREVIOUS YEAR)

Auditor-General Report on Financial Performance: 2020/21	
Audit Report Status*:	Unqualified Audit
Non-Compliance Issues	Remedial Action Taken
Annual Financial Statements and Annual Report	Preparation of the annual financial statements' year plan with clear deadlines for preparation, review, and sign off. Management to meet on a weekly basis to discuss progress on the implementation of the plan.
Consequence management	Fast track the investigation process and implement resolutions
Procurement and contracts management	Develop a contracts management policy and procedures and appoint personnel for contracts management.
<i>Note: *The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)</i>	

T 6.1.1

COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR)

6.2 AUDITOR GENERAL REPORT CURRENT YEAR

Auditor-General Report on Financial Performance: 2021/22	
Audit Report Status*:	Qualified Audit
Non-Compliance Issues	Remedial Action Taken
Annual Financial Statements and Annual Report	Preparation of the annual financial statements' year plan with clear deadlines for preparation, review, and sign off. Management to meet on a weekly basis to discuss progress on the implementation of the plan.
Consequence management	Fast track the investigation process and implement resolutions
Procurement and contracts management	Develop a contracts management policy and procedures and appoint personnel for contracts management.
<i>Note: *The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)</i>	

T 6.1.1

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated _____

T 6.1.2

A large, stylized letter 'C' is the central graphic element. It is composed of a thick green outer ring and a white inner ring. The 'C' is positioned on the left side of the page, with its right edge overlapping a white horizontal bar. The background is a solid orange color with several large, light-orange, organic shapes that resemble water droplets or abstract forms, scattered across the page.

GLOSSARY

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the

	consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

A large, stylized letter 'C' is the central focus. The 'C' is formed by a thick green line that curves around a white circular area. The background is a solid orange color with several large, semi-transparent, rounded shapes in a lighter shade of orange, creating a layered, abstract effect.

APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Cllr Naniwe Sayiti	FT	COUNCIL, EXCO, RULES COMMITTEE, WOMEN'S CAUCUS	ANC PR	70%	30%
Cllr Siphenkosi Voko	FT	COUNCIL, RULES COMMITTEE	ANC PR	70%	30%
Cllr Sesi Matshoba	FT	COUNCIL, RULES COMMITTEE, WOMEN'S CAUCUS	ANC PR	60%	40%
Cllr Sigcine Khahla	PT	COUNCIL, EXCO AND SPU	ANC PR	50%	50%
Cllr. Ntomboxolo Mbunjana	PT	COUNCIL, EXCO AND CORPORATE SERVICES	ANC PR	50%	50%
Cllr. Nobuntu Walaza	PT	COUNCIL, EXCO AND LED	ANC PR	80%	20%
Cllr Mandisa R. Giyose	FT	COUNCIL, EXCO AND BTO	ANC PR	15%	85%
Cllr. Babalwa Rasmeni	PT	COUNCIL, EXCO AND COMMUNITY SERVICES	ANC PR	70%	30%
Cllr. Bulelwa Madikida	PT	COUNCIL, EXCO AND IDAP	ANC PR	78%	22%
Cllr. Khwezi Mad'omso Jubase	PT	COUNCIL, EXCO AND HUMAN SETTLEMMENT.	UDM	65%	35%
Cllr. Makabongwe Libazi	PT	COUNCIL, HUMAN SETTLEMENT AND LED	ANC PR	45%	55%
Cllr. Bless Vuyisa Mpendulo Rosi	PT	COUNCIL, BTO, CORPORATE SERVICES	WARD 01 ANC	85%	15%
Cllr.Lulamile Alfred Boyana	PT	COUNCIL, CORPORATE SERVICES.	WARD 02 ANC	85%	15%
Cllr. Nosipho Tiwane	PT	COUNCIL, CORPORATE SERVICES.	WARD 03 ANC	50%	30%
Cllr. Simphiwe Mngcotana	PT	COUNCIL, BUDGET AND TREASURY	WARD 04 INDEPENT	75%	25%
Cllr. Ntsikelelo Ranga	PT	COUNCIL, EXCO AND PLANNING RESEARCH AND INTERGOVERNMENTAL RELATIONS	WARD 05 ANC	60%	30%
Cllr. Simtembile Mbola	PT	COUNCIL, HUMAN SETTLEMENTS AND DISASTER MANAGEMENT.	WARD 06 ANC	75%	25%
Cllr.Thembelani Sibongiseni Guga	PT	COUNCIL, COMMUNITY SERVICES.	WARD 07 ANC	70%	30%
Cllr. Velisani Nododana	PT	COUNCIL, HUMAN SETTLEMENT AND DISASTER MANAGEMENT	WARD 08 ANC	75%	25%
Cllr. Andile Nombewu	PT	COUNCIL, INFRA-STRUCTURE SERVICES	WARD 09 ANC	70%	30%
Cllr. Sinethemba Mtwazi	PT	COUNCIL, PUBLIC PARTICIPATION AND PETITIONS COMMITTEE	WARD 10 ANC	76%	24%
Cllr. Thandiwe Titshana	PT	COUNCIL, RURAL AND ECONOMIC DEVELOPMENT.	WARD 11 ANC	68%	32%
Cllr. Bhekizenzo Gigi	PT	COUNCIL, COMMUNITY SERVICES	WARD 12 ANC	76%	24%
Cllr. Mzuvumile Prizeman Bontsa	PT	COUNCIL, RURAL AND ECONOMIC DEVELOPMENT.	WARD 13 ANC	58%	42%

Councillors, Committees Allocated and Council Attendance						
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented		Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
					%	%
Cllr. Tamsanqa Wiseman Magugu	PT	COUNCIL, RURAL AND ECONOMIC DEVELOPMENT.	WARD ANC	14	75%	25%
Cllr. Nikelwa Khemtshe	PT	COUNCIL, COMMUNITY SERVICES.	WARD ANC	15	65%	35%
Cllr. Siphenkosi Master Hlathi	PT	COUNCIL, BUDGET AND TREASURY.	WARD ANC	16	60%	40%
Cllr. Mkhululi Konza	PT	COUNCIL, PUBLIC PARTICIPATION AND PETITIONS COMMITTEE	WARD ANC	17	70%	35%
Cllr. Witness Badanile Ntamo	PT	COUNCIL, SPECIAL PROGRAMME AND SOCIAL SERVICES.	WARD ANC	18	75%	25%
Cllr. Chumisa Maqebula	PT	COUNCIL, HUMAN SETTLEMENTS AND DISASTER MANAGEMENT.	WARD ANC	19	79%	21%
<i>Note: * Councillors appointed on a proportional basis do not have wards allocated to them</i>						T A

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

COMMUNITY SERVICES STANDING COMMITTEE	Policy formulation, implementation, and monitoring within the functional areas of Parks and Recreation; pound, disaster, law enforcement and traffic.
CORPORATE SERVICE	To formulate, implement and monitor a policy in relation to human resources, Support services, IT services
BUDGET AND TREASURY OFFICE	Policy formulation, implementation, and monitoring of functional areas within asset, revenue, credit, and budgetary issues
PLANNING REARCH AND INTERGOVERNMENTAL RELATIONS	Ensure IGR sit and intergrade SISTA department with programmes of municipality, planning Of IDP programmes, Research needs of Mhlontlo community
SPECIAL PROGRAMMES UNIT	
LOCAL ECONOMIC DEVELOPMENT AND PLANNING	Policy formulation, implementation, and monitoring within the functional areas of Planning function, strategic development, environmental planning, Economic development, and local tourism.
INFRASTRUCTURE DEVELOPMENT	Policy formulation, implementation, and monitoring within the functional areas of electricity and energy, transport, roads, and storm water.
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	Hold the Executive and the administration accountable on the manner in which Municipal resources are used in the implementation of Service Delivery objectives of the council
WOMEN'S CAUCUS	Look after the vulnerable children, protects woman and children against violence and abuse.
PUBLIC PARTICIPATION AND PETITIONS COMMITTEE	Is to set out the Committees authority, role, and responsibilities as well as the requirements for its composition and meeting procedures.
ETHICS AND MEMBERS INTEREST	Investigate and make a finding on the interests of Councillors.
RULES COMMITTEE	To investigate and make a finding on any alleged breach of the Code and to make appropriate recommendations to Council; (b) to investigate and make a finding on non-attendance of meetings and to impose a fine as determined by the standing rules and orders of Council. (a) to investigate and make a finding on any alleged breach of the Code and to make appropriate recommendations to Council; (b) to investigate and make a finding on non-attendance of meetings and to impose a fine as determined by the standing rules and orders of Council.
AUDIT COMMITTEE	To report on the activities of the audit committee to the Council.

APPENDIX D – FUNCTIONS OF MUNICIPALITY

Municipal Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	No	No
Building regulations	Yes	Yes
Child care facilities	No	No
Electricity and gas reticulation	No	Yes
Firefighting services	No	No
Local tourism	Yes	Yes
Municipal airports	No	No
Municipal planning	Yes	Yes
Municipal health services	No	No
Municipal public transport	No	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	No
Stormwater management systems in built-up areas	Yes	Yes
Trading regulations	Yes	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	No
Beaches and amusement facilities	No	No
Billboards and the display of advertisements in public places	Yes	Yes
Cemeteries, funeral parlours and crematoria	Yes	Yes
Cleansing	No	No
Control of public nuisances	Yes	Yes
Control of undertakings that sell liquor to the public	Yes	Yes
Facilities for the accommodation, care and burial of animals	Yes	Yes
Fencing and fences	Yes	No
Licensing of dogs	Yes	Yes
Licensing and control of undertakings that sell food to the public	Yes	Yes
Local amenities	Yes	Yes
Local sport facilities	Yes	Yes
Markets	Yes	Yes
Municipal abattoirs	Yes	Yes
Municipal parks and recreation	Yes	Yes
Municipal roads	Yes	Yes
Noise pollution	No	No
Pounds	Yes	Yes
Public places	Yes	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes	Yes
Street trading	Yes	Yes
Street lighting	Yes	Yes
Traffic and parking	Yes	Yes

* If municipality: indicate (yes or No); * If entity: Provide name of entity

T D

APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Hon Cllr S Mngcotana 10 ward committee members elected	Yes	12	12	4
2	Hon Cllr N Ranga 10 ward committee members elected	Yes	12	12	4
3	Hon Cllr S Mbola 10 ward committee members elected	Yes	12	12	4
4	Hon Cllr S Sophangisa 10 ward committee members elected	yes	12	12	4
5	Hon Cllr S Kahla 10 ward committee members elected	Yes	12	12	4
6	Hon Cllr M Vunguvungu 10 ward committee members elected	Yes	12	12	4
7	Hon Cllr TS Guga 10 ward committee members elected	Yes	12	12	4
8	Hon Cllr V Nododana 10 ward committee members elected	Yes	12	12	4
9	Hon Cllr A Nombewu 10 ward committee members elected	Yes	12	12	4
10	Hon. Cllr S Mtwazi 10 ward committee members elected	Yes	12	12	4
11	Hon Cllr L Dlova 10 ward committee members elected	Yes	12	12	4
12	Hon Cllr S Ntukuntezi 10 ward committee members elected	Yes	12	12	4
13	Hon Cllr T Titshana 10 ward committee members elected	Yes	12	12	4
14	Hon Cllr Gigi 10 ward committee members elected	Yes	12	12	4
15	Hon Cllr Z Renene 10 ward committee members elected	Yes	12	12	4
16	Hon Cllr B Mthitshana 10 ward committee members elected	Yes	12	12	4
17	Hon Cllr BP Bontsa 10 ward committee members elected	Yes	12	12	4
18	Hon Cllr T Magugu 10 ward committee members elected	Yes	12	12	4
19	Hon Cllr M Jikijela 10 ward committee members elected	Yes	12	12	4
20	Hon Cllr M Mfamela 10 ward committee members elected	Yes	12	12	4

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
21	Hon Cllr Khemtshe 10 ward committee members elected	Yes	12	12	4
22	Hon Cllr SM Hlathi 10 ward committee members elected	Yes	12	12	4
23	Hon Cllr M Khonza 10 ward committee members elected	Yes	12	12	4
24	Hon Cllr B Ntamo 10 ward committee members elected	Yes	12	12	4
25	Hon Cllr NV Ncapayi 10 ward committee members elected	Yes	12	12	4
26	Hon Cllr C Maqebula 10 ward committee members elected	Yes	12	12	4

APPENDIX F – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE YEAR 2022

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during Year 2022	Recommendations adopted (enter Yes) If not adopted (provide explanation)
28/08/2021	That a POPI Act compliance plan be urgently developed to ensure compliance with the Act;	Yes
18/10/2021	That a detailed report on MSCOA be submitted at the next meeting of the Committee.	Yes
18/10/2021	That the municipality urgently address the UIFW expenditure in compliance with Section 32 of the MFMA;	Yes
18/10/2021	That a plan for the functionality of the MSCOA governance structures be developed and submitted at the next meeting.	Yes
18/10/2021	That the Municipality's annual report for the 2019/2020 financial year be finalized as a matter of extreme urgency.	Yes
22/01/2022	That standard operating procedures in fleet management be developed and implemented as a matter of urgency;	Yes
22/01/2022	That the Accounting Officer ensure that the Committee's resolutions are fully implemented in an effort to improve the internal control environment in the Municipality	Yes
22/01/2022	That it be noted that the interim annual financial statement for the period ended 31st December 2021 will be ready on the 31st May 2022.	Yes
22/01/2022	That the necessary disciplinary actions be taken against any employee who has done something that results in a financial misconduct in line with the MFMA.	Yes
22/01/2022	That the MSCOA report for the period ending 31st March 2022 be deferred to the next meeting.	Yes
22/01/2022	That the third quarter performance report for the period ended 31st March 2022 be deferred to the next meeting	Yes
22/01/2022	That in future the Accounting Officer ensure that all reports submitted to the Municipal Council consider all relevant inputs in order to assist the Council in taking informed decisions	Yes
22/01/2022	That the process of cascading PMS to lower levels of staff be proceeded with in	Yes

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during Year 2022	Recommendations adopted (enter Yes) If not adopted (provide explanation)
	compliance with Section 46: of the Local Government Municipal Systems Act.	
22/01/2022	That Performance Agreements be signed by all staff Members before end of July 2022.	Yes
22/01/2022	That the Accounting Officer ensure that the process of appointing a co-sourced service provider is fast track to enhance the capacity of the Municipality	Yes
22/01/2022	That the Municipality consider appointing a PMS practitioner in order to ensure proper coordination of performance management information	Yes
22/01/2022	That the Municipal Manager ensure that the recommendations by the Internal Audit are urgently implemented to prevent future repeat findings and adverse findings by AGSA	Yes
22/01/2022	That the Municipality adopts a loss control policy as a matter of urgency;	Yes
22/01/2022	That the Accounting Officer ensure that the OHS report is resubmitted to the Risk Management Committee	Yes
22/01/2022	That the position for Assistant Manager Risk and Compliance be advertise as soon as possible.	Yes
22/01/2022	To institute Disciplinary hearing with regards to the Driver involved in the car that was allocated to the Chief Whip.	Yes

T G

APPENDIX G (II): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source							R '000
Description	Year -1	Year 0			Year 0 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
Property rates	26,485	23,572	28,075	23,042	-2%	-22%	
Property rates - penalties & collection charges	8,541	8,285	9,054	8,456	2%	-7%	
Service Charges - electricity revenue	12,355	10,254	12,478	13,219	22%	6%	
Service Charges - water revenue	14,232	13,235	13,662	12,097	-9%	-13%	
Service Charges - sanitation revenue	6,542	5,496	5,954	6,346	13%	6%	
Service Charges - refuse revenue	1,865	1,622	1,865	1,510	-7%	-23%	
Service Charges - other	5,643	5,530	5,925	5,304	-4%	-12%	
Rentals of facilities and equipment	5,643	5,530	5,925	5,304	-4%	-12%	
Interest earned - external investments	5,322	4,470	5,747	4,630	3%	-24%	
Interest earned - outstanding debtors	8,455	8,455	8,624	9,554	12%	10%	
Dividends received	1,254	1,003	1,191	1,354	26%	12%	
Fines	2,516	2,063	2,264	2,340	12%	3%	
Licences and permits	6,846	6,230	7,256	6,640	6%	-9%	
Agency services	12,546	10,413	11,793	11,542	10%	-2%	
Transfers recognised - operational	2,355	2,190	2,425	2,402	9%	-1%	
Other revenue	48,542	40,776	48,542	46,115	12%	-5%	
Gains on disposal of PPE	4,565	3,698	4,337	4,291	14%	-1%	
Environmental Protection	5,649	4,971	6,157	4,971	0%	-24%	
Total Revenue (excluding capital transfers and contributions)	179,353	157,791	181,274	169,118	6.70%	-7.19%	

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.

T K.2

APPENDIX H: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant						
Public Transport Infrastructure and Systems Grant						
<i>Other Specify:</i>						
Total						
<i>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.</i>						TL

COMMENT ON CONDITIONAL GRANTS EXCLUDING MIG:

Delete Directive note once comment is completed – Use this box to provide additional information on grant benefits or conditions and reasons for acceptance.

TL.1

APPENDIX I – CAPITAL PROGRAMME BY PROJECT YEAR 0

Capital Programme by Project: Year 0					
					R' 000
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
Water					
"Project A"	82	85	92	8%	11%
"Project B"	82	85	92	8%	11%
"Project C"	85	90	95	5%	11%
Sanitation/Sewerage					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Electricity					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Housing					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Refuse removal					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Stormwater					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Economic development					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Sports, Arts & Culture					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Environment					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Health					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
Safety and Security					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
ICT and Other					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
					T N



KPA

FOR ANNUAL REPORT

CHAPTER: ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT –KPA 1

Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	9	8	88%	
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	4	66%	
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	5	5	100%	
4	Percentage of Managers in Technical Services with a professional qualification	2	2	100%	
5	Level of PMS effectiveness in the DM – (DM to report)	THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM Only section 56 Managers are assessed			
6	Level of effectiveness of PMS in the LM – (LM to report)				
7.	Adoption and implementation of HRD plan including WSP	The HRD plan and WSP have been adopted by council and implemented			
8.	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	40	32	83,6%	
9	Percentage of councillors who attended a skill development training within the current 5 year term	61	61	100%	
10	Percentage of staff complement with disability	2	2	0,12%	
11	Percentage of female employees	17	17	20,4%	
12	Percentage of employees that are aged 35 or younger	11	11	5,5%	

CHAPTER: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

Annual performance as per key performance indicators in water services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water					
2	Percentage of indigent households with access to free basic potable water					
3	Percentage of clinics with access to potable water					
4	Percentage of schools with access to potable water					
5	Percentage of households in formal settlements using buckets					

The water services function is with the District Municipality (OR Tambo DM)

Annual performance as per key performance indicators in Electricity services

	Indicator name	Total number of household/customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	43 900	1 200	594	0	0%
2	Percentage of indigent households with access to basic electricity services	11 843	9 450	2 050	2 050	100%
3	Percentage of indigent households with access to free alternative energy sources	3 383	1 983	50	31	62%

Annual performance as per key performance indicators in sanitation services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to sanitation services					
2	Percentage of indigent households with access to free basic sanitation services					
3	Percentage of clinics with access to sanitation services					
4	Percentage of schools with access to sanitation services					

The sanitation services function is with the District Municipality (OR Tambo DM)

Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	43 900	26 633	5190	2190	42%
2	Percentage of road infrastructure requiring upgrade	17 913	3 850	2583	1700	61%
3	Percentage of planned new road infrastructure actually constructed	6 833	17 020	4 280	2 660	62%
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	43 900	26 633	5 750	1 900	33 %

Annual performance as per key performance indicators in waste management services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	1611		1611	1611	100%
2	Existence of waste management plan	Yes it is in place				

Annual performance as per key performance indicators in housing and town planning services

	Indicator name	Total number of household/customers expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements	5%	1100 units that have not been started even from previous years.	222 units (Housing delivery vests with the Department of Human Settlements)	211 Units	95%
2	Percentage of informal settlements that have been provided with basic services	1500 units (500 Qumbu, 500 Tsolo, 500 Langeni Forest) have access to water (tanks)	557 Units	557 Units	0 Units	0%
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	Qumbu: 956 Tsolo: 1059	N/A	N/A	N/A	N/A
4	Existence of an effective indigent policy	There is a reviewed and adopted Indigent Subsidy Policy in place				
5	Existence of an approved SDF	The Mhlontlo Local Municipality adopted its Municipal Spatial Development Framework (SDF) 2018/2019. The Municipality will review the current SDF to be in line with SPLUMA act 16 of 2013				
6	Existence of Land Use Management System (LUMS)	The municipality is in the process of developing the Mhlontlo Land Use Management Scheme (the service provider was appointed and is now at Draft Phase)				

CHAPTER: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

Annual performance as per key performance indicators in LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Existence of LED unit	07	06	99
2	Percentage of LED Budget spent on LED related activities.	100		60
3	Existence of LED strategy	THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM The LED Strategy is in existence and there are programme/projects that are implemented.		
4	Number of LED stakeholder forum meetings held	03	04	99
5	Plans to stimulate second economy			
6	Percentage of SMME that have benefited from a SMME support program	40	40	100
7	Number of job opportunities created through EPWP	180	180	100
8	Number of job opportunities created through PPP	0	0	0

CHAPTER: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R (000)	Achievement level during the year R (000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	R91 500	R61 853	67,6%
		Target set for the year (35%) R (000)	Achievement level during the year R (000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	R103 115	R105 668	42,24%
		Target set for the year (20% or less) R (000)	Achievement level during the year R (000)	Achievement percentage during the year vs the actual revenue
3	Trade creditors as a percentage of total actual revenue	R66 430	R11 726	3,53%
		Target set for the year (80% and more) R (000)	Achievement level during the year R (000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	R260 134	R41 055	12,36%

	Indicator name	Target set for the year R (000)	Achievement level during the year R (000)	Achievement percentage during the year
		Target set for the year R (000)	Achievement level during the year R (000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	R 20 940 256	R 20 536 669	98%
6	Percentage of MIG budget appropriately spent	100%	100%	100%
7	Percentage of MSIG budget appropriately spent	N/A	N/A	N/A
8	AG Audit opinion	Unqualified audit opinion	Unqualified audit opinion	100%
9	Functionality of the Audit Committee	Functional	Functional	100%
10	Submission of AFS after the end of financial year	31 August 2021	31 August 2021	100%

CHAPTER: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

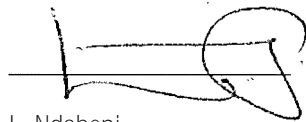
No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	% of ward committees established	260	260	100%
2	% of ward committees that are functional	250	250	90%
3	Existence of an effective system to monitor CDWs	The municipality had 23 CDWS and only three wards were without CDWs.		
4	Existence of an IGR strategy	IGR Policy is in place		
5	Effective of IGR structural meetings	Meetings sit quarterly, and they comply with terms of reference		
6	Existence of an effective communication strategy	Draft communication strategy in place		
7	Number of mayoral imbizos conducted			
8	Existence of a fraud prevention mechanism	THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM		

A large, stylized letter 'C' is the central focus. It is composed of a thick green line that curves around a white circular area. A white horizontal bar extends from the right side of this white circle across the entire width of the image. The background is a solid orange color with several large, semi-transparent, rounded shapes in a lighter shade of orange, creating a layered, abstract effect.

APR

QUALITY CERTIFICATE

I, _____ (Full Names), the Municipal Manager of Mhlontlo Municipality hereby certify that the Annual Performance Report on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP) for the full-year period ended 30 June 2022 has been prepared in accordance with the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) and regulations made under the Act, and in terms of s46 of Local Government: Municipal Systems Act 2000 (32 of 2000).



L. Ndabeni

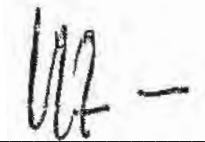
ACTING MUNICIPAL MANAGER

31 / 03 / 2023

DATE

RECEIPT BY THE MAYOR

I, _____ (Full Names), the Mayor of Mhlontlo Local Municipality, hereby accept the Annual Performance Report on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP) of the municipality for the period ended 30 June 2022 as presented by the Municipal Manager in terms of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) and regulations made under the Act, and in terms of s46 of Local Government: Municipal Systems Act 2000 (32 of 2000).



Cllr. M Jara

MAYOR

31 / 03 / 2023

DATE



SECTION 1

1.1 OVERVIEW

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, and measure and review performance indicators to ensure efficiency and effectiveness and the impact of service delivery by the municipality. Therefore, performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organization and its employees, are met. At local government level performance management is institutionalised through legislative requirements on the performance management process for Local government.

The Constitution of the Republic of South Africa 1996, section 152, in dealing with the objectives of local government paved the way for performance management with the requirements of an "accountable government". The democratic values and principles in terms of section 195 (1) are also linked with the concept of performance management, with reference to the principles of *inter alia*:

- The promotion of efficient, economic and effective use resources;
- The accountable public administration;
- To be transparent by providing information;
- To be responsive to the needs of the community; and
- To facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act 2000 (Act 32 of 2000), requires municipalities to establish a performance management system. Additionally, the same act and the Municipal Finance Management Act 2003 (Act 53 of 2003) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and be monitored for the performance of the budget against the IDP through the Service Delivery and Budget Implementation Plan (SDBIP)

Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 indicates that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting, and improvement will be conducted, organized and managed, including determining the roles of the different role players". Performance management is not only relevant to the municipality as a whole, but also, to the individuals employed in the municipality, as well as, the external service providers and the Municipal Entities, such as, *Trade Invest Mhlontlo* (TIM). This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and the individual performance.

In view of the foregoing, Section 46 (1) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000), a municipality must prepare for each financial year an annual report consisting of –

- (a) A performance report reflecting -
 - (i) the municipality's, and any service providers, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;
 - (ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and
 - (iii) measures that were or are to be taken to improve performance.

1.2 LEGISLATIVE REQUIREMENTS

- 1.2.1 The SDBIP is defined in terms of Section 1 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003), and the format of the SDBIP is prescribed by the MFMA Circular 13 from National Treasury.
- 1.2.2 Section 41 (1) (e) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000), prescribes that a process must be established for regular reporting to Council.
- 1.2.3 Section 46 (1) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) dictates that at the end of each financial year that a municipality must prepare an annual report that will be inclusive of an annual performance reporting – reflecting how a municipality performed in the previous financial year.
- 1.2.4 The Annual Report is [also] defined in terms of Section 121, 127 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003)




1.3. BACKGROUND




After the council passed the adjustment budget in January, it was necessary for the institution to amend its SDBIP as required by law. The amended SDBIP can be used as a source document to see targets that were shifted

The background is a solid orange color with several large, overlapping, rounded shapes in lighter shades of orange. A thick, bright green curved line starts on the left side, curves upwards and then downwards, forming a partial circle. In the center of this green curve is a white, semi-circular shape. A horizontal white bar extends from the right side of this white shape across the page. The text "SECTION 2" is written in a bold, orange, sans-serif font on this white bar.

SECTION 2

BUDGET AND TREASURY OFFICE											
PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2020/2021	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ANNUAL REPORTING				
							Achieved or Not Achieved	Comment on achievement/non achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
1.2 Electrification	1.2.1 To ensure that all indigent people have access to free basic electricity (FBE)	Free basic electricity (FBE)	Indigent register	No of indigent households receiving FBE	2 563 327.56	Update indigent register and 50% of registered indigent households receive FBS by 30th June 2022	 Achieved	Paraffin supplied to indigent households	N/A	N/A	July to June 2022 Payment vouchers
	1.2.1 To ensure that all indigent people have access to free basic electricity (FBE)	Free basic electricity (FBE)	Indigent register	No of indigent households receiving FBS	2 500 000.00	Update indigent register and 50% of registered indigent households receive FBE by 30th June 2022	 Achieved	July 2022 to June 2022 free basic tokens were issued to indigent customers	N/A	N/A	July to June 2022 Payment vouchers
POE											
3.1 Revenue Collection	3.1.1 To ensure monthly collection on both historic and current debt by 2022	Revenue collection- Historic and current debt	R15 933 192 (Government Debt)	% Monthly debt collection	Nil	Collection rate of 100% on current and arrear debt (Government) by 30th June 2022	 Achieved	R1.6 million collected since July 2021	N/A	N/A	Receipts' report
	3.1.1 To ensure monthly collection on both historic and current debt by 2022	Revenue collection- Historic and current debt	R20 060 530.46 million (Businesses)	% Monthly debt collection	Nil	To ensure monthly collection rate of 30% on current and arrear and current debt (Businesses) by 30th June 2022	 Not Achieved	R1.1 million collected since July 2021	General culture of non-payment	N/A	N/A
	3.1.1 To ensure monthly collection on both historic and current debt by 2022	Revenue collection- Historic debt	R 23 531 432 (Households)	% Monthly debt collection	Nil	Collection rate of 30% on current and arrear debt (Households) by 30th June 2022	 Not Achieved	R1.8 million collected since July 2021	General culture of non-payment	N/A	N/A

BUDGET AND TREASURY OFFICE											
PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2020/2021	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ANNUAL REPORTING				
							Achieved or Not Achieved	Comment on achievement/non achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
POE											
3.1 Revenue Collection	3.1.1 To ensure that an updated valuation roll is maintained by June 2022	Data cleansing	Property registers in place	General Valuation roll and Supplementary valuation roll	493 900.00	Completion of 1 Supplementary valuation roll by 30th June 2022	 Achieved	One Supplementary roll compiled	N/A	N/A	Supplementary valuation roll
POE											
3.2 Revenue Management	3.2.1 To develop and fully implement a Revenue Enhancement and Management Strategy by 2022	Revenue Management	Revenue Management Strategy developed and Council approved	Progress made in the implementation of the revenue management plan	Nil	Implement revenue enhancement strategy by 30th June 2022	 Not Achieved	Revenue enhancement strategy reviewed	Draft revenue enhancement strategy developed	Workshop to be held on the draft strategy	N/A
POE											
3.2 Revenue Management					Nil	One revenue enhancement strategy	 Achieved	April to June 2022 investment account bank reconciliations prepared and signed off	N/A		12 monthly investment accounts reconciliations to the General Ledger prepared and signed-off by June 2022
POE											
						12 monthly investment accounts reconciliations to the General Ledger prepared and signed-off by June 2022					

BUDGET AND TREASURY OFFICE											
PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2020/2021	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ANNUAL REPORTING				
							Achieved or Not Achieved	Comment on achievement/non achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
3.2 Revenue Management					Nil	12 Monthly debtors' reconciliations performed signed off by June 2022	 Achieved	April to June 2022 debtors' reconciliations prepared and signed off	N/A	N/A	12 monthly debtors' reconciliations to the General Ledger prepared and signed-off
						12 monthly debtors' reconciliations to the General Ledger prepared and signed-off July 2021 to June 2022					
POE											
3.3 Expenditure Management	3.3.1 To ensure compliance with MFMA expenditure requirements	Expenditure management		Turnaround time	Nil	100% Compliance with payment schedule (30 days turnaround time) by 30th June 2022	 Achieved	Creditors paid within 30 days on receipt of an invoice	N/A		Invoices' register and age analysis
3.3 Expenditure Management					Nil	12 Monthly creditors' reconciliations performed signed off by June 2022	 Achieved	April to June 2022 creditors' reconciliations prepared and signed off	N/A		12 monthly creditors' reconciliations to the General Ledger prepared and signed-off

BUDGET AND TREASURY OFFICE															
PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2020/2021	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ANNUAL REPORTING								
							Achieved or Not Achieved	Comment on achievement/non achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence				
						prepared and signed-off July 2021 to June 2022									
3.3 Expenditure Management					Nil	12 Monthly main account bank reconciliations to the General Ledger prepared and signed-off									
							<input checked="" type="checkbox"/> Achieved	April to June 2022 bank reconciliations prepared and signed off	N/A	N/A	12 monthly investment accounts reconciliations to the General Ledger prepared and signed-off by June 2022				
						12 monthly investment accounts reconciliations to the General Ledger prepared and signed-off by June 2022									
3.3 Expenditure Management					Nil	12 Monthly VAT EMP 201 submitted to SARS by June 2022									
							<input checked="" type="checkbox"/> Achieved	Three months VAT EMP201 submissions	N/A	N/A	12 monthly VAT 201 submitted by June 2022				
						12 monthly VAT 201									

BUDGET AND TREASURY OFFICE															
PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2020/2021	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ANNUAL REPORTING								
							Achieved or Not Achieved	Comment on achievement/non achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence				
						submitted by June 2022									
Expenditure Management						12 Monthly petty cash reconciliations performed signed off as evidence of review	<input checked="" type="checkbox"/> Achieved	April to June 2022 petty cash reconciliations prepared and signed off	N/A	N/A		12 monthly petty cash reconciliations performed and signed off as evidence of review by June 2022			
						12 monthly petty cash reconciliations performed and signed off as evidence of review by June 2022									
3.4 Budgeting and Financial Reporting	3.4.1 To ensure credible budgeting and proper financial reporting in line with relevant legislation by 2022	Budgeting and financial reporting	Budget in place but not fully funded	Compliance with Treasury requirements	Nil	Formulate 1 credible budget by 31st March 2021	<input checked="" type="checkbox"/> Achieved	2022/2023 Annual Budget submitted to Municipal Manager	N/A	N/A		Approved annual budget for the 2022/2023			
						Approved annual budget for the 2022/2023									
						100% compliance with treasury reporting deadlines	<input checked="" type="checkbox"/> Achieved	April to June 2022 section 71 reports submitted to the Municipal Manager	N/A	N/A		12 months' section 71 reports submitted to the Municipal Manager			
						12 months' section 71 reports submitted to the Municipal Manager									

BUDGET AND TREASURY OFFICE										
PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2020/2021	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ANNUAL REPORTING			
							Achieved or Not Achieved	Comment on achievement/non achievement	Reasons for Variance	Corrective Measure
3.4 Budgeting and Financial Reporting										
3.4.1 To ensure credible budgeting and proper financial reporting in line with relevant legislation by 2020	Budgeting and financial reporting	3 budget implementation reports submitted	Compliance with Treasury requirements	Nil	100% compliance with treasury reporting deadlines	<div style="width: 100%; height: 10px; background-color: green;"></div> Achieved	Quarter 4, 1, 2 and 3 signed section 52(d) reports submitted to the Municipal Manager	N/A	N/A	Quarter 4, 1, 2 and 3 signed section 52(d) reports
POE										
3.4.1 To ensure credible budgeting and proper financial reporting in line with relevant legislation by 2020	Budgeting and financial reporting	Annual financial statements submitted by the due date	Compliance with Treasury requirements	Nil	100% compliance with treasury reporting deadlines	<div style="width: 100%; height: 10px; background-color: green;"></div> Achieved			N/A	2020-2021 Audited annual financial statements
POE										
Risk Management	Risk Management	2020/2021 Operational risk register		Nil	80% risks mitigated by 30 June 2022	<div style="width: 100%; height: 10px; background-color: green;"></div> Achieved		N/A	N/A	Progress report on risk management
POE										
Progress report on risk management										

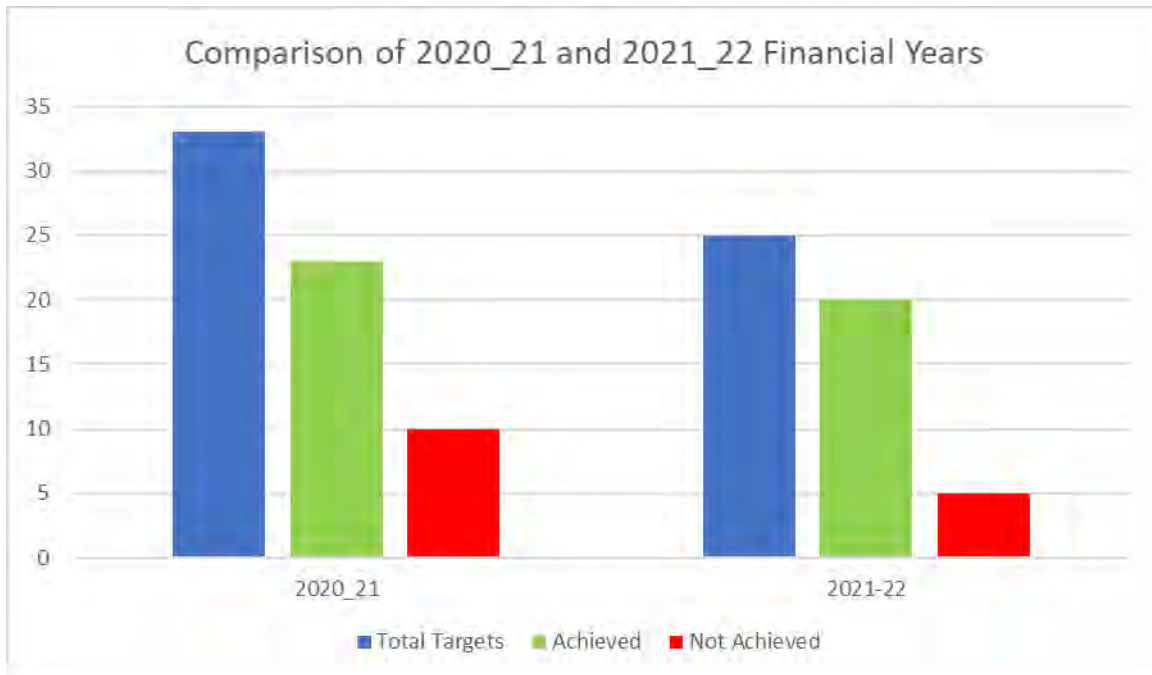
BUDGET AND TREASURY OFFICE											
PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2020/2021	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ANNUAL REPORTING				
							Achieved or Not Achieved	Comment on achievement/non achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
3.5 Asset Management	3.5.1 To ensure that assets are managed and utilised in line with relevant policies and procedures by 2020	Asset management	Asset management policy developed	GRAP compliant Asset Register	1 400 000,00	1 Update assets register to be GRAP compliant by 30th June 2022	Achieved	April to June 2022 Asset Management reports prepared	N/A	N/A	Audit report and fixed asset register
POE											
3.5 Asset Management					Nil	12 Months reconciliations performed by June 2022	Achieved	April to June 2022 Asset reconciliations prepared and signed off as evidence of review.	N/A	12 monthly asset reconciliations prepared and signed-off by June 2022	
POE											
3.6 Supply Chain Management	3.6.1 To ensure that supply chain policies comply with MFMA and all relevant regulations	Supply chain management	SCM not fully compliant	Procurement Plan	Nil	100% compliance with the SCM policy and procurement plan by 30th June 2022	Achieved	Quarter 4, 1, 2, and 3 signed supply chain management reports	N/A	Quarter 4, 1, 2, and 3 signed supply chain management reports	
POE											
3.6 Supply Chain Management	3.6.1 To ensure that supply chain policies comply with MFMA and all relevant regulations	Supply chain management	SCM not fully compliant	Compliance levels	Nil	100% compliance with the SCM policy and procurement plan by 30th June 2021	Achieved	Contracts register updated for all contracts entered into in July to June 2022	N/A	Annual contracts register	



BUDGET AND TREASURY OFFICE										
PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2020/2021	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ANNUAL REPORTING			
							Achieved or Not Achieved	Comment on achievement/non achievement	Reasons for Variance	Corrective Measure
POE										
3.6 Supply Chain Management	3.6.1 To ensure that supply chain policies comply with MFMA and all relevant regulations	Supply chain management	SCM not fully compliant	Compliance levels	Nil	100% compliance with the SCM policy and procurement plan by 30th June 2022	<div style="width: 100%; height: 10px; background-color: red; margin-bottom: 2px;"></div> <div style="width: 100%; height: 10px; background-color: green; margin-bottom: 2px;"></div> Not Achieved	N/A	N/A	Adverts and appointment letters for all bids as reflected in the annual procurement plan
POE										
Performance Management	To review current, and implement a fully cascaded municipal-wide performance management system by 30 June 2022 and beyond	Performance Management	Number of Deputy managers conducted performance reviews by 30 June 2022	PMS policy and framework in place	Nil	2 Individual Performance evaluations conducted to Managers by 30 June 2022	<div style="width: 100%; height: 10px; background-color: red; margin-bottom: 2px;"></div> <div style="width: 100%; height: 10px; background-color: green; margin-bottom: 2px;"></div> Not Achieved			
POE										
						Evaluation report, signed attendance Register	Evaluation report, signed attendance Register			

BUDGET AND TREASURY OFFICE





For the year under review, twenty-five (25) targets were set in the department of Budget and Treasury. The department managed to achieve twenty (20) of those, whilst five (05) were not achieved due to various reasons that are ascribed and attributed on the annual performance report.




The departments overall performance reflected a significant improvement in 2021_22 financial year as it was at 80 % when compared to 55 % achievement in 2020_21. However, revenue enhancement strategy remains a worrying factor as collection mostly depends on it being achieved.







BASIC SERVICES											
KEY PERFORMANCE AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAMME	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL BUDGET	ANNUAL TARGET	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
Road and storm water	Maintenance of 170km of gravel access roads (Blading & Patch Graveling	Maintenance of 100km access roads	70 Km access roads maintained	Existing roads	R2m	50km Blading of gravel Access roads 20 km of Patch-re-gravelling in rural access roads in line with the maintenance Plan by June 2022	 <u>Achieved</u>		N/A	N/A	Quarterly reports
	POE					Approved maintenance plan reflecting road name and km, dated photos (before and after), expenditure report, internal completion certificate.					
	To maintain 14 km of access and urban roads annually	Maintenance of 14km access and urban roads	14Km access roads in Urban areas maintained	Existing roads	R 2m	Maintenance of 7km Tsolo Urban Streets by June 2022	 <u>Achieved</u>	Various maintenance work including construction of slab, patching of potholes, installation of pipes and cleaning of drains	N/A	N/A	Quarterly reports

BASIC SERVICES											
KEY PERFORMANCE AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAMME	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL BUDGET	ANNUAL TARGET	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
	To construct 120km gravel access roads	Construction of 13.64km Gqunu farms gravel access road in ward 15	13.64km of gravel access roads construction completed		R6.8m	Complete construction of 13.64km of Gqunu farms gravel access road in ward 15 by June 2022	 <u>Not Achieved</u>	N/A	Site establishment and Roadbed has been completed for the entire access road. Tipping and processing is only completed for 6.1km. The project had been delayed by the disaster rains that had washed away some of the work completed	The catch-up plan and the revised project plan have been developed for the project. The project is scheduled to be completed by the 31 st of July 2022	Monthly project report
		Construction of 8.7km OF Sbokoto stadium gravel access road in ward 14 by June 2022	8.7Km of gravel access roads construction completed		R7.1m	Complete construction of 8.7km of Sbokoto to Stadium gravel access road in ward 14 by June 2022	 <u>Not Achieved</u>	N/A	Site establishment and Roadbed has been completed for the entire access road. Tipping and processing is currently underway. The project had been delayed by the disaster rains that had washed away some of the work completed	The catch-up plan and the revised project plan have been developed for the project. The project is scheduled to be completed by the 31 st of July 2022	Monthly Progress report
		Construction of 5km Gogwana to Jojweni gravel Access	5Km of gravel access roads construction completed		R3.7m	Complete construction of 5km Gogwana to Jojweni	 <u>Achieved</u>	Construction of 5km Gogwana access road	N/A	N/A	N/A



BASIC SERVICES											
KEY PERFORMANCE AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAMME	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL BUDGET	ANNUAL TARGET	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
		Construction of 11.02 km Gungululu Access Road	11.02km of gravel access roads construction completed	Gravel Road	R314 000	Construction of 11.02 km Gungululu Access Road by 30 June 2022	 <u>Achieved</u>	Final inspection was conducted for the 8.3km at Machibini to Dumaneni retention monies were paid and the access road was finally completed	N/A	N/A	Completion certificate
POE											
		Construction of Ngxakolo gravel Access road 2 022	2 km of Stone pitching construction completed		R 500 000	Complete construction 2 km of Stone pitching construction completed by June 2022	 <u>Achieved</u>	Construction of 2km stone pitching construction is completed at Ngxakolo	N/A	N/A	Practical completion certificate
POE											
		Construction of Khalankomo concrete slab	85 m of reinforced concrete slab construction completed		R500 000	Complete construction 85 m of reinforced concrete slab construction completed by June 2022	 <u>Achieved</u>	85 m of a concrete slab was constructed at Khalankomo	N/A	N/A	Practical completion certificate
		Land Fill Sites Access Road ward 15	Construction of 2 km gravel access road	Existing gravel	R 2 500 000	Complete construction 2 km of gravel access road completed by June 2022	 <u>Achieved</u>	700m of a concrete slab was constructed at Khalankomo	N/A	N/A	Practical completion certificate

BASIC SERVICES											
KEY PERFORMANCE AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAMME	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL BUDGET	ANNUAL TARGET	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
		Planning Design Tsolo and Oumbu storm water, Construction of Tsolo Access Road	3 approved Design reports completed	Foot tracks	R=	Planning and Design for 3 New projects (Tsolo and Oumbu Storm water and construction of Tsolo streets) by 30 June 2022	 <u>Achieved</u>	Planning and Design for Oumbu and Tsolo stormwater had been completed	N/A	N/A	Design Report
		Conduct feasibility studies and Environmental Impact Assessment for 6 new projects to be completed by June 2022.	Feasibility studies for planning projects completed	Gravel Road	Nil	Approved Environmental Impact Assessment for Planning of 6 projects by 30 June 2022.	 <u>Achieved</u>	Planning for 6 projects that are intended to be implemented has completed	N/A	N/A	Design reports and proof of submission to DEDEA
		POEs				Environmental Impact Assessment Report and the proof of submission to DEDEAT					
		To maintain 3.27 km of urban roads and storm water management	3.27km of bulk storm water constructed		R53	Complete construction of 3.27km bulk storm- water with related manhole facilities in Tsolo town by June 2022.	 <u>Not Achieved</u>	N/A	Site establishment, 3020 m for laying paving bricks has been completed. The remaining work is the laying of 250m of bricks and construction of the bridges	The catch-up plan and the revised project plan have been developed for the project. The project is scheduled to be completed by the 31 st of July 2022	Monthly progress reports





BASIC SERVICES											
KEY PERFORMANCE AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAMME	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL BUDGET	ANNUAL TARGET	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
			POE			Practical Completion Certificate					
	To Rehabilitate 50.8 km of gravel access roads	30km of gravel access road rehabilitated	30km gravel access road rehabilitated	Existing roads	R14m	Rehabilitation of 30km of gravel access roads from various wards of Mhlontlo LM by June 2022	 Achieved	30km of gravel access road has been rehabilitated	N/A	N/A	Quarterly reports
			POE			Monthly Progress Report					



BASIC SERVICES											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
Electrification	Connection and energizing of 1600 households	Connection of 1005 households in various wards of Mhlonilo	Planning for provision of an alternative energy to supply parts of villages of Mhlonilo LM	100% of historic backlog had been addressed	0.00	Planning for provision of an alternative energy to supply parts of Mhlonilo LM villages by June 2021	 Achieved	Business plan for installation of an alternative energy was developed	N/A	N/A	Business plan
						Proposal and proof of Submission to the funder					
Electrification	Connection and energizing of 1600 households	Connection of 1005 households in various wards of Mhlonilo	1005 connected households	100% of historic backlog had been addressed	R18.5m	Connection of 628 households in various villages of Mhlonilo and 9km of a link - line between st Curberts and Nompala by June 2022	 Not Achieved	628 households had been connected in various wards of Mhlonilo lm and the 9km link line is also completed	N/A	N/A	Monthly Progress Reports
						Completion Certificate and Eskom Handover certificate					
Sporting Facilities	To construct and maintain arts, culture and sporting facilities in all wards	Promotion and development of sport, arts and culture activities	1 Sports field rehabilitated	Dilapidated sport field	R3m	Rehabilitation of Tsolo sports field by June	 Not Achieved	N/A	Scope of work and the documentation	The project has been advertised	Draft tender document
						Completion Certificate and Eskom Handover certificate					




BASIC SERVICES											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
				Completed sport field		2022	<u>Not</u> <u>Achieved</u>		was done for the project in preparation advertisement for construction	and appointment is anticipated to be in August 2022	
						Practical completion certificate					
			1 Sports field rehabilitated			Rehabilitation of Cumbu sports field by June 2022	<u>Not</u> <u>Achieved</u>	N/A	Some of the work that was done had to be redone due to the flood's damages. To date the change rooms, ablution facilities, netball court, fencing, and part of the grandstand	The revised project plan has been developed for the project and the completion date is scheduled for the 31 st of August 2022	Monthly Progress
						Practical Completion Certificate					

BASIC SERVICES											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
			1 Sports field rehabilitated			Rehabilitation of sports field - Mvumelwano sport field (Phase 2) in ward 14 By June 2022	 Not Achieved	N/A	The project has been affected by the disaster some of the work that was completed had to be redone.	Revised completion date for the project is the 31 st of August 2022. Additional resources had been provided to see to it that the project gets to be completed on time	Monthly progress report
					R3m						
Monthly Progress Report											
ISD	Ensure community participation during project implementation	Trained Community representatives and the facilitate community meetings.	There is an ISD officer appointed responsible for community representative needs.	Ensure the community involvement to the implemented project.	0.00	Conduct social facilitation through monthly PSC meetings per project. Developing 1 Base line survey per MIG project. Facilitate 1 training per project & prepare quarterly non-financial report to CoGTA.	 Achieved	Monthly PSC meeting were conducted, baseline surveys were conducted per project, the trainings and the non-financial reports were submitted	N/A	N/A	Attendance registers for the training the site meeting and the non-financial report

BASIC SERVICES											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
Social Services and Infrastructure	To revitalize the urban centers of Tsolo and Qumbu towns	Construction of Tsolo services center.	1 Social Infrastructure upgraded	Ensure the enhancement of social Capital by providing social infrastructure.	R2m	Attendance register, minutes of the site meetings, non-financial reports and proof of submission to COGTA and Baseline Survey					
						Upgrading of Tsolo services centre by June 2022	<input checked="" type="checkbox"/> NOT Achieved	Site handover and site establishment has been conducted	N/A	N/A	Monthly Progress report
			POES			Practical completion certificate					

BASIC SERVICES											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
	To revitalize the urban centers of Tsolo and Oumbu towns	Construction of Mhlonlo LM Emergency Water and Sanitation intervention at Tsolo And Oumbu Offices	1 Social Infrastructure upgraded	Ensure the enhancement of social Capital by providing social infrastructure	R 13	Conduct upgrade of ablution facilities in Oumbu & Tsolo Main offices by June 2022	 Not Achieved	N/A	Installation of borehole, installation of tiles (walls and floors) installation of doors, toilet seats and plumbing had been completed. The days were around delivery of materials by the officials	Materials had since been delivered and the project is due to be completed on the 31 st of July 2022	N/A
						Practical Completion certificate	 Achieved				
						Construction of VTC (at foundation level) in ward 6 by June 2022	 Achieved	Site establishment and site clearance was done in the project	N/A	N/A	Monthly progress report
						Design Report, Draft Tender Documents and Monthly progress Reports					
EPWP	To maintain 4km of urban roads and storm water management	Creation EPWP job opportunities Programme	260 job opportunities created	Existing	R 2 321 000	260 Job opportunities to be created by June 2020	 More than 411 job opportunities were reported	More than 411 job opportunities were reported	N/A	N/A	Monthly reports

BASIC SERVICES											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
						Practical completion certificate					
Performance Management	To review current, and implement a fully cascaded municipal-wide performance management system by 30 June 2022 and beyond	Performance Management	Number of Deputy managers conducted performance reviews	Performance Management policy	NIL	Signing of one performance agreement for the PMU manager and individual mid-term and annual performance assessment for 2020/21	 <u>Not Achieved</u>	Assessment for the mid-term was conducted for the PMU manager. The manager did not have the performance contract for 2020/2021 financial year	N/A	N/A	Assessment Report
						Performance Agreements, evaluation report and signed attendance Register					
Supply Chain Management	To ensure that supply chain policies comply with MFMA and all relevant regulations	Supply chain management	90 days maximum turnaround time of tender procurement processes	SCM not fully compliant	NIL	90 days maximum turnaround time of tender procurement processes in accordance with the procurement plan by 30 June 2022.	 <u>Not Achieved</u>	N/A	Not all the projects that were in the procurement plan were procure	New procurement plan has been developed for 2022/23 and the adjudication meetings are scheduled to site weekly.	N/A

BASIC SERVICES											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
				Adverts and appointment letters							
Risk Management		Risk Management	80% risks mitigated	2020/2021 Operational risk register	Nil	80% risks mitigated by June 2022	 Achieved	80% Risks were attended too	N/A	N/A	Operational risk register
				Operational risk registers and risk management report							
Budgeting and Financial Reporting	To ensure positive external audit outcomes	Auditing	Improved audit opinion	80% AG and IA audit findings resolved	Nil	80% AG and IA audit findings resolved by 30 June 2022	 Achieved	100% of the MIG funds were spent	N/A	N/A	Monthly reports
				Operational risk register and risk management report							
Budgeting and Financial Reporting	To ensure compliance with reporting requirements For Municipal Infrastructure Grant, EPWP and INEP and 100% expenditure on allocations	Financial reporting	100% expenditure spent on conditional grants (MIG, EPWP and INEP)		R46 659 000 MIG	100% expenditure on conditional grants allocation		All the grants were fully spent by the 30 th of June	N/A	N/A	Monthly expenditure reports

BASIC SERVICES											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved/Not Achieved	Comment for Achievement	Reason for Variance	Remedial Action	POE
					R18 521 000 INEP	(MIG, EPWP and INEP) by 30 June 2022	<u>Achieved</u>				
					R2 321 000 EPWP						
POE											
						12 monthly reports for MIG, 12 monthly reports for MIG.					

INFRASTRUCTURE SERVICES DEVELOPMENT

For the 2021_22 financial year, the department of Infrastructure Development Services set itself thirty-five (35) targets. The department managed to achieve twenty-two (22) of those, whilst thirteen (13) were not achieved due to various reasons that are ascribed and attributed on the quarterly reports.

The departments overall performance reflected a slight decline in 2021_22 financial year as it was at 62% when compared to 68 % achievement in 2020_21. However, most of those indicators that were not achieved are regarded as work in progress, and it is anticipated that it will be completed in the 2022_23 financial year.



LOCAL ECONOMIC DEVELOPMENT											
Key Performance Area	Municipal Objective	Programmer/Project	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
LED FORUM		Establishing LED Forum	4 LED Forums convened	There is no LED Forum	R101 000	4 LED forums convened by June 2022	Achieved	LED forums were held with relevant stakeholders in all the four quarters.	N/A	N/A	
							Not Achieved	Agenda, attendance register and minutes			
		Review of Mhlontlo LED Strategy	One Reviewed LED Strategy	LED Strategy in place	R68 530	Developed one reviewed LED Strategy by June 2022	Not Achieved	N/A	LED Strategy is still awaiting council approval	LED strategy will be taken to council in the Next Financial year	
		Fencing of Arable Land	70 hectares of arable land fenced	There are meatie fields that have been fenced by DRDAR and DRDLAR	R2.5m	Fencing of 70 hectares of arable land by 30 June 2022	Achieved	70 Hectares of arable land was fenced	N/A	N/A	
		Building maintenance	One Municipal buildings maintained		R1m	Pictures, Payment Vouchers and report	Achieved	Municipal buildings maintained as per building maintenance plan	N/A	N/A	The Municipal Buildings that have been maintained are:

LOCAL ECONOMIC DEVELOPMENT											
Key Performance Area	Municipal Objective	Programmer/Project	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
								Oumbu Municipal hall (doors, lights) Traffic Department (Doors , windows) Main Municipal Building (light fittings, Plugs, Locks in several offices) Municipal Council Chambers (all Light Fittings) Mayors Office , Chief whip and speakers offices (light fittings and assessment of broken furniture and door locks) Security Guard house (Electrification) Tsolo Municipal Offices (inspections were done for maintenance of packhomes and municipal hall)			

LOCAL ECONOMIC DEVELOPMENT											
Key Performance Area	Municipal Objective	Programmer/Project	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
		POE				Site visit report Invoice					
		Development of by-laws and policies	2 by-laws gazetted and 3 new policies adopted	There is general lack of by-laws and policies	R75 000	Gazetted 2 by-laws and 3 adopted new policies by 30 June 2022	Not achieved	The following Bylaws and Policies were developed Land Invasion Policy Building Management Bylaw Informal trade Bylaw Agrarian policy Catering policy The policies were presented at the standing committees and also at the policy workshop held on the 30 March 2022 to municipal Council Request for gazetting was sent to Corporate Services	By-laws and policies were presented to the council	By laws to be gazetted in the next financial year	N/A
						Council resolution, approved policies and by-laws, gazette.					
		Agricultural show	One Agricultural Show hosted	Agricultural entrepreneurs	R280 000	Hold one Agricultural show by 30 June 2022	Not Achieved	Agric show was cancelled due to challenges with	Agric Show will be held in the next financial	N/a	

LOCAL ECONOMIC DEVELOPMENT											
Key Performance Area	Municipal Objective	Programmer/Project	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
						Copy of compiled report, register, invitations		stakeholders	year		
			POE								
		Incubator programme targeting farmers	7 commodities incubated	Agricultural entrepreneurs	R1m	Incubator programme targeting 7 commodities by 30 June 2022	Achieved	Incubator programme was implemented to poultry, piggery and wool growers	N/A	N/A	
			POE			Progress Report					
		Entrepreneurial skills	6 school learners identified and engaged in entrepreneurial skills	N/A	R60 000	Entrepreneurial skills to 6 learning centres by 30 June 2022	Achieved	6 high schools were identified and mentored on entrepreneurial skills i.e. Shawbury, Oumbu Village, Sulenkama, K.T., Mchasa, Jongilizwe and Reuben Ntuli High Schools	N/A	N/A	
			POE			Mentorship report Pictures					
		Purchase of Material and Training of Beneficiaries	30 beneficiaries trained and training material purchased		R800 000	Purchase of training Material and training of 30 beneficiaries for brick – making by 30 June 2022	Not Achieved	Only 7 beneficiaries were available for training	To recruit more beneficiaries in the next financial year	N/A	
			POE			Attendance Register, certificate of attendance					
		Business Awards Programme	1 business award hosted	N/A	R100 000	Host 1 business award event by 30 June 2022	Achieved	Business award event was held on the 15 June 2022	N/A	N/A	
			POE			Attendance					

LOCAL ECONOMIC DEVELOPMENT											
Key Performance Area	Municipal Objective	Programmer/Project	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
		Franchise Expo	1 workshop on franchising conducted	N/A	R60 000	Hold 1 workshop on franchising by 30 June 2022 register	Achieved	A franchise Expo was held on the 04 March 2022	N/A	N/A	
			POE			Report POE					
		Contractor empowerment	One contractor empowerment session conducted	N/A	R130 000	Hold 1 contractor empowerment session by 30 June 2022	Achieved	A contractor empowerment session was held on 02 June 2022	N/A	N/A	
			POE			Attendance register and report					
		Flea markets	4 flea markets hosted	N/A	R40 000	4 hosted flea markets by 30 June 2022	Achieved	All four flea markets were successfully held. On the following dates 30 Sept 2021 26 Nov 2021 23&24 March 2022 20 & 21 June 2022	N/A	N/A	
			POE			Attendance register, photos					
		Representation of Mhlontlo in Trade and Tourism Shows	3 shows attended by the municipality	Annual events such as Tourism Indaba and National Arts Festival are attended	R209 000	Representation done in 3 shows (Grahamstown festival, Macufe and Tourism Indaba) by 30 June 2022	Not Achieved	2 beneficiaries were taken to Durban on the 2 nd to 5 th may 2022 2 beneficiaries were taken to Grahamstown on the 23 rd June to 5 th July 2022	Macufe event was not held due to Covid-19 regulations	The event will be held in the next financial year	
			POE			Copy of attendance					

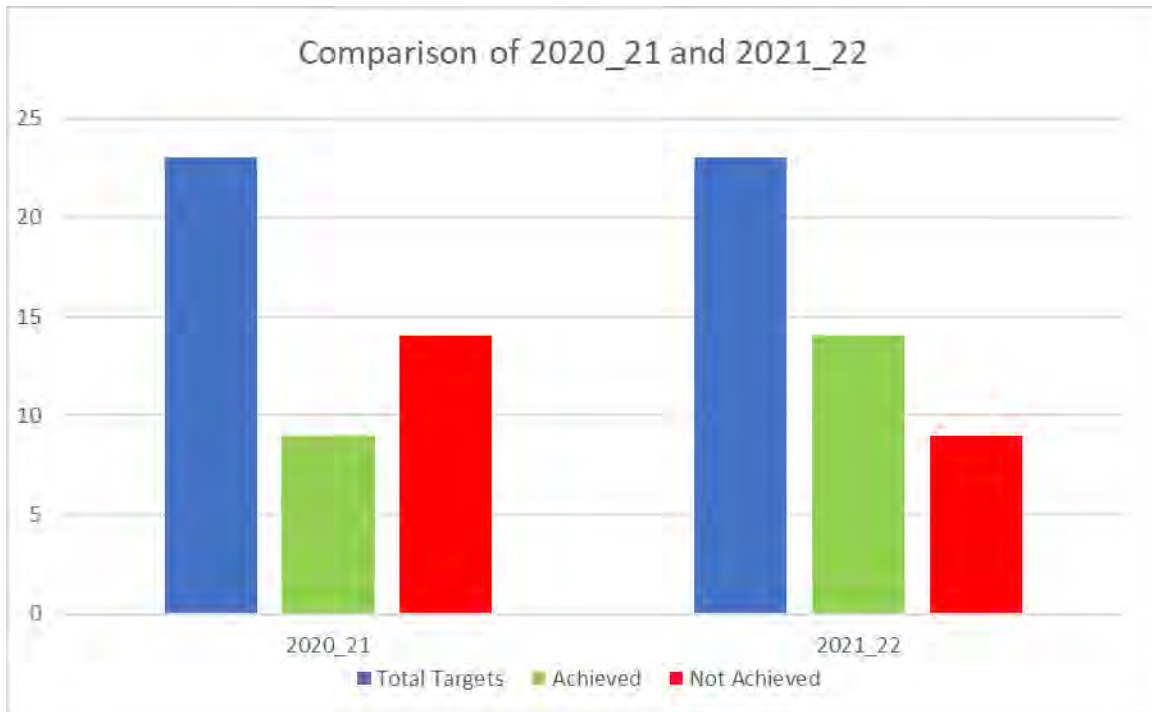
LOCAL ECONOMIC DEVELOPMENT											
Key Performance Area	Municipal Objective	Programmer/Project	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
		Directional signs for tourism products	2 directional signs erected	There are existing signs	R 200 000	2 sign posts to be erected by 30 June 2022 register	Achieved	5 directional signs were donated by O R Tambo District Municipality	N/A	N/A	
		Training of tour guides	4 trained tour guides	Trained tour guides	R50 000	Training of 4 tour guides by 30 June 2022	Not Achieved	Project was delayed by Monolotium on procurement	Moratorium on tenders	Target to be achieved in the next financial year	
		Small Towns Revitalization	1 STR business plan Developed	N/A	R200 000	1 STR business plan developed by 30 June 2022 Copy of Attendance Register	Achieved	1 STR Business plan developed Terms of reference have been developed Business plan has been developed for the project	N/A	N/A	
		Product development for art and craft	5 crafters trained in product development	There are existing crafters	R500 000	Training of 5 crafters in product development by 30 June 2022 Receipts Pictures	Achieved	Training of crafters was successfully conducted On the 20 January 2022	N/A	N/A	

LOCAL ECONOMIC DEVELOPMENT											
Key Performance Area	Municipal Objective	Programmer/Project	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
		Formalization of urban settlement	3 Formalised townships	Existing Oumbu and Tsolo 500, Extension 06 and 06 and Oumbu and Tsolo Pilot 30 housing	R300 000	Invoice Formalisation of 3 township establishments by 30 June 2022 Target was revised Produce Draft Layout Plan	Achieved	Consultants for the Township Establishment applications were appointed the 3 Townships are (langeni Forest, Oumbu 500 and Tsolo 500) Layout plan was Produced	N/A	N/A	
		Land Use Management	1 Land Use Management Scheme developed	The Wall-to-Wall project is underway	R300 000	Layout plan 1 Land Use Management Scheme developed by 30 June 2022	Not Achieved	Detailed Inception report and communication plan was done Situational analysis was done Land use Management framework was done 1 st Land Use Management Scheme draft was done and	Amended Draft Land Use Management Scheme was submitted	Amended Draft will be submitted to council next quarter	N/A

LOCAL ECONOMIC DEVELOPMENT, PLANNING AND RURAL DEVELOPMENT

For the year under review, twenty-three (23) targets were set in the department of Local Economic Development, Planning and Rural Development. The department managed to achieve fourteen (14) of those indicators and nine (09) targets were not achieved.

The departments overall performance reflected a slight decline in 2021_22 financial year as it was at 60%.



CORPORATE SERVICES											
Priority Area	Municipal Objective	Programme/Project	Key Performance Indicator	Baseline	Budget	Annual Targets	Not Achieved	Reasons for Achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
Institutional policies and systems	To align institutional policies and systems with best practise in local government by 30 June 2022.	Develop, Review and Implement Municipal Policies	10 reviewed and 2 new developed policies submitted to Council	Systems and policies in place	R 1.7m	Review Ten (10) municipal policies and develop two (2) new policies by 30 June 2022	Achieved	Policy review workshop was held on the 28- 30 March 2022	N/A	N/A	Programme, Reviewed and new developed policies, council resolution
			POE			Programme, Reviewed and new developed policies, council resolution					
	To review and ensure maintain an IDP-aligned organizational structure by 30 June 2022 and beyond.	Organizational review and Alignment	1 Reviewed organogram for 2022/23 financial year	2021/2022 organogram council approved	R 0	Final reviewed organogram for 2022/23 financial year submitted to council for approval by 30 June 2022.	Not Achieved	Municipal Organogram was approved by council on 31Mmay 2022	N/A	N/A	Approved Organogram and Council resolution
			POE			Approved Organogram and Council resolution					
Human resources alignment and development		Skills Development	5 programmes successfully completed for Councillors	WSP and Training Development Policy	R1m	Conduct Five (5) training programmes for Councillors by 30 June 2022	Not Achieved	Advanced project Management and Project Management	Three training will be done in the next quarter.	To be done in the next quarter.	Signed attendance registers and certificate of attendance
			POE			Signed attendance registers and certificate of attendance					
		2022/23 WSP to LGSETA	2022/23 WSP submitted to LGSETA for approval	2020/21 WSP submitted to Council	0.00	Submit 2022/23 WSP to LGSETA for approval by 30- April 2021	Achieved	Workplace Skills Plan (WSP) 2022/23 was Submitted to LGSETA on the 12 April 2022.	N/A	N/A	Proof of Submission to LGSETA and WSP

CORPORATE SERVICES											
Priority Area	Municipal Objective	Programme/Project	Key Performance Indicator	Baseline	Budget	Annual Targets	Achieved or Not Achieved	Not Achieved	Reasons for Variance	Reasons for Corrective Measure	Portfolio of Evidence
			POE			Proof of Submission to LGSETA and WSP	<input checked="" type="checkbox"/> Achieved		N/A	N/A	Signed attendance registers
		prioritise d trainings	8 prioritised trainings conducted	8 prioritise d trainings conducted in 2020/21 FY	R 13	Conduct 8 Prioritized Trainings programme for Municipal Officials as per the 2020/21 approved WSP by 30 June 2022	<input checked="" type="checkbox"/> Achieved		Trainings were conducted: Advanced Excel 23 to 27 August 2021, Advanced Project Management 11 to 15 October 2021, Professional report writing 20 to 22 September 2021, Examiners course 18-19 and 22-26 November 2021, Contract Management 14 to 18 February 2022, Project Management 14 to 18 February 2022, Records Management 16 to 20 May 2022 and Change Management 01 to 3 June 2022.		
			POE			Signed attendance registers	<input checked="" type="checkbox"/> Achieved		N/A	N/A	Proof of registration and proof of payment
		Skills Development	5 successfully funded employees for formal qualifications	WSP and Training Development Policy	R 400 000	Five (5) employees funded for formal qualification by 30 June 2022	<input checked="" type="checkbox"/> Achieved		Secretary to MM, Assistant Director Revenue, Deputy Director SCM, Deputy Director LED and Training Clerk.		Proof of registration and proof of payment
			POE			Proof of registration and proof of payment	<input checked="" type="checkbox"/> Achieved				

CORPORATE SERVICES											
Priority Area	Municipal Objective	Programme/Project	Key Performance Indicator	Baseline	Budget	Annual Targets	Achieved or Not Achieved	Reasons for Achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
		Institutional Transformation	1 Reviewed employment equity plan submitted	N/a	N/a	N/a					
POE											
OHS and Employee wellness	To promote a health and wellness culture among Councillors and municipal employees by 30 June 2022.	OHS and Employee Wellness	One wellness programme conducted and OHS Plan reviewed and implemented	OHS and wellness policies and plans in place	R310 000	Reviewed employment equity Plan and acknowledgement of receipt	Achieved	OHS Plan reviewed on the 27 June 2022	N/A	N/A	Programme and Attendance register
			4 OHS Meetings convened			Programme and Attendance register	Not Achieved	Meetings held on the 10 December 2021, 01 March 2022 and 27 June 2022	N/A	N/A	Agenda, attendance register and minutes
			Improved hygiene standards by June 2022		N/a	Four (4) Risk assessment report of building and worksites to ensure compliance with OHS Act by 30 June 2022.	Achieved	HIRA conducted on the 30/09/2021 ; 13/12/2021 ; 09 & 11/03/2022 ; and 20/06/2022	N/A	N/A	Attendance registers for site visits signed by site
			POE			Attendance registers for site visits signed by site representative.					

CORPORATE SERVICES											
Priority Area	Municipal Objective	Programme/Project	Key Performance Indicator	Baseline	Budget	Annual Targets	Achieved or Not Achieved	Reasons for Achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
			8 Health and wellness education awareness		R 50 000	Site visit report Eight (8) Health and wellness education awareness by 30 June 2022	Achieved	On the 27 July 2021 COVID 19 vaccination awareness. 21 Sep 2021 World Alzheimer awareness, 10 Nov 2021 world cancer awareness, 29 Nov 2021 Gender base violence awareness, 25 Feb 2022 awareness on teenager suicide, 29 March 2022 Kidney awareness day, 07 June 2022 Heart rhythm awareness, 20 June 2022 Drug awareness	N/A	N/A	Proof of email distributed educational wellness material
			POE			Proof of email distributed educational wellness material					
Labour relations	To strengthen and maintain good relations within the workplace by 30 June 2022.	LLF meeting	4 successful LLF meetings convened	Functioning Local Labour Forum	NIL	Convene 4 Local labour Forum Meetings by 30 June 202	Not Achieved	Meetings were held on the 13 August 2021, 11 October 2021, 18 March 2022 and 30 May 2022.	N/A	N/A	Agenda, attendance register
			POE			Agenda, attendance register					
			1 report issued on disposal of old records	File Plan and Procedure manual		One (1) report on the disposal of old records by 30 June 2022	Achieved	The records were disposed.	N/A	N/A	Disposal report
			Documents from 6 sections collected	File Plan and Procedure manual		Disposal report Collection of documents from Six (6) Sections for filling by 30 June 2022.	Achieved	The record have been collected from the sections.	N/A	N/A	Proof of receipt of documents from six (6) sections, filling checklist signed by responsible official
						Proof of receipt of documents from					

CORPORATE SERVICES											
Priority Area	Municipal Objective	Programme/Project	Key Performance Indicator	Baseline	Budget	Annual Targets	Achieved or Not Achieved	Reasons for Achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
Information and Communication Technology (ICT) innovations and information management	To ensure adequate availability of critical ICT infrastructure in line with the ICT strategy and governance policies by 30 June 2022 and beyond				R7.1m	six (6) sections, filling checklist signed by responsible official	Achieved	Project completed successfully	N/A	N/A	Completion certificate
						Upgrade of network infrastructure and equipment by 30 June 2022	Achieved				
						Completion certificate					
						server room upgrade by 30 June 2022	Achieved	Server room completed	N/A	N/A	Completion certificate
						Completion certificate					
						Upgrade of switchboard and internet connection by 30 June 2022	Not Achieved	The service provider for upgrade of switchboard and internet connection was appointed. The implementation is in progress. Two network access link and two routers has been installed for internet access. Currently we are working on PBX configuration for installation of landline phones. The project is estimated to be concluded before the end of August 2022.	Not yet completed due to delays during implementation stage	To be completed before the end of the first quarter 2022/2023 financial year	N/A
						Completion certificate					
						Installation of 2 new servers by 30 June 2022	Not Achieved	Terms of reference were developed, signed and approved. The advert was issued and closed. No appointment made due to the ICT steering	Specification for the new servers is revised to incorporate the business continuity solution	Project is budgeted for the next financial year 2022/23	N/A

CORPORATE SERVICES												
Priority Area	Municipal Objective	Programme/Project	Key Performance Indicator	Baseline	Budget	Annual Targets	Achieved or Not Achieved	Reasons for Achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence	
							Completion certificate	committee resolution to revise the specification to include disaster recovery solution.				
					R 1 500 000	Operations and maintenance of ICT Infrastructure by 30 June 2022	Achieved	Operations and maintenance registers are being signed on a quarterly basis	N/A N/A		Signed operations and maintenance registers	
						Signed operations and maintenance registers						
					R 50 000	Convene (4) ICT Steering committee meetings by 30 June 2022	Achieved	ICT Steering committees meetings are convened quarterly	N/A	N/A	Attendance registers and signed minutes	
						Attendance registers and signed minutes						
Performance Management	To review current, and implement a fully cascaded municipal-wide performance management system by 30 June 2022 and beyond	Performance Management	Number of Deputy managers conducted performance reviews	PMS policy and framework in place	R 1 500 000	4 Individual Performance evaluations conducted to Deputy Directors by 30 June 2022	Not Achieved	Assessment for the Midterm was conducted for HR manager. The performance Plan was signed for the ICT Manager	N/a	N/a	Assessment report and Performance plan	
POE												
Public Participation	Ensure meaningful and effective stakeholder	4 public participation meetings convened			R 2 000 000	Evaluation report, signed attendance Register Convene 4 public participation meetings by 30 June 2022	Not Achieved	Public participations were convened	N/A	N/A	Agenda and attendance register and report of Public Participation.	

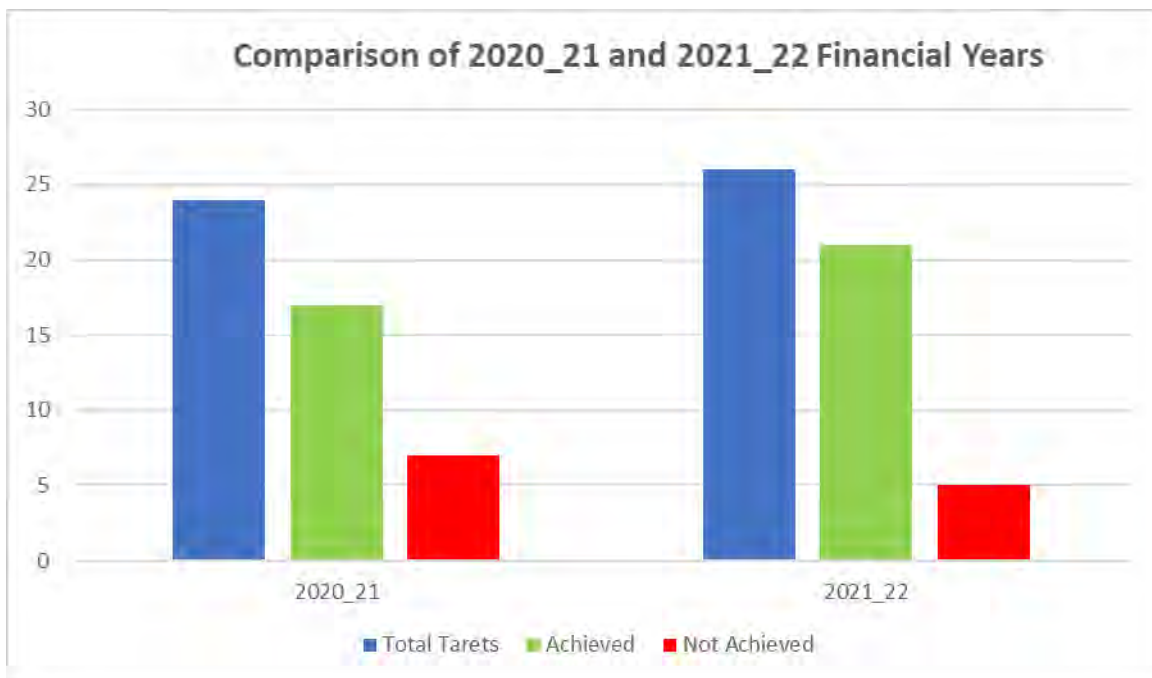
CORPORATE SERVICES											
Priority Area	Municipal Objective	Programme/Project	Key Performance Indicator	Baseline	Budget	Annual Targets	Achieved or Achieved	Not Achieved	Reasons for Achievement/Variance	Corrective Measure	Portfolio of Evidence
	participation in municipal IDP and Budget processes by 30 June 2022.					Agenda and attendance register and report of Public Participation.					
		2 Traditional leaders convened	2 Traditional leaders meeting		R 100 000	Convene two (2) traditional leaders meetings for initiation awareness by 30 June 2022.	Not Achieved		The meeting were held as planned	N/A	Agenda and attendance register and report of traditional leaders
						Agenda and attendance register and report of traditional leaders.					
		Moral regeneration movement	4 moral regeneration movement meetings convened		R300 000	Convene four (4) moral regeneration movement meetings by 30 June 2022.	Achieved		The meetings were convened.	N/A	Agenda, attendance register and report
						Agenda, attendance register and report					
						POE					
Supply Chain Management	To ensure that supply chain policies comply with MFMA and all relevant regulations	Supply chain management	90 days maximum turnaround time of tender procurement processes	90 days maximum turnaround time of tender procurement processes		90 days maximum turnaround time of tender procurement in accordance with the procurement plan by 30 June 2022	Not Achieved		The projects were closed to be advertised by National Treasury.	Not all the projects that were in the procurement plan were procured	New procurement plan has been developed for the next financial year
						POEs					
Financial reporting			Improved audit outcomes			80% AG and IA audit findings resolved by 30 June 2022	Not Achieved				

CORPORATE SERVICES												
Priority Area	Municipal Objective	Programme/Project	Key Performance Indicator	Baseline	Budget	Annual Targets	Achieved or Not Achieved	Not Achieved	Reasons for Achievement	Reasons for Variance	Corrective Measure	Portfolio of Evidence
			POE			POEs						
Risk Management			80% risks mitigated			80% risks mitigated by 30 June 2022	Not Achieved		80% risks were attended too.	N/A	N/A	Operational Risk Register
			POE			Operational Risk Register						

INSTITUTIONAL DEVELOPMENT AND CAPACITY BUILDING

The above summary illustrates the significant strides and advances that were made by the Department of Institutional Development and Capacity Building on its quest to attain the predetermined objectives set by the department for the 2021_22 financial year as encapsulated in the Service Delivery and Budget Implementation Plan (SDBIP).

For the financial year under review, the department had set itself twenty-six (26) indicators on the scorecard. From the twenty-six (26) indicators, the department was able to deliver positive results on fourteen (14) of these, whilst twelve (12) indicators were not achieved. The department's overall performance of 53 % reflects a slight improvement when compared to 41 % achievement of the previous financial year. It should also be noted that on finalization of this report, PoE's were still outstanding.



COMMUNITY SERVICES											
Key Performance Area	Municipal Objective	Municipal Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Comment on Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
			8 clean-up campaigns conducted and 4 awareness campaigns conducted on waste management	4 clean-up campaign conducted	R262 000	Conduct 8 clean-up campaigns at Oumbu and Tsolo by 30 June 2022	Achieved	8 clean up campaigns were conducted in both town	N/A	N/A	Report and attendance registers
						4 Waste Management awareness campaigns conducted	Achieved	4 waste management campaigns were conducted in both town	N/A	N/A	Report and attendance registers
POE											
Waste Management	To ensure full compliance with waste management law and regulations.	Refuse collection	refuse collected daily in 2200 households and 600 000 refuse bags purchased	Refuse Bags provided for 1611 urban households	R13	Daily collection of refuse in 2200 households and purchase of 600 000 refuse bags by 30 June 2022	Achieved	Daily collection of refuse in 2 200 households and purchase of 600 000 refuse bags was done	N/A	N/A	Report and delivery note
POE											
Waste Management	To ensure full compliance with waste management law and regulations.	Refuse collection	40 refuse bins and 6 hooked bins purchased and installed	Purchased 10 hook bins	R1,2m	Purchase and install 40 refuse bins and 6 hooked bins by 30 June 2022	Not Achieved		The hook been truck was burnt and it was agreed that the bins will be purchased in the next financial year	N/A	N/A
POE											
						Delivery note and invoice					

COMMUNITY SERVICES											
Key Performance Area	Municipal Objective	Municipal Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Comment on Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
Social Services and Infrastructure	To revitalise the urban centres of Tsolo and Oumbu towns	Revitalisation of urban centres	40 trees planted and 12 grass cuttings conducted	No revitalisation projects	R200 000	Planting of 40 trees(20 in Oumbu and 20 in Tsolo) and monthly grass-cutting in Oumbu and Tsolo Offices by 30 June 2022	Achieved	Planting of trees on both towns and grass cutting was done on both towns	N/A	N/A	Tree planting and grass cutting report signed by HOD
	POE										
Social Services and Infrastructure	To ensure construction of Oumbu library promotion of learning and educational activities and maintenance	Promotion of culture of life-long learning	5 Education and learning activities conducted	Promotional activities currently undertaken	R550 000	Conduct 5 education and learning promotion activities by 30 June 2022	Achieved		N/A	N/A	Reports and attendance registers
	POE										
			1000 licensed vehicles and 40 registered vehicles.	Registering Authority office	R956 000	Licensing of 1000 and registration of 40 vehicles by 30 June 2022.	Achieved	15450 vehicles licenced and 1429 vehicles registered	N/A	N/A	eNatis report
	POE										
			1200 learners tested for learners' licence and 800 people tested for drivers' licence	DLTC office		eNATIS report with 1000 vehicles licensed and 40 registered	Achieved	1200 learners license were tested and 800 driving licenses issued	N/A	N/A	eNATIS report with 1200 tested learners and 800 drivers licenses

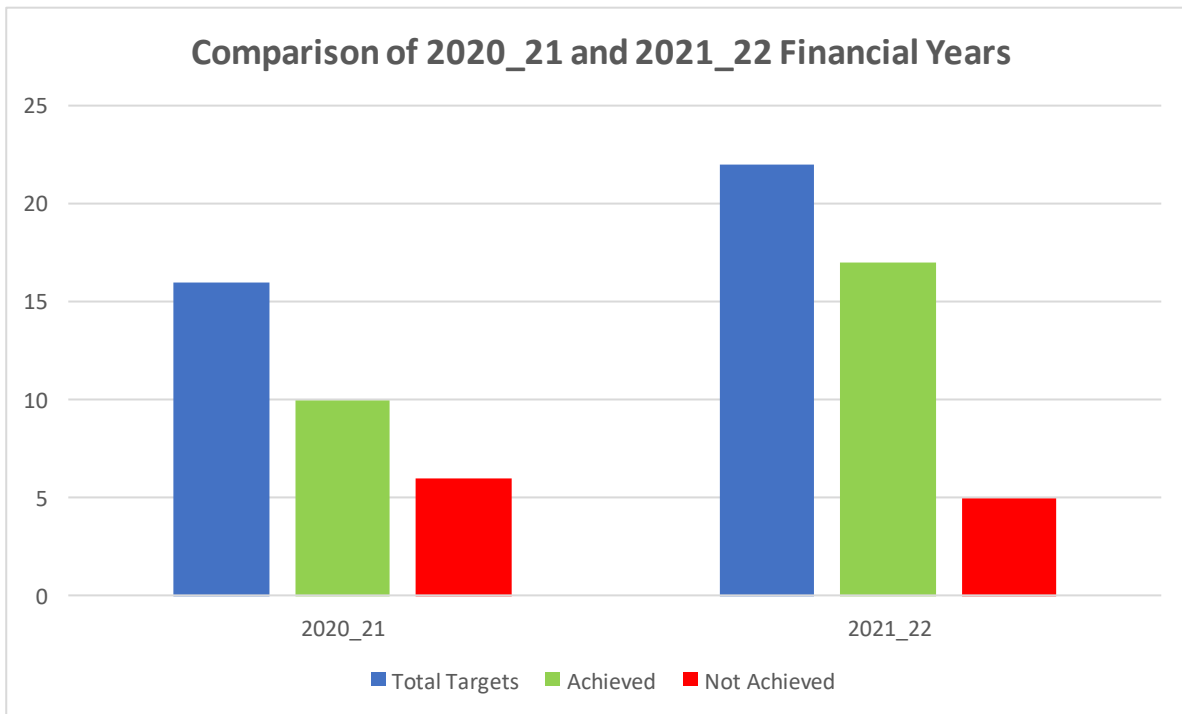
COMMUNITY SERVICES											
Key Performance Area	Municipal Objective	Municipal Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Comment on Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
	Revenue collection	Revenue collection	R350 000 collected in the 2022 financial year	R300 000 collected in the 2020 financial year		Collection of R350 000 on traffic fines by 30 June 2022					
		POE									
	To maintain safe and healthy environment		3km road marked and 10 road signs installed	Marked parking Bays	R200 000	Road marking of 3km driving manoeuvres and 10 road signs installed by 30 June 2022	Achieved	Road marking of 3km on both towns was done	N/A	N/A	Signed Appointment letter
		POE									
			1200 traffic fine tickets and 80 warrants of arrests issued	Traffic fine book and Speed machine		Issue 1200 traffic fine tickets and 80 warrants of arrests by 30 June 2022	Not achieved	N/A	N/A	N/A	N/A
		POE									
	To coordinate effective implementation of safety and security plan.	Safety and security	4 community safety meetings and awareness campaigns conducted	Community Safety Strategy and forum	R40 000	Summons's book and summons register	Achieved	Two community safety meetings were conducted	N/A	N/A	Report signed by HOD and attendance registers
		POE									
			12 monthly meetings convened and provision of security to municipal premises	Security company	R5 m	2 Community safety meeting and 2 community safety awareness campaigns conducted by 30 June 2022	Achieved	12 monthly meetings were conducted	N/A	N/A	Report and attendance registers

COMMUNITY SERVICES											
Key Performance Area	Municipal Objective	Municipal Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Comment on Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
		POE				meetings convened and provision of security to municipal premises					
Social Services and Infrastructure	To provide adequate pound and cemeteries management service	Pound Management	1000 animals impounded	2-pound sites existing in Tsolo and Qumbu and	R614 000	Impounding of 1000 animals by 30 June 2022	Achieved	1578 animals were impounded	N/A	N/A	Pound register
						POEs					
			Animal feed and medicine delivered for 1000 animals			Delivery of animal feed and medicine for 1000 animals by 30 June 2022	Achieved	Animal feed and medicine were purchased	N/A	N/A	Delivery note
						Signed Delivery notes					
Social Services and Infrastructure	To provide adequate pound and cemeteries management service	Cemetery Management	200 graves tagged	2 cemeteries in Qumbu and Tsolo. No of existing cemeteries tagged	R400 000	Tagging of 200 graves (100 in Qumbu and 100 in Tsolo) by 30 June 2022	Not Achieved	N/A	There were delays due to the national treasurer	Tagging will be done in the next financial year	N/A
						Report signed by HoD on the management of cemeteries					
Good Governance and public participation	A responsive, accountable, inclusive municipal governance and administrative capacity	Signed performance management, quarterly and annual assessments	Performance management framework	Number of reports submitted to council	R0	4 Individual Performance evaluations conducted to Deputy Directors by 30 June 2022	Not Achieved	N/A	Waiting for training to be conducted by corporate services	Corporate services must conduct the training to ensure better understanding of the processes	N/A

COMMUNITY SERVICES											
Key Performance Area	Municipal Objective	Municipal Programme	Key Performance Indicator	Baseline	Annual Budget	Annual Target	Achieved or Not Achieved	Comment on Achievement	Reasons for variance	Remedial Action	Portfolio of Evidence
POE											
Good Governance and public participation	A responsive, inclusive municipal governance and administrative capacity	Financial management and viability	Procurement policy	Number of procurements submitted	R0	90 days maximum turnaround time of tender procurement in accordance with the procurement plan by 30 June 2022	Achieved	The office has managed to procure project according to our procurement plan	N/A	N/A	Copy of performance agreements and evaluation report
Good Governance and public participation	A responsive, inclusive municipal governance and administrative capacity	Resolved audit findings	Audit Action plan	Resolved audit findings	R0	80% AG and IA audit findings resolved by 30 June 2022	Not Achieved	N/A	N/A	N/A	Copy of memo, advert and appointment letter
POE's											
Good Governance and public participation	A responsive, inclusive municipal governance and administrative capacity	Percentage of risk mitigated	Operational risk register	Number of reports submitted to council	R0	80% risks mitigated by 30 June 2022	Progress report Achieved	Progress report 80% risk mitigated	Progress report N/A	Progress report N/A	Operational Risk Register and report
POE											
POE's											
Operational risk registers and risk management report											
risk management report											
risk management report											
risk management report											

COMMUNITY SERVICES

The Department of Community Services set itself twenty-three (23) targets for the 2021_22 financial year. The department managed to achieve seventeen (17) of those, whilst five (05) were not achieved. The impounding of stray animals in the SDBIP is also on-going, and this will continue in the financial years to come, the same goes for refuse removal too. **The department's overall performance for the financial year was at 73 %** which again indicated a significant improvement when compared to 69 % achievement of 2020_21. Once again, it is very much important to indicate that at the date of finalizing this departmental report, PoE's were still outstanding.



GOOD GOVERNANCE											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Budget	Annual Target	Achieved/Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	POE
Integrated Development Planning	To guide and manage development according to the vision, strategies and policies of the Integrated Development Plan and Spatial Development Framework, and in the interest of the general public to promote sustainable development and quality of life	Development of credible Integrated Development Plan	1 credible integrated Development Plan developed	Credible Integrated Development Plan	R1.5m	Review 1 Credible Integrated Development Plan by 30 June 2022	Achieved	IDP was adopted by the council and it was submitted to office of the MEC in Bisho.	N/A	N/A	Integrated Development Plan
POE											
Monitoring and evaluation	Ensure effective monitoring and evaluation of quality service standards by 30 June 2021 and beyond.	Strengthen oversight and accountability	4 MPAC meetings convened	1 MPAC meeting conducted	N/A	4 MPAC meetings convened by 30 June 2022.	N/A	Newly established committee managed to convene three meetings during the financial year	Workplan has been developed and it will be adhered to	N/A	N/A
POE											
			6 institutional performance information reports submitted			agenda, attendance register and minutes	Not achieved	Performance Reports were prepared but not all were submitted to council timeously	Late submission of reports	To ensure that reports are prepared on time	N/A
POE											
Anti-corruption	Eradicate corruption throughout the	Strengthen fraud and anti-	awareness campaigns on fraud and anti-corruption conducted. Established 1 fraud	Anti-corruption strategy council	R600 000	Conduct 1 awareness	Not achieved	n/a	Awareness campaign was	To fast track the	Attendance

GOOD GOVERNANCE											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Budget	Annual Target	Achieved/Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	POE
	municipality.	corruption	hotline and developed Fraud risk register	approved		campaigns on fraud and anti-corruption. Establish 1 fraud hotline and develop Fraud risk register by 30 June 2022			conducted in December 2011, however the Fraud hotline was not yet established as the procurement only resumed in May 2022.	procurement of the Fraud Hotline and appointment of the Assistant Manager Risk and Compliance	Registers, Brouchers and/or presentations
POE											
Mayoral Outreach	Strengthen public participation	Enhance accountability	8 Mayoral Outreach meetings convened	Legislation and policy	R0	Convene 8 Mayoral Outreach programmes by 30 June 2022	Not Achieved				
POE											
Mayor's cup	Youth development in sport	Enhance social cohesion	1 Mayoral cup organised		R0	Attendance Registers, Signed Minutes & Photos					
POE											
Intergovernmental relations	Strengthen cooperative governance	Enhance IGR performance	4 Technical IGR meetings convened	Inter-Governmental Relations Policy	R0	Invite, Attendance Registers and Signed Minutes, Delivery note	Not Achieved				
POE											
Social Services and Infrastructure	To promote the interests of special and vulnerable groups by 30 June 2021 and beyond	Special Programmes (HIV/Aids, Disabled, Women, Military veterans, Elderly, Youth and	3 Successful SPU programmes (Children) coordinated and Christmas presents purchased for 20 new-born babies	Support to designated groups	R450 000	Coordinate 3 successful SPU programmes (Children) coordinated per implementation	Achieved		N/A	N/A	Invoice / Delivery note

GOOD GOVERNANCE											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Budget	Annual Target	Achieved/Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	POE
					R120 000	by 30 June 2022	Achieved	Mhlontlo Youth conference done and SAYC elected	N/A	N/A	Attendanc e register, reports and photos
						Mhlontlo Youth Conference and (1) June 16 celebration by 30 June 2022					
						Attendance Registers, report & Photos					
Social Services and Infrastructure	To promote the interests of special and vulnerable groups by 30 June 2021 and beyond	Special Programmes (HIV/Aids, Disabled, Women, Military veterans, Elderly, Youth and Children)	2 disability induction programmes and 1 Christmas party conducted	Support to designated groups	R55 800	2 disability induction programmes conducted in two identified wards	Not Achieved	Induction is pending from O.R.Tambo	N/A	To be done in the next financial year	N/A
						and One Christmas party for Sinelitha disability centre by 30 June 2022.	Achieved	Successfully Christmas party held	N/A		Attendanc e Register, Delivery notes
						POE					
			32-wheel chairs delivered		R960 000	Delivery of 32 wheel chairs for disabled people by 30 June 2022	Achieved	Wheel chairs were delivered to beneficiaries	N/A	N/A	Delivery notes
						Delivery notes for 24-wheel chairs					
			1 disability day conducted		R189 700	Conduct 1 disability day by 30 June 2022	Achieved	Disability day was successful and all relevant stakeholders were represented	N/A	N/A	Attendanc e register
						attendance register and report					
			2 programmes for Elderly conducted	Support to designated groups	R1 027 500	Conduct 2 successful SPU programmes (Elderly) by 30 June 2022.	Achieved	Meetings convened and well attended	N/A	N/A	Attendanc e Register
						Signed attendance					
						POE					

GOOD GOVERNANCE											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Budget	Annual Target	Achieved/Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	POE
			3 Meeting for elderly convened and inputs delivered to 8 elderly groups			register and reports Convene 3 meetings for the elderly And delivery of inputs to 8 elderly groups by 30 June 2022	Achieved	Meetings convened and well attended	N/A	N/A	Invites, Attendance registers and minutes
			POE			3 Invites, 3 Signed attendance registers and 3 minutes					
		Special Programmes (HIV/Aids, Disabled, Women, Military veterans Elderly, Youth and Children)	2 (Military Veterans) meetings and 1 military veterans day conducted	Support to designated groups	R79 000	Convene 2 (Military Veterans) meetings and 1 military veterans' day by 30 June 2022	Not achieved	N/A	There is no clear programmes for military veterans	To request clear programmes from the military veterans	N/A
			POE			Attendance Registers, invites and Minutes					
			2 Successful programmes for women completed and 2 meetings convened			Convene 1 Women's day celebration, Coordinate 16 Days of Activism on No violence against women and children abuse in two wards and Convene 2 preparatory meetings for the launch of Mhlonito women structure by 30 June 2022	Achieved	All programmes and preparatory meetings were done successfully	N/A	N/A	Attendance registers, reports and photos
			POE			R142 100					
		Special	5 Successful SPU programmes completed	Support to	R372 700	Attendance Registers, report and Photos 5 Successful	Achieved	All programmes	N/A	N/A	Attendance

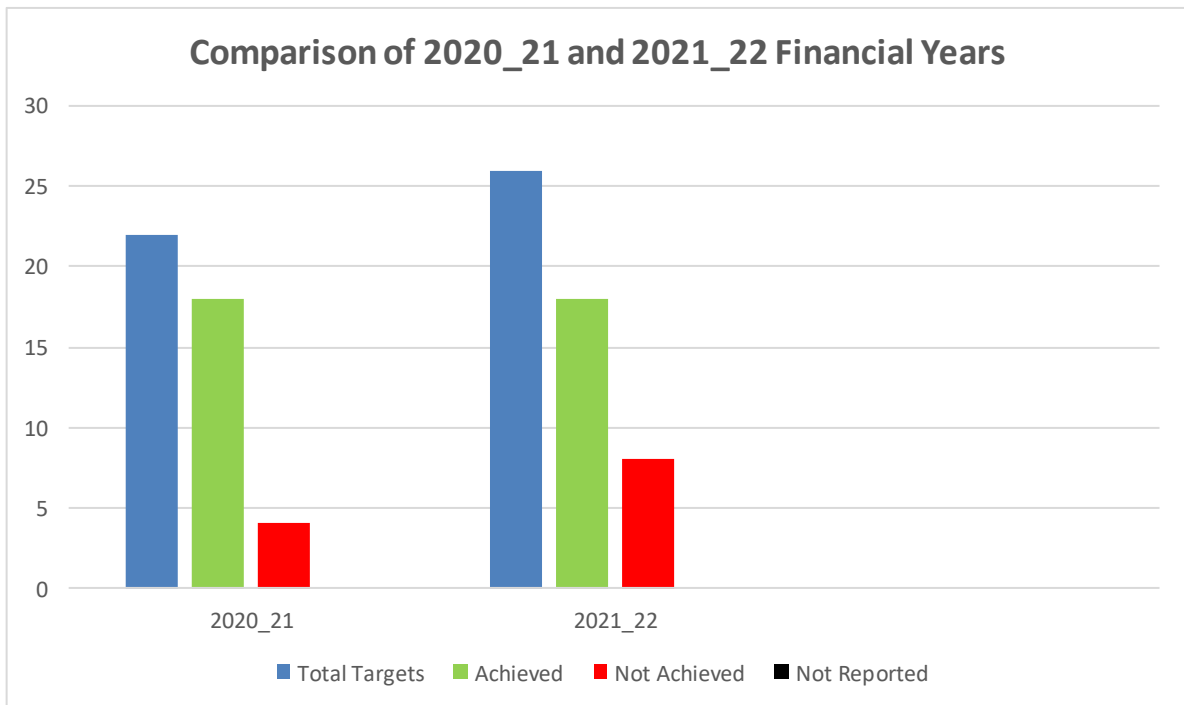
GOOD GOVERNANCE											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Budget	Annual Target	Achieved/Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	POE
		Programmes (HIV/Aids, Disabled, Women, Elderly, Youth and Children)		designated groups		SPU programmes completed (HIV/Aids) by 30 June 2022		and preparatory meetings were done successfully			Register, reports
			POE			Attendance Registers and report					
			4 LAC meetings convened			Convene 4 LAC Meetings by 30 June 2022	Achieved	All programmes and preparatory meetings were done successfully	N/A	N/A	Attendanc e Register, reports
			POE			Invite, Attendance Registers and Minutes					
Fleet Management	To ensure that assets are managed and utilized in line with relevant policies	Fleet Management	All municipal vehicles licenced	Fleet Management Unit not in existence	R0	Licencing of all municipal vehicles by 30 June 2022	achieved	all municipal vehicles have been licenced	N/A	N/A	Licence disks for all municipal fleet
			POE			Licence disks for all municipal fleet					
Fleet Management	To ensure that assets are managed and utilized in line with relevant policies	Fleet Management	12 Monthly Reports and 4 quarterly reports on Fleet Management prepared	Fleet Management Unit not in existence	R0	Prepare 12 Monthly Reports and 4 quarterly reports on Fleet Management by 30 June 2022	achieved	12 Monthly Reports and 4 quarterly reports on Fleet Management prepared	N/A	N/A	12 monthly reports on fleet management
			POE			12 monthly reports on fleet management					
Communications	Community mobilisation to ensure inclusive participation in all government activities.	Communications strategy and Public Relations	4 media releases issued 2 media releases issued	Communication strategy in place		Issue 4 Media release by 30 June 2022	Achieved	There were events that needed to be published	N/A	N/A	Media Statement
			POE			Media Statement					
Communications	Community mobilisation to ensure inclusive participation in all government	Communications strategy and Public Relations	4 live broadcasts covered 3 live broadcasts covered	Communication strategy in place		4 live broadcast covering live streaming of municipal events and stakeholders	Achieved	All the Ordinary Councils were broadcasted by UCR AND ALFERD	N/A	N/A	Confirmati on Letter from Radio Station

GOOD GOVERNANCE											
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Budget	Annual Target	Achieved/Not Achieved	Reasons for Achievement	Reasons for variance	Remedial Action	POE
	activities.					events by 30 June 2022		COMMUNITY Radio			used.
						10 live reads covering live streaming of municipal events and stakeholders events by 30 June 2022	Not Achieved	N/A	Shortage of Staff in the Office	The Communication Unit must strengthen	N/A
						Event support and branding for 4 programmes (Mayoral outreach and public participation) by June 2022	Achieved	All the Municipal activities were branded including Mayoral Outreach and Public Participation	N/A		Photos and Invitations
						Report and proof of live broadcast					
						Confirmation letter from the radio station and invoice					
						Attendance register, photos					
POE											

GOOD GOVERNANCE

The above summary illustrates the significant decline that was displayed by the Section of Good Governance on its quest to attain the predetermined objectives set by the department for the 2021_22 financial year as encapsulated in the Service Delivery and Budget Implementation Plan (SDBIP).

For the financial year under review, this section set itself twenty-six (26) indicators on its scorecard. Of these indicators the department has managed to deliver positive results on eighteen (18) target, whilst eight (08) targets were not achieved. **The department's overall performance showed a significant improvement as it was at 69 % achievement when compared with 13 % achievement of the previous financial year.**



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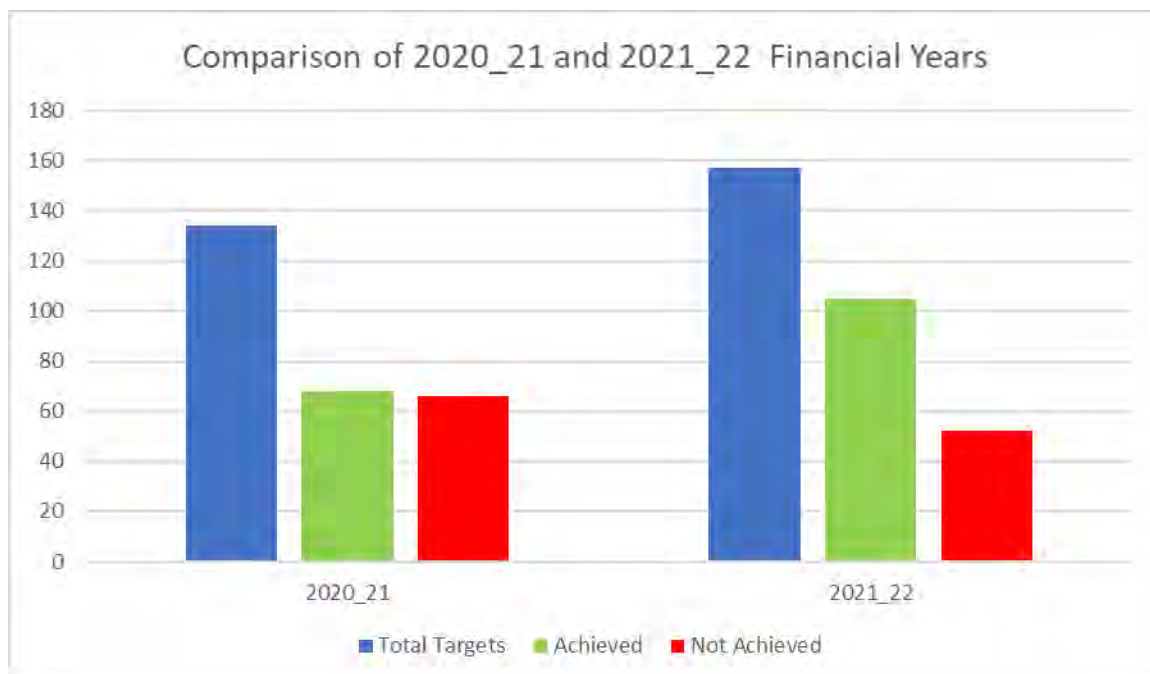
SECTION 3

Annual performance of all departments in the 2021_22 financial year can be summarised as follows;



The institutions overall performance was at 66 %, this is a slight improvement when compared to 51 %, achievement of the previous year.

Out of One Hundred and Fifty-seve (157) targets set, the institution managed to achieve Hundred and five (105) and failed to meet fifty-two (52). This points a positive move when compared to 51 % obtained in 2020_21 financial year but there is still a room for improvement and can be summarized as follows;



This document represents the Mhlontlo Local Municipality’s detailed report back to citizens and stakeholders on the municipality’s performance for the 2021_22 financial year. Moreover, it provides a lens through which scrutiny of the progress and performance of the municipality can be made in terms of assessing achievements in efforts to realize the objectives as set by Council. As such, this report not only reflects on milestones and challenges experienced, but also on ongoing commitment to progressively deepen accountability to citizens of the whole Mhlontlo Municipal Area.



KPAS

FOR ANNUAL REPORT

CHAPTER: ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT –KPA 1

Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts:	9	8	88%	
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	4	66%	
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	5	5	100%	
4	Percentage of Managers in Technical Services with a professional qualification	2	2	100%	
5	Level of PMS effectiveness in the DM – (DM to report)	THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM Only section 56 Managers are assessed			
6	Level of effectiveness of PMS in the LM – (LM to report)				
7.	Adoption and implementation of HRD plan including WSP	The HRD plan and WSP have been adopted by council and implemented			
8.	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	40	32	83,6%	
9	Percentage of councillors who attended a skill development training within the current 5 year term	61	61	100%	
10	Percentage of staff complement with disability	2	2	0,12%	
11	Percentage of female employees	17	17	20,4%	
12	Percentage of employees that are aged 35 or younger	11	11	5,5%	

CHAPTER: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

Annual performance as per key performance indicators in water services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water					
2	Percentage of indigent households with access to free basic potable water					
3	Percentage of clinics with access to potable water					
4	Percentage of schools with access to potable water					
5	Percentage of households in formal settlements using buckets					

The water services function is with the District Municipality (OR Tambo DM)

Annual performance as per key performance indicators in Electricity services

	Indicator name	Total number of household/customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	43 900	1 200	594	0	0%
2	Percentage of indigent households with access to basic electricity services	11 843	9 450	2 050	2 050	100%
3	Percentage of indigent households with access to free alternative energy sources	3 383	1 983	50	31	62%

Annual performance as per key performance indicators in sanitation services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to sanitation services					
2	Percentage of indigent households with access to free basic sanitation services					
3	Percentage of clinics with access to sanitation services					
4	Percentage of schools with access to sanitation services					

The sanitation services function is with the District Municipality (OR Tambo DM)

Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	43 900	26 633	5190	2190	42%
2	Percentage of road infrastructure requiring upgrade	17 913	3 850	2583	1700	61%
3	Percentage of planned new road infrastructure actually constructed	6 833	17 020	4 280	2 660	62%
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	43 900	26 633	5 750	1 900	33 %

Annual performance as per key performance indicators in waste management services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	1611		1611	1611	100%
2	Existence of waste management plan	Yes it is in place				

Annual performance as per key performance indicators in housing and town planning services

	Indicator name	Total number of household/customers expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
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	Indicator name	Total number of household/customers expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements	5%	1100 units that have not been started even from previous years.	222 units (Housing delivery vests with the Department of Human Settlements)	211 Units	95%
2	Percentage of informal settlements that have been provided with basic services	1500 units (500 Qumbu, 500 Tsolo, 500 Langeni Forest) have access to water (tanks)	557 Units	557 Units	0 Units	0%
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	Qumbu: 956 Tsolo: 1059	N/A	N/A	N/A	N/A
4	Existence of an effective indigent policy	There is a reviewed and adopted Indigent Subsidy Policy in place				
5	Existence of an approved SDF	The Mhlontlo Local Municipality adopted its Municipal Spatial Development Framework (SDF) 2018/2019. The Municipality will review the current SDF to be in line with SPLUMA act 16 of 2013				
6	Existence of Land Use Management System (LUMS)	The municipality is in the process of developing the Mhlontlo Land Use Management Scheme (the service provider was appointed and is now at Draft Phase)				

CHAPTER: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK-(KPA 3)

Annual performance as per key performance indicators in LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Existence of LED unit	07	06	99
2	Percentage of LED Budget spent on LED related activities.	100		60
3	Existence of LED strategy	THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM The LED Strategy is in existence and there are programme/projects that are implemented.		
4	Number of LED stakeholder forum meetings held	03	04	99
5	Plans to stimulate second economy			
6	Percentage of SMME that have benefited from a SMME support program	40	40	100
7	Number of job opportunities created through EPWP	180	180	100
8	Number of job opportunities created through PPP	0	0	0

CHAPTER: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R (000)	Achievement level during the year R (000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	R91 500	R61 853	67,6%
		Target set for the year (35%) R (000)	Achievement level during the year R (000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	R103 115	R105 668	42,24%
		Target set for the year (20% or less) R (000)	Achievement level during the year R (000)	Achievement percentage during the year vs the actual revenue
3	Trade creditors as a percentage of total actual revenue	R66 430	R11 726	3,53%
		Target set for the year (80% and more) R (000)	Achievement level during the year R (000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	R260 134	R41 055	12,36%
		Target set for the year R (000)	Achievement level during the year R (000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	R 20 940 256	R 20 536 669	98%
6	Percentage of MIG budget appropriately spent	100%	100%	100%
7	Percentage of MSIG budget appropriately spent	N/A	N/A	N/A
8	AG Audit opinion	Unqualified audit opinion	Unqualified audit opinion	100%
9	Functionality of the Audit Committee	Functional	Functional	100%
10	Submission of AFS after the end of financial year	31 August 2021	31 August 2021	100%

CHAPTER: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	% of ward committees established	260	260	100%
2	% of ward committees that are functional	250	250	90%
3	Existence of an effective system to monitor CDWs	The municipality had 23 CDWS and only three wards were without CDWs.		
4	Existence of an IGR strategy	IGR Policy is in place		
5	Effectiveness of IGR structural meetings	Meetings sit quarterly, and they comply with terms of reference		
6	Existence of an effective communication strategy	Draft communication strategy in place		
7	Number of mayoral imbizos conducted			
8	Existence of a fraud prevention mechanism	THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM		

The cover features a vibrant orange background with large, abstract, rounded shapes in a lighter shade of orange. A prominent green graphic element, resembling a stylized 'C' or a partial circle, is positioned on the left side. A white horizontal band is located in the center-right, containing the title text.

**ANNUAL FINANCIAL
STATEMENTS 2022**



**Mhlontlo Local Municipality
Annual Financial Statements
for the year ended 30 June 2021**

**AUDITOR GENERAL
SOUTH AFRICA**

28 JAN 2022

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Mhlontlo Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations
Mayor	Cllr N. Dywili
Speaker	Cllr M.G. Jara
Chief Whip	Cllr. N. M. Mvanyashe
Executive Councillors	Cllr. N.P.B. Ludidi Cllr. G. Mazitshana Cllr. M. Lingela Cllr. N. Zikolo Cllr. L.D. Yalezo Cllr. V. Mnyanda Cllr. S.S. Mbangata Cllr. E. Pula COUNCILLORS: Cllr. RN Matomane Cllr. G. O. Lamani Cllr M.J Jikijela Cllr. N.T. Ngquke Cllr. N. Nodlela Cllr. N.R. Ngewu Cllr. S.N.T. Matanzima Cllr. A.L. Tono Cllr. D. Guqa Cllr. S. Bontsa Cllr. G. Matyeni Cllr. M Funo Cllr. K. Mpula Cllr. Z. Nondaka Cllr S. Qangani Cllr. M. Ncaphayi Cllr. M.D. Manzi Cllr. T. Mgaweni Cllr. S.S. Sopangisa Cllr. Z. Botya Cllr. Z. Ntshiba Cllr. N. Gcaba Cllr. B. Honono Cllr. P. Mdinwa (Passed on 6 July 2020) Cllr. L.P. Dlova Cllr. S. Ntुकuntezi Cllr. P.N. Mangaliso Cllr. Z. Makinana Cllr. Z. Renene Cllr. B.B. Mthitshane Cllr. M. Soyekwa Cllr. S.R. Mgqalelo (replaced Cllr. P. Mdinwa who passed away) Cllr. M.N. Mpheleli Cllr. M.S. Ngewu Cllr. M. Mfamela Cllr. M.S. Mathe Cllr. P.N. Mdemka Cllr. Q. Mandleni Cllr. S. Maham Cllr. N.V. Ncapayi Cllr. E.N. Sikwatsha

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Traditional leaders	Nkosi Mongezi Majeke Nkosi Nkosikhona Matshanda Nkosi Momelezi Matyobeni Nkosi Sizwe Siyoyo Nkosi Ndumiso Lutuka Nkosi Victor Loyiso Majeke Nkosi Siviwe Mcelu Nkosazana Linda Ngudle Nkosazana Khanyisa Ngoni Nomalixole Singatha
Grading of local authority	3
Chief Finance Officer (CFO)	N. Boti
Acting Accounting Officer	L.S Bhatyi
Registered office	96 LG Mabindla Avenue Qumbu 5180
Business address	96 LG Mabindla Avenue Qumbu 5180
Bankers	First National Bank - QUMBU
Auditors	Auditor General South Africa
Relevant legislation	Municipal Finance Management Act (Act no,56 of 2003) Division of Revenue Act Municipal Systems Act (Act no 32 of 2000) Income Tax Act Value Added Tax Act Municipal Structures Act (Act no, 117 of 1998) Municipal Planning and Performance Management Regulation Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Skills Development Act (Act no. 9 of 1999) Employment Equity Act (Act no, 55 of 1998) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations, 2017 Collective Agreements SALGBC Leave Regulations
Postal Address	PO Box 31 Qumbu
Contact Details	(047) 553 7000

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Index

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

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Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SARS	South African Revenue Services
VAT	Value Added Tax
PAYE	Pay As You Earn

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

I am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and I was responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility as 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) and the MFMA 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 Council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The annual financial statements set out on pages 5 to 74, which have been prepared on the going concern basis, were signed by the Accounting Officer on 28 January 2021.

L.S Bhatyi
Acting Municipal Manager

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality is engaged in Mhlontlo area in South Africa and is a category B municipality (local municipality) as defined by the Municipal Structures Act (Act 117 of 1998). The municipality's operations are governed by Municipal Finance Management Act (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems Act (Act 32 of 2000), and various other Acts and Regulations and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached set of annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 678 691 335 and that the municipality's total assets exceed its liabilities by R 678 691 335.

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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance that require adjustment or disclosure in the annual financial statements arising since the end of the financial year.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Restated	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	2	155 907	123 747
Receivables from non-exchange transactions	3	17 596 253	15 682 681
VAT receivable	4	7 924 108	17 245 663
Cash and cash equivalents	5	169 332 520	99 742 731
		195 008 788	132 794 822
Non-Current Assets			
Investment property	6	5 982 621	6 041 621
Property, plant and equipment	7	513 975 593	507 019 784
Intangible assets	8	322 155	26 650
Heritage assets	9	210 810	210 810
		520 491 179	513 298 865
Total Assets		715 499 967	646 093 687
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	11 725 745	22 532 558
Employee benefit obligation	11	14 305 924	13 940 678
Unspent conditional grants and receipts	12	15 000	668 931
		26 046 669	37 142 167
Non-Current Liabilities			
Employee benefit obligation	11	6 548 428	6 146 196
Provisions	13	4 213 535	2 723 051
		10 761 963	8 869 247
Total Liabilities		36 808 632	46 011 414
Net Assets		678 691 335	600 082 273
Accumulated surplus		678 691 335	600 082 273

* See Note 32

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Restated	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	14	1 810 647	1 742 952
Rental of facilities and equipment		22 302	49 029
Agency services		1 237 802	870 571
Licences and permits		1 502 869	1 269 196
Other income	15	127 768	106 774
Interest earned - outstanding debtors and investments	16	3 573 442	6 231 861
Actuarial gains		-	931 522
Movement in (interest)/change in estimate on Landfill Site		-	832 009
Total revenue from exchange transactions		8 274 830	12 033 914
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	31 091 969	16 375 370
Interest earned - Outstanding debtors	17	-	936 509
Transfer revenue			
Government grants & subsidies	18	291 095 701	253 046 693
Public contributions and donations		-	10 000
Fines		1 377 636	1 555 166
Commission received		310 988	265 633
Total revenue from non-exchange transactions		323 876 294	272 189 371
Total revenue	42	332 151 124	284 223 285
Expenditure			
Employee related costs	19	(85 640 588)	(88 948 880)
Remuneration of councillors	20	(20 027 063)	(19 768 746)
Depreciation and amortisation	21	(49 871 190)	(52 194 277)
Impairments loss		(2 277 687)	(4 288 253)
Finance costs	22	(527 451)	(529 588)
Lease rentals on operating lease		(980 089)	(1 123 927)
Debt Impairment	23	(8 838 950)	(19 382 460)
Contracted services	24	(8 954 508)	(7 062 768)
Loss on disposal of assets		(1 776 866)	(1 688 494)
Actuarial losses		(120 304)	-
Movement in (interest)/change in estimate on Landfill Site		(1 490 484)	-
General Expenses	25	(73 036 883)	(55 914 225)
Total expenditure		(253 542 063)	(250 901 618)
Surplus for the year		78 609 061	33 321 667

* See Note 32

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Restated	Accumulated surplus	Total net assets
Opening balance as previously reported	548 568 131	548 568 131
Adjustments		
Correction of errors	18 192 475	18 192 475
Balance at 01 July 2019 as restated*	566 760 606	566 760 606
Changes in net assets		
Surplus for the year	33 321 667	33 321 667
Total changes	33 321 667	33 321 667
Restated* Balance at 01 July 2020	600 082 274	600 082 274
Changes in net assets		
Surplus for the year	78 609 061	78 609 061
Total changes	78 609 061	78 609 061
Balance at 30 June 2021	678 691 335	678 691 335
Note(s)		

* See Note 32

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Restated	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates taxes		23 010 092	4 416 432
Service charges		685 773	288 928
Grants		290 441 770	254 970 357
Interest income		3 573 442	7 168 370
Other receipts		4 579 361	4 116 365
Donations received		-	10 000
		<u>322 290 438</u>	<u>270 970 452</u>
Payments			
Employee costs		(104 900 173)	(113 738 922)
Suppliers		(86 154 966)	(74 528 903)
Finance costs		(527 451)	(529 588)
		<u>(191 582 590)</u>	<u>(188 797 413)</u>
Net cash flows from operating activities	27	<u>130 707 848</u>	<u>82 173 039</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(61 065 857)	(78 736 991)
Proceeds from sale of property, plant and equipment	7	286 058	31 281
Purchase of other intangible assets	8	(338 260)	-
Net cash flows from investing activities		<u>(61 118 059)</u>	<u>(78 705 710)</u>
Net increase/(decrease) in cash and cash equivalents		<u>69 589 789</u>	<u>3 467 329</u>
Cash and cash equivalents at the beginning of the year		99 742 731	96 275 402
Cash and cash equivalents at the end of the year	5	<u>169 332 520</u>	<u>99 742 731</u>

* See Note 32

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1 747 679	62 540	1 810 219	1 810 647	428	41.1
Rental of facilities and equipment	68 128	(48 756)	19 372	22 302	2 930	41.2
Agency services	1 354 534	210 907	1 565 441	1 237 802	(327 639)	41.3
Licences and permits	1 658 732	(173 391)	1 485 341	1 502 869	17 528	41.4
Other income	150 080	(84 697)	65 383	127 768	62 385	41.5
Interest received - investment and debtors	8 175 948	(4 914 540)	3 261 408	3 573 442	312 034	41.6

Total revenue from exchange transactions	13 155 101	(4 947 937)	8 207 164	8 274 830	67 666	
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Revenue from non-exchange transactions

Taxation revenue

Property rates	17 268 416	6 669 657	23 938 073	31 091 969	7 153 896	41.7
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Transfer revenue

Government grants & subsidies	256 531 000	35 330 000	291 861 000	291 095 701	(765 299)	41.8
Fines, Penalties and Forfeits	261 437	899 436	1 160 873	1 377 636	216 763	41.10
Other transfer revenue	-	-	-	310 988	310 988	41.11

Total revenue from non-exchange transactions	274 060 853	42 899 093	316 959 946	323 876 294	6 916 348	
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Total revenue	287 215 954	37 951 156	325 167 110	332 151 124	6 984 014	
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Expenditure

Personnel	(104 835 000)	(238 000)	(105 073 000)	(85 640 588)	19 432 412	41.12
Remuneration of councillors	(19 634 000)	-	(19 634 000)	(20 027 063)	(393 063)	41.13
Depreciation and amortisation	(92 095 000)	39 908 000	(52 187 000)	(49 871 190)	2 315 810	41.14
Impairment loss/ Reversal of impairments	-	-	-	(2 277 687)	(2 277 687)	41.15
Finance costs	-	-	-	(527 451)	(527 451)	41.16
Lease rentals on operating lease	-	-	-	(980 089)	(980 089)	41.17
Debt Impairment	(6 812 000)	-	(6 812 000)	(8 838 950)	(2 026 950)	41.18
Contracted Services	(30 191 000)	(7 297 000)	(37 488 000)	(8 954 508)	28 533 492	41.19
General Expenses	(65 811 000)	(7 609 000)	(73 420 000)	(73 036 883)	383 117	41.20

Total expenditure	(319 378 000)	24 764 000	(294 614 000)	(250 154 409)	44 459 591	
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Operating surplus	(32 162 046)	62 715 156	30 553 110	81 996 716	51 443 605	
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Loss on disposal of assets	-	-	-	(1 776 866)	(1 776 866)	41.21
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Actuarial gains/losses	-	-	-	(120 304)	(120 304)	41.22
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Movement in (interest)/change in estimate on Landfill Site	-	-	-	(1 490 484)	(1 490 484)	41.23
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	-	-	-	(3 387 654)	(3 387 654)	
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Surplus before taxation	(32 162 046)	62 715 156	30 553 110	78 609 061	48 055 951	
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(32 162 046)	62 715 156	30 553 110	78 609 061	48 055 951	

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Receivables from exchange transactions	4 231 000	15 463 000	19 694 000	155 907	(19 538 093)	41.25
Receivables from non-exchange transactions	10 637 000	10 303 000	20 940 000	17 596 253	(3 343 747)	41.26
VAT receivable	-	-	-	7 924 108	7 924 108	41.27
Cash and cash equivalents	30 937 000	51 774 000	82 711 000	169 332 520	86 621 520	41.28
	45 805 000	77 540 000	123 345 000	195 008 788	71 663 788	

Non-Current Assets

Investment property	31 772 000	(14 613 400)	17 158 600	5 982 621	(11 175 979)	41.29
Property, plant and equipment	489 019 000	59 962 000	548 981 000	513 975 593	(35 005 407)	41.30
Intangible assets	1 567 860	(3 395 000)	(1 827 140)	322 155	2 149 295	41.31
Heritage assets	210 810	-	210 810	210 810	-	41.32
	522 569 670	41 953 600	564 523 270	520 491 179	(44 032 091)	

Total Assets

	568 374 670	119 493 600	687 868 270	715 499 967	27 631 697	
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Liabilities

Current Liabilities

Payables from exchange transactions	16 969 000	9 454 000	26 423 000	11 725 741	(14 697 259)	41.33
Employee benefit obligation	-	-	-	14 305 924	14 305 924	41.34
Unspent conditional grants and receipts	-	-	-	15 000	15 000	41.35
Provisions	43 296 000	14 958 000	58 254 000	-	(58 254 000)	41.36
	60 265 000	24 412 000	84 677 000	26 046 665	(58 630 335)	

Non-Current Liabilities

Borrowings	758 000	(758 000)	-	-	-	41.37
Employee benefit obligation	-	-	-	6 548 428	6 548 428	41.38
Provisions	3 555 000	(3 555 000)	-	4 213 535	4 213 535	41.39
	4 313 000	(4 313 000)	-	10 761 963	10 761 963	

Total Liabilities

	64 578 000	20 099 000	84 677 000	36 808 628	(47 868 372)	
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Net Assets

	503 796 670	99 394 600	603 191 270	678 691 339	75 500 069	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	503 796 670	99 394 600	603 191 270	678 691 339	75 500 069	All above
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates taxes	8 547 000	4 179 000	12 726 000	22 387 096	9 661 096	41.40
Service charges	830 000	111 000	941 000	685 773	(255 227)	41.41
Grants - Capital and Operating	256 531 000	32 636 000	289 167 000	290 441 770	1 274 770	41.42
Interest income	8 176 000	(8 176 000)	-	3 573 442	3 573 442	41.43
Other revenue/receipts	3 493 000	1 091 000	4 584 000	5 202 362	618 362	41.44
	277 577 000	29 841 000	307 418 000	322 290 443	14 872 443	

Payments

Employee costs	(219 034 000)	(17 894 000)	(236 928 000)	(107 028 838)	129 899 162	41.46
Suppliers	-	-	-	(84 026 312)	(84 026 312)	41.47
Finance costs	-	-	-	(527 451)	(527 451)	41.48
Transfers and grants	(210 000)	210 000	-	-	-	41.49
	(219 244 000)	(17 684 000)	(236 928 000)	(191 582 601)	45 345 399	

Net cash flows from operating activities

	58 333 000	12 157 000	70 490 000	130 707 842	60 217 842	
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Cash flows from investing activities

Purchase of property, plant and equipment	(92 290 000)	(3 668 000)	(95 958 000)	(61 065 851)	34 892 149	41.50
Proceeds from sale of property, plant and equipment	-	-	-	286 058	286 058	41.51
Purchase of other intangible assets	-	-	-	(338 260)	(338 260)	
	(92 290 000)	(3 668 000)	(95 958 000)	(61 118 053)	34 839 947	

Net cash flows from investing activities

	(92 290 000)	(3 668 000)	(95 958 000)	(61 118 053)	34 839 947	
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Net increase/(decrease) in cash and cash equivalents (33 957 000) 8 489 000 **(25 468 000)** 69 589 789 **95 057 789** All above

Cash and cash equivalents at the beginning of the year 66 119 000 33 614 000 **99 733 000** 99 742 731 **9 731** 41.52

Cash and cash equivalents at the end of the year 32 162 000 42 103 000 74 265 000 169 332 520 95 067 520

Reconciliation

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 32 Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Impairment testing

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were assessed individually where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The impairment is calculated by calculating historic payments ratios for the individual assets and by assuming that the future payment ratios would be similar to the historic payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions the municipality considers any change in the credit quality of the debtor from the date that credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of debtors impairment.

1.4 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Infrastructure:		
Roads, paving, kerbs, slabs, gabions, signs, guard rails	Straight line	10-50 years
Stormwater, culverts, grid inlets	Straight line	10-50 years
Electrical, LV Networks, High Mast Lights, Street Lights	Straight line	30-40 years
Bridges	Straight line	50-80 years
Community:		
Recreational facilities etc	Straight line	10-50 years
Cemeteries, perimeter protection, security	Straight line	20-25 years
Halls, steel cover, protections	Straight line	10-50 years
Libraries, footpaths, diesel tanks etc	Straight line	10-50 years
Centres, slabs, containers, plastics	Straight line	15-50 years
Other property, plant and equipment:		
Vehicles, trucks, buses, tractors, trailers	Straight line	4-15 years
Machinery and equipment	Straight line	5-7 years
Furniture and office equipment	Straight line	4-8 years
Computer equipment, printers, machines	Straight line	4-8 years
Landfill sites	Straight line	10-50 years
Land	Straight line	Not depreciated
Buildings:		
Municipal offices, training centres, motor gates	Straight line	10-50 years

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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

The 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.

1.6 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software and other	Straight line	3-6 years

1.7 Heritage assets

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

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.

Transfers

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

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

1.8 Financial instruments

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

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

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

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

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

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1.8 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

1.9 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) 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

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1.9 Statutory receivables (continued)

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

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

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

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1.10 Leases

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

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.11 Impairment of cash-generating assets

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

Identification

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

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

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

Value in use

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

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

Discount rate

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (Individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.12 Impairment of non-cash-generating assets

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

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

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Accounting Policies

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Employee benefits

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

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

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

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1.13 Employee benefits (continued)

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

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1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both: necessarily entailed by the restructuring; and not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A contingent liability is:

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

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

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

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

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

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

At the end of each financial period the Municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note to the financial statements.

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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1.16 Revenue from exchange transactions

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

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.

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.

Interest

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

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

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

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

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

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Comparative figures

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred in bullet points 2, 3 and 4 of the definition of "allocation" otherwise than in accordance with any conditions of allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

All expenditure relating to unauthorised expenditure must be disclosed in the note to the annual financial statements.

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure must be disclosed in the note to the annual financial statements.

1.21 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

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

Irregular expenditure is recognised when a payment is made.

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

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

1.22 Budget information

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

1.23 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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.23 Related parties (continued)

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

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

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
2. Receivables from exchange transactions		
Refuse Removal	11 471 948	10 347 074
Allowance for Impairment	(11 316 041)	(10 223 327)
	155 907	123 747
Refuse		
Current (0-30 days)	6 130	143 840
31 - 60 days	145 834	141 513
61 - 90 days	139 684	138 728
91 - 365 days	11 180 300	9 922 993
Impairment	(11 316 041)	(10 223 327)
	155 907	123 747
Summary of debtors by customer classification: Consumers		
Current (0-30 days)	2 761	89 133
31 - 60 days	92 505	89 014
61 - 90 days	90 972	88 622
91 - 120 days	90 419	87 657
121 - 365 days	8 222 423	7 339 959
	8 499 080	7 694 385
	-	-
Industrial/Commercial		
Current (0-30 days)	1 563	39 729
31 - 60 days	39 425	37 850
61 - 90 days	35 318	35 769
91 - 120 days	34 797	34 389
121 - 365 days	2 077 684	1 811 423
	2 188 787	1 959 160
National and provincial government		
Current (0-30 days)	1 806	14 978
31 - 60 days	13 904	14 649
61 - 90 days	13 394	14 337
91 - 120 days	13 394	13 635
121 - 365 days	741 583	635 930
	784 081	693 529
Total		
Current (0-30 days)	6 130	143 840
31 - 60 days	145 834	141 513
61 - 90 days	139 684	138 728
91 - 120 days	138 610	135 682
121 - 365 days	11 041 690	9 787 311
Less: Allowance for impairment	(11 316 041)	(10 223 327)
	155 907	123 747

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
2. Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Opening balance	10 223 327	8 267 472
Provision for impairment	1 092 714	1 955 855
	11 316 041	10 223 327
No debtors have been pledged as a collateral.		
3. Receivables from non-exchange transactions		
Consumer debtors - Rates	48 568 736	40 976 327
Sundry debtors	17 785 001	15 637 216
Fines, penalties and forfeits		622 996
Allowance for impairment - Rates	(47 108 874)	(40 345 705)
Allowance for impairment - Sundry debtors	(1 648 610)	(1 208 153)
	17 596 253	15 682 681
Rates		
Current (0 - 30 days)	862 877	550 044
31 - 60 days	859 096	978 649
61 -90 days	6 375 585	453 860
91 -120 days	668 404	444 567
121 - 365 days	39 802 794	38 549 197
Impairment	(47 108 874)	(40 345 705)
	1 459 862	630 612
Summary of debtors by customer classification: Consumers		
Current (0 - 30 days)	327 618	387 103
31 - 60 days	289 605	521 348
61 -90 days	283 782	296 852
91 -120 days	277 944	294 174
121 - 365 days	15 209 152	13 221 944
	16 388 101	14 721 421
Industrial/Commercial		
Current (0 - 30 days)	97 356	149 101
31 - 60 days	566 677	152 314
61 -90 days	135 015	143 826
91 -120 days	134 789	137 220
121 - 365 days	15 931 837	14 702 854
	16 865 674	15 285 315
National and provincial government		
Current (0 - 30 days)	437 903	13 840
31 - 60 days	2 814	304 987
61 -90 days	5 956 768	13 182
91 -120 days	255 671	13 182
121 - 365 days	8 661 805	10 624 399
	15 314 961	10 969 590

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
3. Receivables from non-exchange transactions (continued)		
Total		
Current (0 - 30 days)	862 877	550 044
31 - 60 days	859 096	978 649
61 -90 days	6 375 565	453 860
91 -120 days	668 404	444 576
121 - 365 days	39 802 794	38 549 197
Less: Allowance for impairment	(47 108 874)	(40 345 705)
	1 459 862	630 621
Sundry debtors		
Traffic Fines	2 068 001	1 515 496
Payroll debtors	105 242	105 241
Debtors suspense	362 715	345 366
Employee overpayment	15 249 043	13 671 112
Less: impairment	(1 648 610)	(1 208 152)
	16 136 391	14 429 063
Reconciliation of allowance for impairment - Rates		
Opening balance	40 345 705	22 856 425
Provision for impairment	6 763 169	17 489 280
	47 108 874	40 345 705
No debtors have been pledged as a collateral.		
4. VAT receivable		
VAT	7 924 108	17 245 663
An amount of R24 295 598.57 has been received in the current year and therefore recoverability of the amount receivable from SARS is not remote.		
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 587	2 936
Bank balances	8 904 353	14 656 876
Short-term deposits	160 309 399	85 073 036
Other cash and cash equivalents	116 181	9 883
	169 332 520	99 742 731
Cash and cash equivalents pledged as collateral		
Bank guarantee pledged/ceded	135 000	135 000

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated 2021 2020

5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB -Business Call Account Revolving Fund - 61399068117	133 042 864	68 509 561	53 570 347	133 042 864	68 509 561	53 570 347
FNB - Business NSTD Call: Equitable Share-62027945809	23 582 420	6 148	23 418 070	23 582 420	6 148	23 418 070
FNB-Public Sector Cheque-Gqunu Lots -62020395390	563 319	564 759	566 199	563 319	564 759	566 199
FNB Public Cheque Account - MIG-62170844221	144 880	12 520 308	10 491 196	144 880	12 520 308	10 491 196
FNB Commercial Money Market Investment :FMG-62280641244	9 982	58 474	1 472 826	9 982	58 474	1 472 826
FNB-Commercial Call Account: LED-62075571713	1 197 773	1 197 977	396 183	1 197 773	1 197 977	396 183
FNB-7 Day Interest Plus:7 Day Notice-74366814934	10 000	10 000	10 000	10 000	10 000	10 000
FNB-Commercial Call Account: Municipal IDP-62075570137	1 014 359	1 461 563	1 235 684	1 014 359	1 461 563	1 235 684
FNB-Commercial Money Market Investment: Housing Project-62280645345	734 855	735 077	735 299	734 855	735 077	735 299
Market Investment-MSIG 62280642416	8 948	9 170	9 392	8 948	9 170	9 392
Maturity Notice -Electrification Program:74638477254	-	-	3 019 001	-	-	3 019 001
Public Sector Cheque Account-FNB 62023382526	8 801 497	14 540 556	1 244 435	8 904 353	14 656 876	1 350 758
Public Sector Cheque Account (COVI -19)-FNB 62850801062	8 654	9 883	-	8 654	9 883	-
Public Sector Cheque Account (DOT)-FNB 62869688617	107 527	-	-	107 527	-	-
Total	169 227 078	99 623 476	96 168 632	169 329 934	99 739 796	96 274 955

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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6. Investment property

	2021		2020	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	5 982 621	-	5 982 621	6 041 621

Reconciliation of investment property - 2021

	Opening balance	Disposals	Total
Investment property	6 041 621	(59 000)	5 982 621

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	6 041 621	6 041 621

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. No properties have been pledged as securities.

Details of valuation

Valuations was performed by an independent valuer not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

There is no fair value adjustment in the value of properties in the current year 2020/21 due to the impact of COVID-19. The independent valuer is DB Grobler.

Mhlontlo Local Municipality
Annual Financial Statements for the year ended 30 June 2021
Notes to the Annual Financial Statements

Restated

7. Property, plant and equipment

	2021		2020	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	14 065 591	-	14 065 591	-
Buildings	27 483 877	(14 472 393)	27 512 877	(13 704 315)
Leasehold improvements	3 294 733	-	3 294 733	-
Infrastructure	1 314 993 698	(1 033 939 689)	281 054 009	(987 710 230)
Community	57 576 367	(26 026 418)	31 549 949	(24 651 634)
Other property, plant and equipment	36 067 484	(12 760 219)	23 307 265	(10 952 468)
Work in progress	142 485 251	-	114 520 177	-
Landfill Site	8 683 712	(3 476 401)	8 077 625	(3 254 297)
Total	1 604 650 713	(1 090 675 120)	1 547 292 728	(1 040 272 944)
			513 975 593	507 019 784



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	13 808 562	-	(27 958)	-	(769 120)	-	13 011 484
Strategic asset	3 294 733	-	-	-	-	-	3 294 733
Infrastructure	302 193 442	-	(1 226 083)	27 374 797	(45 240 116)	(2 048 031)	281 054 009
Community	32 493 564	156 000	(30 967)	449 500	(1 518 148)	-	31 549 949
Other assets	21 820 387	4 514 396	(718 915)	-	(2 079 498)	(229 105)	23 307 265
Work-in-progress	114 520 177	56 395 458	-	(28 430 384)	-	-	142 485 251
Landfill site	4 823 328	-	-	606 087	(221 553)	(551)	5 207 311
	507 019 784	61 065 854	(2 003 923)	-	(49 828 435)	(2 277 687)	513 975 593

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	14 493 319	88 000	-	-	(772 757)	-	13 808 562
Strategic asset	3 294 733	-	-	-	-	-	3 294 733
Infrastructure	285 107 405	-	(654 458)	69 636 643	(47 889 563)	(4 006 585)	302 193 442
Community	34 015 713	313 679	(203 467)	-	(1 576 342)	(56 019)	32 493 564
Other assets	19 877 335	4 740 265	(861 855)	-	(1 709 710)	(225 648)	21 820 387
Work-in-progress	114 083 606	73 565 550	-	(73 128 979)	-	-	114 520 177
Landfill Site	4 998 517	29 500	-	-	(204 689)	-	4 823 328
	489 936 219	78 736 994	(1 719 780)	(3 492 336)	(52 153 061)	(4 288 252)	507 019 784

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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7. Property, plant and equipment (continued)

Strategic asset

Transido Property

Mhlontlo Local Municipality owns Transido property and the property is held as a strategic asset as it is used to assist the economy of Mhlontlo area by providing SMME's with a place to do business.

Property value	3 294 733	3 294 733
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Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Construction of Qumbu Town Hall	35 452 695	26 581 031
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Project start date: 2nd April 2014

Planned completion date: 28 June 2020

Revised Completion date: 30th September 2021

The delay was due to the old contractor left site in 2017 and a new contractor was appointed in July 2019.

Qumbu Sportsfield	17 021 958	13 492 583
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Start Date: 19 November 2018

Completion date: 29 November 2019

Revised completion date: 31st August 2021

Challenges were experienced with the old contractor which resulted in the termination of the contract. A new contractor was appointed in October 2020 to finish the project.

Tsolo Sportsfield	17 781 127	18 256 280
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Start Date: 26 October 2018

Original Completion date: 23rd February 2019

Revised Completion date: Not applicable

The contract has been terminated in the current year March 2021 due to poor performance by the contractor.

No impairment has been recognised in relation to this project. The assessment was done and even though this project was stopped, there is still a plan to continue with the project.

Mvumelwano Sportsfield	29 169 731	21 056 376
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Start Date: 30 August 2017

Original Completion date: 23rd February 2019

Revised Completion date: 30 October 2021

The project had been delayed by the variances from the original scope that needed additional funding which delayed to be approved by the council.

99 425 511	79 386 270
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Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	17 872 739	85 363 739	10 115 559	113 351 377
Additions/capital expenditure	23 935 231	21 678 666	10 781 562	56 395 459
Transferred to completed items (Own Assets)	(27 374 797)	(1 055 587)	-	(28 430 384)
	14 433 173	105 986 818	20 897 121	141 316 452

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	34 404 437	75 397 076	3 113 294	112 914 806
Additions/capital expenditure	53 104 944	9 965 994	10 494 603	73 565 541
Transferred to completed items (Electrification done on behalf of Eskom)	-	-	(3 492 337)	(3 492 337)
Transferred to completed items (Own Assets)	(69 636 642)	-	-	(69 636 642)
	17 872 739	85 363 070	10 115 560	113 351 368

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

General expenses	7 801 215	1 591 466
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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. No properties have been pledged as securities.

Mhlontlo Local Municipality
Annual Financial Statements for the year ended 30 June 2021
Notes to the Annual Financial Statements

Restated

8. Intangible assets

	2021		2020	
Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment
Computer software, other	2 192 215	(1 870 060)	322 155	1 853 954
				(1 827 304)
				26 650

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	26 650	338 260	(42 755)	322 155

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	67 860	(41 210)	26 650

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated

9. Heritage assets

	2021		2020			
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Heritage assets	210 810	-	210 810	210 810	-	210 810

Reconciliation of heritage assets 2021

Heritage assets

Opening balance	210 810	Total	210 810
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Reconciliation of heritage assets 2020

Heritage assets

Opening balance	210 810	Total	210 810
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10. Payables from exchange transactions

Trade payables	6 469 059	10 254 176
Payments received in advance	2 522 944	5 634 248
Unallocated deposits	1 222 695	966 146
Third Parties/Payroll Debtors	147 882	5 020 778
Creditor Accruals	1 258 642	657 210
Department of Transport	104 523	-
	11 725 745	22 532 558

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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11. Employee benefit obligation

Bonuses

Bonuses are paid out to all employees, excluding some senior managers, in the month of their birthdays each year and are based on a 13th monthly basic salary.

Defined Benefit Plan

Long service awards

The obligation in respect of the long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2021 by One Pangaea Financial using the Projected Unit Credit Method. Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 01 February 2018, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 4% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 8% of Basic Annual Salary and 20 days accumulative leave
- After 20 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 25 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 30 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 35 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 40 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 45 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Current service costs

Current service cost	402 232	(2 570)
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The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	1 541 223	1 416 606
Present value of the defined benefit obligation-partly or wholly funded	12 764 701	12 524 072
Accrued liability	6 548 428	6 146 196
	20 854 352	20 086 874

Non-current liabilities	(6 548 428)	(6 146 196)
Current liabilities	(14 305 924)	(13 940 678)
	(20 854 352)	(20 086 874)

Reconciliation of employee benefits - 2021

	Opening balance	Additions	Total
Bonus accrual	1 416 606	124 617	1 541 223
Leave pay accrual	12 524 072	240 630	12 764 701
	13 940 678	365 247	14 305 924

Reconciliation of employee benefits - 2020

	Opening balance	Utilised during the year	Total
Bonus accrual	2 086 010	(669 404)	1 416 606
Leave pay accrual	9 047 851	3 476 221	12 524 072
	11 133 861	2 806 817	13 940 678

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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11. Employee benefit obligation (continued)

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

Opening balance	6 146 196	6 148 766
Benefits paid	(863 336)	(302 339)
Net expense recognised in the statement of financial performance	1 265 568	299 769
	6 548 428	6 146 196

Net expense recognised in the statement of financial performance

Current service cost	617 813	701 703
Interest cost	527 451	529 588
Actuarial (gain) losses	120 304	(931 522)
	1 265 568	299 769

Other assumptions

The valuation basis assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 3.94% less than the corresponding discount rate in the long term.

The effect of one percent increase or decrease in salary inflation rates is as follows:

Cost trends rates would have the followings:

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	6 548 428	6 146 196	6 148 766	4 618 000	4 213 000

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

LED	15 000	15 000
EPWP	-	26 092
INEP electrification	-	98 797
EPWP - DEDEAT	-	529 042
	15 000	668 931

Movement during the year

Balance at the beginning of the year	668 931	3 205 203
Additions during the year	59 914 000	71 490 000
Income recognition during the year	(60 567 931)	(74 026 272)
	15 000	668 931

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 19 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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13. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	2 723 051	1 490 484	4 213 535

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	3 555 060	(832 009)	2 723 051

Environmental rehabilitation provision

The rehabilitation cost provision is for the current operational site which is evaluated each year-end to reflect the best estimate at reporting date. The site under consideration is Qumbu landfill site. The valuation was performed by A.J. Bowers from EMS Advisory. Mr Bowers is a waste management specialist and professional engineer.

Key financial assumptions used were a CPI of 5.16%, a discount rate of 10.703%. The adjustment made to the discounting rate was made due to various risks pertaining to the specific landfill site which influences the cash flows and therefore the discounting rate.

The landfill site closure provision is calculated as the net present value of future cash flows based on the expected remaining life and on the size of the area that has been used for waste removal as at 30 June 2021.

14. Service charges

Refuse Charges -Business	521 833	499 357
Refuse charges - Households	1 133 674	1 084 557
Refuse charges - Government	155 140	159 038
	1 810 647	1 742 952

15. Other income

Advertisig fees	74 435	75 654
Over/under deposits	285	712
Sundry income	20 241	7 667
Clearance certificates	40	385
Cemetery fees	30 862	19 462
Building plan fees	1 905	2 894
	127 768	106 774

16. Interest earned - outstanding debtors and investments

Interest revenue		
Bank	3 573 442	5 993 748
Interest charged on trade and other receivables	-	238 113
	3 573 442	6 231 861

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
17. Property rates		
Rates received		
Residential	3 966 544	3 953 628
Commercial	4 999 888	3 819 838
Government	23 073 937	8 973 491
Small holdings and farms	399 993	315 797
Less: Income forgone	(1 348 393)	(687 384)
	<u>31 091 969</u>	<u>16 375 370</u>
Property rates - Interest earned	-	936 509
	<u>31 091 969</u>	<u>17 311 879</u>

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

18. Government grants and subsidies

Operating grants		
Equitable share	229 857 000	184 192 000
Covid -19 Grant Relief	-	536 000
Library Assistance	550 000	550 000
Financial Management Grant	2 400 000	2 415 000
EPWP casual workers	1 813 092	1 754 908
EPWP DEDEAT	529 042	-
Training LG SETA	120 771	94 357
	<u>235 269 905</u>	<u>189 542 265</u>
Capital grants		
Municipal Infrastructure Grant	43 427 000	52 542 967
Electrification program	12 398 796	10 961 461
	<u>55 825 796</u>	<u>63 504 428</u>
	<u>291 095 701</u>	<u>253 046 693</u>

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	60 567 930	68 210 336
Unconditional grants received	230 527 771	184 836 357
	<u>291 095 701</u>	<u>253 046 693</u>

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	(2 707 033)
Current-year receipts	43 427 000	55 250 000
Conditions met - transferred to revenue	(43 427 000)	(52 542 967)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
18. Government grants and subsidies (continued)		
LED		
Balance unspent at beginning of year	15 000	15 000
Conditions still to be met - remain liabilities (see note 12).		
Covid -19 Grant Relief		
Current-year receipts	-	536 000
Conditions met - transferred to revenue	-	(536 000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Finance Management Grant		
Current-year receipts	2 400 000	2 415 000
Conditions met - transferred to revenue	(2 400 000)	(2 415 000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Expanded Public Work Program		
Balance unspent at beginning of year	26 092	-
Current-year receipts	1 787 000	1 781 000
Conditions met - transferred to revenue	(1 813 092)	(1 754 908)
	-	26 092
Conditions still to be met - remain liabilities (see note 12).		
Integrated Electification Program		
Balance unspent at beginning of year	98 797	908 258
Current-year receipts	12 300 000	11 508 000
Conditions met - transferred to revenue	(12 398 797)	(12 317 461)
	-	98 797
Conditions still to be met - remain liabilities (see note 12).		

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
18. Government grants and subsidies (continued)		
Expanded Public Works (DEDEAT)		
Balance unspent at beginning of year	529 042	529 042
Conditions met - transferred to revenue	(529 042)	-
	-	529 042
Conditions still to be met - remain liabilities (see note 12).		
19. Employee related costs		
Basic	50 125 007	50 647 336
Bonus	4 043 027	2 654 322
Medical aid - company contributions	5 602 056	5 472 391
UIF	377 206	394 394
SDL	875 304	911 923
Other payroll levies	20 485	19 759
Leave pay provision charge	823 810	4 619 022
Backpay	209 048	963 291
Defined contribution plans	6 894 026	6 459 743
Travel, motor car, accommodation, subsistence and other allowances	9 320 689	9 470 092
Overtime payments	1 095 673	981 719
Long-service awards	(163 386)	544 768
Acting allowances	63 591	476 600
Housing benefits and allowances	3 003 835	3 005 524
Allowance- standby	1 798 415	1 317 992
Temporal employees	978 790	274 754
Allowance -cellphone	573 012	735 250
	85 640 588	88 948 880
Remuneration of former Municipal Manager (S.G. Sotshongaye)		
Annual Remuneration	-	503 293
Car Allowance	-	176 152
Contributions to UIF, Medical and Pension Funds	143	1 332
Backpay	14 300	-
Skills development levy	-	8 461
Housing allowance	-	37 518
Leave encashment	-	164 341
	14 443	891 097
The former municipal manager resigned in January 2020.		
Remuneration of Chief Financial Officer (N. Botl)		
Annual Remuneration	728 229	710 047
Car Allowance	254 880	248 516
Contributions to UIF, Medical and Pension Funds	1 813	1 927
Housing allowance	55 433	53 019
Backpay	-	18 164
Skills development levy	8 230	9 800
	1 048 585	1 041 473

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
19. Employee related costs (continued)		
Remuneration of director- Community Services (M.J. Yilo)		
Annual Remuneration	485 486	710 047
Car Allowance	169 920	248 516
Contributions to UIF, Medical and Pension Funds	5 859	1 927
Skills development levy	6 271	9 800
Housing allowance	36 956	53 027
Backpay	-	18 157
Leave encashment	128 805	-
	833 297	1 041 474

The director passed away in February 2021.

Remuneration of Director- Infrastructure Services (T.P. Mase)

Annual Remuneration	60 686	651 014
Car Allowance	21 240	227 855
Contributions to UIF, Medical and Pension Funds	149	1 750
Housing allowance	4 619	51 002
Backpay	-	13 527
Skills development levy	-	9 883
Acting allowance	18 895	90 454
	105 589	1 045 485

The director became a municipal manager in August 2020. He was the acting municipal manager in July 2020.

Remuneration of Director - Corporate Services (W.Zwane)

Annual Remuneration	728 229	643 686
Car Allowance	254 880	225 290
Contributions to UIF, Medical and Pension Funds	1 813	1 927
Housing allowance	55 433	145 228
Backpay	-	15 470
Skills development levy	8 230	9 846
	1 048 585	1 041 447

Remuneration of Director LEDPARD (S. Batyi)

Annual Remuneration	260 082	-
Car Allowance	71 714	-
Housing allowance	50 000	-
Contributions to UIF, Medical and Pension Funds	30 772	-
Skills development levy	3 975	-
	416 543	-

The director LEDPARD joined the municipality in February 2021.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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19. Employee related costs (continued)

Remuneration of Director- Infrastructure Services (Z. Petse)

Annual Remuneration	260 082	-
Car Allowance	56 351	-
Housing allowance	65 020	-
Contributions to UIF, Medical and Pension Funds	26 780	-
Skills development levy	5 682	-
Acting allowance	53 209	-
	467 124	-

The director became an ISD director from February 2021, and from september 2020 to January 2021 she was acting as the ISD Director.

Remuneration of director - LEDPARD (Z. Zipete)

Annual Remuneration	-	710 047
Car Allowance	-	248 516
Contributions to UIF, Medical and Pension Funds	149	1 927
Housing allowance	-	53 027
Backpay	-	18 157
Skills development levy	-	9 800
Leave encashment	144 490	-
	144 639	1 041 474

The director passed away in June 2020.

Remuneration of Municipal Manager (T.P. Mase)

Annual Remuneration	813 034	-
Car Allowance	203 259	-
Housing allowance	58 074	-
Contributions to UIF, Medical and Pension Funds	1 664	-
Skills development levy	9 397	-
	1 085 428	-

The director became a municipal manager in August 2020.

Acting allowance of director - LEDPARD (N. Nqeketho)

Acting allowance	6 507	-
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Mr N Nqeketho acted as LEDPARD director from August 2020 until November 2020.

Acting allowance of director - Community Services (L. Lutshetu)

Acting allowance	4 609	-
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Mr L Lutshetu acted as community services director from April 2021 until June 2021.

2.5% Increment implemented in 2019 financial year

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
20. Remuneration of councillors		
Mayor	905 259	907 862
Chief Whip	690 045	690 045
Executive Committee Members	4 290 790	3 963 073
Speaker	733 088	733 087
Ordinary Councillors	13 407 881	13 474 679
	20 027 063	19 768 746
Mayor		
Basic salary	860 859	627 555
Cellphone allowance	40 800	40 800
Data card allowance	3 600	3 600
Car allowance	-	208 316
Backpay	-	27 591
	905 259	907 862
Speaker		
Basic salary	516 516	499 961
Cellphone allowance	40 800	40 800
Data card allowance	3 600	3 600
Car allowance	172 172	166 653
Backpay	-	22 073
	733 088	733 087
Chief Whip		
Basic salary	484 234	468 713
Cellphone allowance	40 800	40 800
Data card allowance	3 600	3 600
Car allowance	161 411	156 238
Backpay	-	20 694
	690 045	690 045
Executive committee		
Basic salary	3 113 104	2 734 964
Cellphone allowance	326 400	326 400
Data card allowance	28 800	28 800
Car allowance	822 486	703 338
Backpay	-	169 571
	4 290 790	3 963 073
Ordinary councillors		
Basic salary	6 707 931	8 892 015
Cellphone allowance	1 621 800	1 625 200
Data card allowance	143 100	143 400
Car allowance	4 935 050	2 387 877
Backpay	-	426 187
	13 407 881	13 474 679

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
20. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor, Speaker and Chief Whip have use of a Council owned vehicle for official duties. The Mayor has two full-time bodyguards.		
The accounting officer confirms that the salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.		
21. Depreciation and amortisation		
Property, plant and equipment	49 828 434	52 153 067
Intangible assets	42 756	41 210
	<u>49 871 190</u>	<u>52 194 277</u>
22. Finance costs		
Interest on long service awards	527 451	529 588
23. Debt Impairment		
Consumer debtors	8 838 950	19 382 460
24. Contracted services		
Presented previously		
Security Services	8 954 508	7 062 768

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
25. General expenses		
Advertising	514 010	313 040
Audit fees	3 892 505	4 242 842
Bank Charges	146 412	195 051
Cleaning	937 500	-
Consulting and professional fees	3 599 693	4 559 973
Consumables/Cemetery tagging	1 040 772	856 194
Entertainment	1 394 462	1 367 338
Fines and penalties	33 620	27 737
Animal Feed	133 763	113 100
Hiring charges	2 324 439	2 313 886
Insurance	649 832	216 675
Conferences and seminars	4 500	-
Medical expenses	91 652	116 814
Motor vehicle expenses	335 722	238 158
Pound claims	2 319	9 435
Fuel and oil	1 327 894	1 432 892
Postage and courier	-	681
Printing and stationery	3 172 104	998 871
Protective clothing	303 131	197 700
Special Projects	9 827 170	6 816 909
Repairs and maintenance	7 801 215	1 562 466
Software expenses	184 976	182 866
Staff welfare/COVID-19 related expenses	316 203	-
Subscriptions and membership fees	1 408 446	1 101 619
Telephone and fax	4 843 589	4 478 909
Training	1 568 159	1 584 134
Travel - local	2 468 719	3 523 542
Office expenses	14 465	3 081
Electricity purchases	1 987 308	1 878 021
Tourism development	-	120 000
Audit committee expenses	208 459	383 047
Electrification program	-	3 708 570
Ward committee stipend	6 070 799	6 173 832
Indigent subsidy	8 479 113	2 497 931
Venue expenses	62 486	50 781
Contribution for legal fees	7 698 096	4 432 420
Survey and Planning	193 350	215 710
	73 036 883	55 914 225
26. Auditors' remuneration		
Fees	3 892 505	4 242 842

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
27. Cash generated from operations		
Surplus	78 609 061	33 321 667
Adjustments for:		
Depreciation and amortisation	49 871 190	52 194 277
Gain on sale of assets and liabilities	1 776 866	1 688 494
Impairment deficit	2 277 687	4 288 253
Debt impairment	8 838 950	19 382 460
Movements in employee benefit obligations	767 478	2 804 247
Movements in provisions	1 490 484	(832 009)
Changes in working capital:		
Receivables from exchange transactions	(32 160)	501 831
Movement in debt impairment - receivables from exchange transactions	(1 092 714)	(1 955 855)
Other receivables from non-exchange transactions	(1 913 572)	(2 357 876)
Payables from exchange transactions	(10 806 816)	(6 356 968)
VAT	9 321 555	(8 494 877)
Unspent conditional grants and receipts	(653 931)	1 923 664
Transfers	-	3 492 336
Movement in debt impairment - receivables from non-exchange transactions	(7 746 230)	(17 426 605)
	130 707 848	82 173 039

28. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables are amounts owed by consumers and are presented net of impairment losses. The municipality's constitutional mandate compels the municipality to provide minimum basic services to all its residents without recourse of creditworthiness.

The municipality endeavours to collect all its debts by sending monthly invoices, and levying of penalties. All rates and services accounts are payable within 30 days from invoice date.

Cash and cash equivalents consist of short term investments, the primary bank account and petty cash of the municipality. Short term investments are held at First National Bank.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2021	2020
Short term deposits	160 309 399	85 073 036
Receivables from exchange transactions	155 907	123 747
Receivables from non-exchange transactions	15 906 274	15 176 126

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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28. Risk management (continued)

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.

Price risk

The municipality is not exposed to commodity price risk as it does not hold commodities on an open market platform.

29. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	155 907	155 907
Receivables from non-exchange transactions	-	16 018 322	16 018 322
Bank Balances	8 904 353	-	8 904 353
Short-term deposits	160 309 399	-	160 309 399
Other Cash and cash equivalents	116 181	-	116 181
	169 329 933	16 174 229	185 504 162

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	11 107 680	11 107 680

2020

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	123 747	123 747
Receivables from non-exchange transactions	-	15 176 126	15 176 126
Bank Balances	14 656 876	-	14 656 876
Cash and cash equivalents	85 073 036	-	85 073 036
Cash and cash equivalents	9 883	-	9 883
	99 739 795	15 299 873	115 039 668

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	21 363 761	21 363 761

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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30. Contingencies

Contingent liabilities (Pending legal claims)	90 952 423	174 999 949
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1. TDH Tsolo Junction//Mhlontlo Local Municipality

Claim for damages in the sum of R50 000 000 for damages for a failed development over erf 42 Tsolo.

2. Review Application between Mhlontlo Local Municipality//Z Siquhola: Labour Court Matter:

Reviewing chairman's decision for agreeing to a bargain agreement giving a light sentence in view of the seriousness of offenses which culminated into a criminal case of fraud being opened against the employee. Estimated legal cost R200 000.

3. Rates Collections

Rates collection in respect of all landlords and tenants in terms of the credit and debt collection policy of Mhlontlo Local Municipality. No legal case in this matter. Estimated legal cost R500 000.

4. One Grid Projects- Action proceedings // Mhlontlo LM, Case No.727/20 .

The Plaintiff is suing the municipality for the breach of contract. Estimated legal cost R1 000 000.

5. One Grid Projects- Application proceedings// Mhlontlo LM, Case No.1727/20

The applicant is declaring the award of tender No. MIG/CS/EC/12532/15/18 and or the resultant contract unlawful, unconstitutional, invalid, null and void. Estimated legal cost R1 000 000.

6. One Grid Projects- Counter Application proceedings // Mhlontlo LM, Case No.727/20

The Plaintiff is claiming the money that was paid to the Respondent for the work that has been done. The total value for the specified work. The amount sued is R27 879 372,95. Estimated legal cost R500 000.

7. Mhlontlo encroachments

This is an application for illegal encroachment of the land of the municipality. The occupant does not have the title deeds. Estimated legal cost R500 000.

8. Pumzile Nomfenge // Mhlontlo Local Municipality, Case No.2651/2018

The municipality is sued for the breach of contract. The amount sued is R871 771,55. Estimated legal cost R500 000.

9. Mhlontlo Local Municipality // Malibongwe Mfobo & Others, Case No.1997/20

This is an application for illegal encroachment of the land of the municipality. The occupant does not the title deeds. Estimated legal cost R500 000.

10. Nqeketho and Another// Mhlontlo Local Municipality, Case No. 1466/21

This is an application wherein the applicants complaints was the reducing of their salary by the Municipality. The matter is set for hearing of a consolidation of the matters as the applicants are more than one and the cause of action is the same. Estimated legal cost R500 000.

11. Mhlontlo Local Municipality/Nkonzombi - Case No. 86/2021 Labour Court PE

The employee was dismissed and the bargaining council reinstated the employee, the employer took the matter to Labour Court for review on the legal advice that the commissioner erred in not punishing the employee for the transgression. Estimated legal cost R450 000.

12. EFF vs Speaker of Mhlontlo Local Municipality - 183/2021: Grahamstown High Court

EFF requests that the wearing of their red regalia be allowed by the Municipality in that the High Court should rule the resolution which bared them from wearing the red regalia be declared unconstitutional. Estimated legal cost R600 000.

13. Mhlontlo Local Municipality // Batabile Construction - 865/2020 MTHATHA Magistrate Court

Batabile Construction was being sued by Telkom for cutting their lines and Batabile claims that Mhlontlo LM is to be blamed. Estimated legal cost R90 000.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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30. Contingencies (continued)

14. Mhlontlo Local Municipality // IMATU and Others

This is C/HQ/08/20/10 SALGA obo IMATU/SMWU: Confirmation of the award. Estimated legal cost R25 000.

15. Mhlontlo Local Municipality // Various Ratepayers for Transfer of Properties; Various Conveyancing Matters: 81 for Tsolo and 36 for Qumbu

The municipality wants to create security of tenure to all its ratepayers so that the revenue can reflect the exact title holder in particular for those properties now registered under MLM. Estimated legal cost R1 215 000.

16. Mhlontlo Local Municipality//Commercial Property on Auction

Auction of commercial property, opinion rendered and we are now pursuing the rental arrears. Estimated legal cost R300 000.

17. Mhlontlo Local Municipality//Lizomac Architecture Case No. 4322/20

The plaintiff is suing the municipality for breach of contract. The amount sued is R243 278,73. Estimated legal cost R300 000.

18. Fundiswa Ngebe//Mhlontlo Local Municipality Case No. 2174/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R244 000. Estimated legal cost R300 000.

19. Zuklsani Msawenkosi//Mhlontlo Local Municipality Case No. 2173/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R234 000. Estimated legal cost R300 000.

20. Likona Saul//Mhlontlo Local Municipality Case No. 2176/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R400 000. Estimated legal cost R300 000.

21. Nandipha Delihlazo//Mhlontlo Local Municipality Case No. 2177/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties.

22. Mhlontlo Local Municipality//ORTD District Municipality, CaseNo. 1995/2021

This is a review application wherein the applicant seeks to review the decision of the IEC and Mhlontlo Local Municipality resolution of replacing councillors. Estimated legal cost R500 000.

23. Mhlontlo Local Municipality//Zwelixolile Matinize, Case No. 1471/21

The applicant brought an interdict application against Mhlontlo Municipality, interdicting Municipality from demolishing his structure built at Farm Mbuto Administrative Area. Estimated legal cost R300 000.

24. Mhlontlo Local Municipality//Thando Mgaweni and Others, Case No.3127/2021

This is a review application against the decision of the resolution of the Municipality. Estimated legal cost R300 000

25. Mhlontlo Local Municipality// Other, Case No.3561

The respondents unlawfully manufacturing building blocks and building materials at ERF 641. The amount is R200 000.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
31. Related parties		
Relationships		
Accounting Officer	Refer to accounting officer's report note	
Mayor	Cllr N Dywili	
Speaker	Cllr M.G. Jara	
Chief Whip	Cllr. N. M. Mvanyashe	
Councillors	Cllr. RN Matomane	
	Cllr. N.P.B. Ludidi	
	Cllr. S.S. Mbangata	
	Cllr. E. Pula	
	Cllr. V. Mnyanda	
	Cllr. M. Lingela	
	Cllr. G. O. Lamani	
	Cllr. G. Mazitshana	
	Cllr MJ Jikijela	
	Cllr. N.T. Ngquke	
	Cllr. L.D. Yalezo	
	Cllr. N. Nodlela	
	Cllr. N.R. Ngewu	
	Cllr. S.N.T. Matanzima	
	Cllr. A.L. Tono	
	Cllr. D. Guqa	
	Cllr. S. Bontsa	
	Cllr. G. Matyeni	
	Cllr. M Funo	
	Cllr. K. Mpula	
	Cllr. Z. Nondaka	
	Cllr. N. Zikolo	
	Cllr S. Qangani	
	Cllr. M. Ncaphayi	
	Cllr. M.D. Manzi	
	Cllr. T. Mgaweni	
	Cllr. S.S. Sopangisa	
	Cllr. Z. Botya	
	Cllr. S.R Mqgalelo (Replaced Cllr. P. Mdinwa who passed away)	
	Cllr. Z. Ntshiba	
	Cllr. N. Gcaba	
	Cllr. B. Honono	
	Cllr. P. Mdinwa (Passed away on 06 July 2020)	
	Cllr. L.P. Dlova	
	Cllr. S. Ntुकuntezi	
	Cllr. P.N. Mangaliso	
	Cllr. Z. Makinana	
	Cllr. Z. Renene	
	Cllr. B.B. Mthitshane	
	Cllr. M. Soyekwa	
	Cllr. M.N. Mpheleli	
	Cllr. M.S. Ngewu	
	Cllr. M. Mfamelela	
	Cllr. M.S. Mathe	
	Cllr. P.N. Mdemka	
	Cllr. Q. Mandleni	
	Cllr. S. Maham	
	Cllr. N.V. Ncapayi	
	Cllr. E.N. Sikwatsha	
Members of key management		
Municipal Manager	Mr T.P. Mase	
Chief Financial Officer	Mrs N. Boti	
Acting Community Services Director	Mr L. Lutshetu	

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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31. Related parties (continued)

Infrastructure Services Director	Ms Z. Petse
Corporate Services Director	Mr W. Zwane
Local Economic Development Director	Mrs S. Batyi

There were no related party transactions. Apart from the remuneration, no further transactions occurred with councillors and section 56 managers. Refer to Note 19 & 20.

32. Prior period errors

The current year comparatives have been adjusted as follows

Statement of Financial Position	Previously stated	Adjustment	Reclassification	Restated 2020
Receivables from non-exchange transactions	15 059 685	622 996	ns	15 682 681
Property, plant and equipment	506 624 174	395 609		507 019 783
Opening Balance (Retained Income/Accumulated Surplus)	548 568 131	18 192 475		566 760 606
Provisions	(41 542 000)	41 542 000		-
Payables from exchange transaction	(21 363 759)	(1 168 799)		(22 532 558)
	1 007 346 231	59 584 281		- 1 066 930 512

The opening balances for 2020 have been restated as follows:

Receivables from non-exchange transactions

The restatement is as a result of prior year Pound fees that were received in the current year and incorrectly recorded in the current year.

Property, plant and Equipment

The restatement is due to the the Excavator that was written off in 2019 by the insurance but not removed in the asset register. Correcting retention incorrectly processed in work-in-progress.

Provisions

The balance for provisions from legal fees has been restated to remove all estimated legal fees from the balance sheet and income statement.

Payables from exchange transactions

The restatement is due to the correction of retentions incorrectly processed in work-in-progress.

Statement of Financial Performance

	Previously Stated	Adjustments	Reclassification	Restated 2020
Fines, Penalties and Forfeits Expenditure	(932 170)	(622 996)	n	(1 555 166)
Depreciation and amortisation	52 228 617	(34 340)		52 194 277
General expenses	78 456 225	(22 542 000)		55 914 225
	129 752 672	(23 199 336)		- 106 553 336

Disclosures

	Previously stated	Adjustments	Write-off	Restated 2020
Fruitless and Wasteful Expenditure	1 914 163	-	(882 379)	1 031 784
Capital Commitments	52 216 968	3 828 830	-	56 045 798
Operating Commitments	19 555 769	280 137	-	19 835 906
Irregular Expenditure	281 786 535	770 160	(182 597 246)	99 959 449
Unauthorised expenditure	136 147 483	-	(79 288 295)	56 861 188
Expenditure under investigation	82 097 043	-	(82 097 043)	-
	573 717 961	4 879 127	(344 862 963)	233 734 125

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
32. Prior period errors (continued)		
The comparative figures for 2020 have been restated as a result of:		
Fines		
The restatement is as a result of prior year Pound fees that were received in the current year and incorrectly recorded in the current year.		
Depreciation and amortisation		
The restatement is due to the the Excavator that was written off in 2019 by the insurance but not removed in the asset register.		
General expenses		
The balance for general expenses has been restated to remove all estimated legal fees.		
Fruitless and wasteful expenditure		
The restatement on fruitless and wasteful expenditure is due to the write-off the expenditure that was approved by the council in 2017 however it was never included in the prior year financial statements.		
Capital Commitments		
The commitments were redone and some expenditure items were corrected due to the errors that were done when capturing payment amounts on the register.		
Operating Commitments		
The commitments were redone and some expenditure items were corrected due to the errors that were done when capturing payment amounts on the register.		
Irregular expenditure		
The restatement on irregular expenditure is due to the write-off the expenditure that was approved by the council in 2017 however it was never included in the prior year financial statements. The other restatements relates to irregular expenditure that was identified in the previous audit.		
Unauthorised expenditure		
The restatement on unauthorised expenditure is due to the write-off the expenditure that was approved by the council in 2017 however it was never included in the prior year financial statements.		
Expenditure under investigation		
The restatement on expenditure under investigation is due to the write-off the expenditure that was approved by the council in 2017 however it was never included in the prior year financial statements.		
33. Unauthorised expenditure		
Opening balance as previously reported	56 861 188	112 162 130
Less: Approved/condoned/authorised by council prior 2017	-	(79 286 295)
Opening balance restated	-	32 875 835
Add: Expenditure identified - current	-	23 985 353
Closing balance	56 861 188	56 861 188

Opening unauthorised expenditure has been investigated. Current year unauthorised expenditure has been reported but not investigated. After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R79 286 295 from the total unauthorised expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. The R79 286 295 included an amount of R38 110 305 which related to 2011 to 2013 which could not be supported. The resolution was taken in May 2017 however was not included in prior year financial statements.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
34. Fruitless and wasteful expenditure		
Opening balance as previously reported	1 031 784	1 282 589
Less: Amount written off - prior periods 2017	-	(882 379)
Opening balance	1 031 784	400 210
Add: Expenditure identified	119 052	631 574
Closing balance	1 150 836	1 031 784

Fruitless and wasteful expenditure incurred relates to interest charged on overdue accounts and penalties from SARS. The expenditure is under investigation.

Mhlonthlo Local Municipality
 Annual Financial Statements for the year ended 30 June 2021
Notes to the Annual Financial Statements

Restated

34. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 882 379 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

35. Irregular expenditure

Opening balance as previously reported
 Less: Amount written off - prior periods before 2017

	99 959 449	277 333 475
	-	(182 597 246)
Opening balance as restated	99 959 449	94 736 229
Add: Irregular Expenditure - current	5 144 263	4 453 060
Add: Irregular Expenditure - restatement	-	770 160
Closing balance	105 103 712	99 959 449

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 182 597 246 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. The resolution was taken in May 2017 however was not included in prior year financial statements.

36. Expenditure under investigation

Opening Balance

Opening Balance as previous reported
 Amount written off by Council - restatement 2017

	-	82 097 043
	-	(82 097 043)
	-	-

This item has not been included in the irregular expenditure expense calculation because it is impractical in terms of GRAP 1 to determine whether the expenditures are indeed irregular.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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36. Expenditure under investigation (continued)

These amounts relate to payments made for tenders dating from 2011/12 to 2014/2014 financial years where contract files had incomplete information. This is due to the fact that there was no proper filing space in the institution and documents have been searched and could not be found. The expenditure was written off in May 2017 by the council however was previously not included in the financial statements.

37. Deviation from supply chain management regulations

Goods and services to the value of R1 222 036 (2020:R769 169.80) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

A register containing the details of the deviations is available for inspection.

38. Commitments

Already contracted for but not provided for

Capital expenditure

Property, plant and equipment

	61 961 744	56 045 798
--	------------	------------

Operational Expenditure

Property, plant and equipment

	12 280 477	19 835 906
--	------------	------------

This committed capital expenditure relates to roads and other infrastructure developments, building of town halls and other goods and services and will be financed by available bank facilities, retained surpluses, as well as Grant funding and existing cash resources.

39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee

	1 219 061	1 017 303
--	-----------	-----------

Amount paid - current year

	(1 219 061)	(1 017 303)
--	-------------	-------------

	-	-
--	---	---

Audit fees

Current year subscription / fee

	3 892 505	4 218 718
--	-----------	-----------

Amount paid - current year

	(3 237 032)	(4 218 718)
--	-------------	-------------

	655 473	-
--	---------	---

PAYE, SDL and UIF

Current year subscription / fee

	18 478 931	20 916 191
--	------------	------------

Amount paid - current year

	(18 478 931)	(20 660 970)
--	--------------	--------------

	-	255 221
--	---	---------

Pension and Medical Aid Deductions

Current year subscription / fee

	20 580 918	38 349 853
--	------------	------------

Amount paid - current year

	(20 580 918)	(38 349 853)
--	--------------	--------------

	-	-
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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39. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	7 924 108	17 245 663
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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40. Budget differences

Material differences between budget and actual amounts

Only variances exceeding 10% are considered material and have been explained below.

STATEMENT OF FINANCIAL PERFORMANCE

- 41.1 Variance is trivial and immaterial
- 41.2 Rental income was underbudgeted.
- 41.3 Agency services were compromised due to COVID-19.
- 41.4 Variance is trivial and immaterial.
- 41.5 Other income were compromised due to COVID-19
- 41.6 Interest received on investment and debtors were compromised due to COVID-19 as no interest was charged on debtors during the 2020/21 financial year.
- 41.7 Property rates variance was due to schools that were valued and billed to Public Works in the current financial year.
- 41.8 Variance is trivial and immaterial.
- 41.10 Fines, penalties and forfeits were underbudgeted.
- 41.11 Commission not budgeted for.
- 41.12 Underspending on employee costs and also the reverting to old salary scales before the 2.5% in February 2021.
- 41.13 Variance is trivial and immaterial.
- 41.14 Budget was compiled using the fixed asset register before considering the change in estimates and other depreciation factors.
- 41.15 Budget was compiled using the fixed asset register before considering impairments.
- 41.16 Finance costs not budgeted for.
- 41.17 Leases not budgeted for.
- 41.18 Debt impairment is as a result of an increase in debtors in the current year and less collection in revenue.
- 41.19 Overbudgeting on contracted services.
- 41.20 Variance is trivial and immaterial.
- 41.21 Gain/ Loss on disposal of assets not budgeted for.
- 41.22 Actual gain or losses not budgeted for.
- 41.23 Movement in (interest)/change in estimate on Landfill Site not budgeted for.

STATEMENT OF FINANCIAL POSITION

- 41.25 The variance is due to less collection of revenue in the current year which resulted in a huge increase in debt impairment provision and less net receivables

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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40. Budget differences (continued)

41.26 The variance is due to high 2.5% from employee related costs.

41.27 VAT Receivable not budgeted for.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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40. Budget differences (continued)

41.28 Cash and cash equivalents variance is due to the municipality having received more than what was budgeted for and savings from equitable share.

41.29 Investment Property is due to properties that were removed that did not belong to the municipality and reclassification of some properties to PPE.

41.30 Budget was compiled with the assumption that all capital projects would be completed year year end. However, some project expenditure was not exhausted at financial year end.

41.31 Intangible assets cost was not budgeted for.

41.32 Variance is trivial and immaterial.

41.33 The variance is due to most creditors were paid before end of 30 June 2021.

41.34 Employee benefit obligation not budgeted for.

41.35 Unspent conditional grant and subsidies not budgeted for.

41.36 Variance is trivial and immaterial

41.37 No borrowings or any money that was borrowed by the municipality.

41.38 Employee benefit obligation not budgeted for.

41.39 Landfill site provision was not budgeted for.

CASH FLOW STATEMENT

41.40 The variance is due to additional schools that were valued and billed in the current year.

41.41 Low collection on refuse removal due to rural nature of the municipality.

41.42 Variance is trivial and immaterial.

41.43 Interest received on investment and debtors were compromised due to COVID-19 as no interest was charged on debtors in the current financial year.

41.44 Variance is trivial and immaterial.

41.46 Employee costs and payments of suppliers are budgeted in one place on the budget and the actuals in the financial statements were splitted for GRAP Financial compliance.

41.47 Employee costs and payments of suppliers are budgeted in one place on the budget and the actuals in the financial statements were splitted for GRAP Financial compliance.

41.48 Finance costs not budgeted for.

41.49 Actual expenditure for transfers and grants is sitting under suppliers for GRAP compliance however on the budget for Treasury is separated.

41.50 Purchase of Property, Plant and Equipment was overbudgeted.

41.51 Sale of assets not budgeted for.

41.52 Variance is trivial and immaterial .

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

41. New standards and interpretations

41.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
GRAP 104 (amended): Financial Instruments	April 1, 2009	Unlikely there will be a material impact
Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	April 1, 2021	Unlikely there will be a material impact
Directive 7 (revised): The Application of Deemed Cost	April 1, 2021	Unlikely there will be a material impact
GRAP 20: Related parties	April 1, 2021	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	April 1, 2021	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	April 1, 2021	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	April 1, 2021	Unlikely there will be a material impact
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2021	Unlikely there will be a material impact

The municipality has not applied the above standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods.

42. Revenue

Service charges	1 810 647	1 742 952
Rental of facilities and equipment	22 302	49 029
Agency services	1 237 802	870 571
Licences and permits	1 502 869	1 269 196
Actuarial gain/loss	-	931 522
Movement in (interest)/change in estimate on Landfill Site	-	832 009
Gain on disposal of assets	286 057	-
Other income	127 768	106 774
Interest received - investment	3 573 442	6 231 861
Property rates	31 091 969	16 375 370
Property rates - penalties imposed	-	936 509
Government grants & subsidies	291 095 701	253 046 693
Public contributions and donations	-	10 000
Fines, Penalties and Forfeits	1 377 636	1 555 166
Commission on payroll	310 988	265 633
	332 437 181	284 223 285

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated	2021	2020
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42. Revenue (continued)

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

Service charges	1 810 647	1 742 952
Rental of facilities and equipment	22 302	49 029
Agency services	1 237 802	870 571
Licences and permits	1 502 869	1 269 196
Movement in (interest)/change in estimate on Landfill Site	-	832 009
Actuarial gain/loss	-	931 522
Other income	127 768	106 774
Interest received - investment	3 573 442	6 231 861
	8 274 830	12 033 914

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

Taxation revenue		
Property rates	31 091 969	16 375 370
Property rates - Interest earned	-	936 509
Transfer revenue		
Government grants & subsidies	291 095 701	253 046 693
Public contributions and donations	-	10 000
Fines, Penalties and Forfeits	1 377 636	1 555 166
Commission on payroll	310 988	265 633
	323 876 294	272 189 371

43. Change in estimate

Property, plant and equipment

The useful life of all assets were assessed and as a result certain infrastructure assets, bulidings and movable assets useful lives were changed in the current year. The effect of this revision has decreased the depreciation charges for the current and future periods. The impact on depreciation is as follows:

- Infrastructure assets depreciation has decreased by R93 243,07.
- Movable assets depreciation has decreased by R317 177,78.
- Buildings depreciation has decreased by R89 817,38.
- Intangible assets amortisation has decreased by R20 700,95

The list of these assets is available on the asset register.. The effect of this revision has increased the depreciation charges for the current and future periods by R520 939,18

44. Events after the reporting date

No significant events have occurred after the reporting date.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated

45. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of the following functional areas: Community and Social Services, Executive and council, Finance and administration, Planning and Development, Public Safety, Road Transport and Waste Management. 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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated

45. Segment Information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community and Social Services	Executive and council administration	Finance and administration	Planning and Development	Public Safety	Road Transport	Waste Management	Total
Revenue								
<u>Revenue from exchange transactions</u>								
Service charges	-	-	12 030	713	9 559	-	1 810 647	1 810 647
Rental of facilities and equipment	-	-	-	-	1 237 802	-	-	22 302
Agency services	-	-	-	112 538	1 390 331	-	-	1 237 802
Licences and permits	30 862	-	20 565	76 341	-	-	-	1 502 869
Other income	-	-	3 573 442	-	-	-	-	127 768
Interest earned - outstanding debtors and investments	-	-	-	-	-	-	-	3 573 442
<u>Revenue from non-exchange transactions</u>								
Property rates	-	-	31 091 969	-	-	-	-	31 091 969
Government grants & subsidies	-	69 289 893	58 926 482	14 500 009	32 647 359	106 806 841	8 925 117	291 095 701
Fines	-	-	-	-	1 377 636	-	-	1 377 636
Commission received	-	-	310 988	-	-	-	-	310 988
Total segment revenue	30 862	69 289 893	93 935 476	14 689 601	36 662 687	106 806 841	10 735 764	332 151 124
Entity's revenue								332 151 124

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated

	Community and Social Services	Executive and council administration	Finance and administration	Planning and Development	Public Safety	Road Transport	Waste Management	Total
45. Segment information (continued)								
Expenditure								
Employee related costs	-	9 211 133	28 811 541	8 393 586	12 480 305	10 982 108	15 761 915	85 640 588
Remuneration of councillors	-	20 027 063	-	-	-	-	-	20 027 063
Depreciation and amortisation	-	-	3 640 402	769 120	-	45 461 669	-	49 871 191
Impairments loss	-	-	-	-	-	2 277 687	-	2 277 687
Finance costs	-	-	527 451	-	-	-	-	527 451
Lease rentals on operating lease	-	-	980 089	-	-	-	-	980 089
Debt Impairment	-	-	8 838 950	-	8 954 508	-	-	8 838 950
Contracted services	-	-	-	-	-	-	-	8 954 508
Loss on disposal of assets	-	-	1 776 866	-	-	-	-	1 776 866
Actuarial losses	-	-	120 304	-	-	-	-	120 304
Movement in (interest)/change in estimate on Landfill Site	-	-	-	-	1 490 484	-	-	1 490 484
General expenses	616 402	22 222 103	29 028 389	3 270 276	2 277 177	12 587 772	3 034 764	73 036 883
Total segment expenditure	616 402	51 460 299	73 723 992	12 432 982	25 202 474	71 309 236	18 796 679	253 542 064
Total segmental surplus/(deficit)								78 609 060
Assets								
Receivables from exchange transactions	-	-	-	-	-	-	155 906	155 906
Receivables from non-exchange transactions	-	1 459 863	15 354 284	-	782 106	-	-	17 596 253
VAT Receivables	-	-	7 924 108	-	-	-	-	7 924 108
Cash and cash equivalents	-	-	168 357 456	-	-	-	975 065	169 332 521
Investment property	-	-	5 982 621	-	-	-	-	5 982 621
Property, plant and equipment	308 131 082	3 294 733	23 307 265	123 209 003	-	50 826 197	5 207 311	513 975 591
Intangible assets	-	-	322 154	-	-	-	-	322 154
Heritage assets	-	210 810	-	-	-	-	-	210 810
Total segment assets	308 131 082	4 965 406	221 247 888	123 209 003	782 106	50 826 197	6 338 282	715 499 964
Total assets as per Statement of financial Position								715 499 964



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Restated

	Community and Social Services	Executive and council administration	Finance and administration	Planning and Development	Public Safety	Road Transport	Waste Management	Total
45. Segment information (continued)								
Liabilities								
Payables from exchange transactions	-	-	(9 066 171)	(2 659 571)	-	-	-	(11 725 742)
Employee benefits	-	-	(20 854 352)	-	-	-	-	(20 854 352)
Unspent conditional grants	-	-	(15 000)	-	-	-	-	(15 000)
Provisions	-	-	-	-	-	-	(4 213 535)	(4 213 535)
Total segment liabilities	-	-	(29 935 523)	(2 659 571)	-	-	(4 213 535)	(36 808 629)
Total liabilities as per Statement of financial Position								(36 808 629)

Reporting on Segments Assets and Liabilities

Assets and liabilities are utilised by management to assess key financial indicators for the municipality as a whole.

Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (i.e wards) in and around Qumbu and Tsolo area, the geographical information is not considered relevant to management for decision making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards.

Measurement of specific segment information

The accounting policies of the respective segments are the same as the prescribed in the summary of accounting policies and therefore the basis of measurement between the segment reporting and the annual financial statements are consistent.

The municipality has no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from prior year.

A large, stylized letter 'C' is the central graphic element. It is composed of a thick green outer ring and a white inner ring. The 'C' is positioned on the left side of the page, with its right edge overlapping a white horizontal bar. The background is a solid orange color with several large, semi-transparent, rounded shapes in a lighter shade of orange, creating a layered, abstract effect.

AUDIT REPORT

MHLONTLO LOCAL MUNICIPALITY

Audit Report

For the year ended 30 June 2022



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to the Eastern Cape Provincial Legislature and the council of the Mhlontlo Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mhlontlo Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, the statement of changes in net assets, the cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters 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 the Mhlontlo Local Municipality as at 30 June 2022, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA), and the Division of the Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Cash flow statement

3. The municipality did not prepare the cash flow statement in accordance with GRAP 2, *Cash flow statements*. The municipality incorrectly included retentions when calculating the movement in payables from exchange transactions in note 28. Consequently, cash generated from operations was overstated by R14,6 million.

Statement of comparison of budget and actual amounts

4. The municipality did not have adequate processes in place to ensure that the statement of comparison of budget and actual amounts is presented in accordance with the requirements of GRAP 24, *Presentation of budget information in the financial statements*. The municipality incorrectly calculated line items in the statement of comparison of budget and actual amounts. Consequently, cash flow statement was understated by R9,2 million.

Context for the opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
6. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Impairments – provision for impairment

9. As disclosed in notes 3 and 4 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions had a provision for impairment of R12,5 million (2020-21: R11,3 million) and R61,3 million (2020-21: R48,8 million) respectively, due to the slow recovery of old consumer debts.

Irregular expenditure

10. As disclosed in note 36 to the financial statements, the municipality incurred irregular expenditure of R4,8 million, as it did not follow a proper tender process.

Restatement of corresponding figures

11. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2021 have been restated as a result of errors identified in the financial statements of the municipality at, and for the year ended, 30 June 2022.

Other matter

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

Unaudited disclosure note

13. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and requirements of the MFMA and Dora, and for such internal control as the accounting officer accounting determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

16. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected development priority presented in the annual performance report. I performed procedures to identify material findings, but not to gather evidence to express assurance.
19. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting

framework, as defined in the general notice, for the following selected development priority presented in the municipality's annual performance report for the year ended 30 June 2022:

Development priority	Pages in the annual performance report
KPA 2 – basic services and infrastructure	x – x

21. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
22. The material findings on the usefulness and reliability of the performance information of the selected development priority are as follows:

KPA 2 – basic services and infrastructure

Various indicators

23. The performance measure of the below indicators is not well defined as the target is not clearly specified/defined.

Indicator	Target
30 km of gravel access rehabilitated.	Rehabilitation of 30 km of gravel access roads from various wards of Mhlontlo LM by 30 June 2022
628 households in various wards of Mhlontlo connected and 9 km link line constructed	Connection of 628 households to grid electricity (Extensions and infills) in various villages of Mhlontlo and construction of 9 km link line from St Cuthberts to Magqubeni by 30 June 2022
Tsolo services centre and town hall rehabilitated.	Rehabilitation of Tsolo services centre and town hall by 30 June 2022

260 job opportunities created by 30 June 2022

24. I was unable to obtain sufficient appropriate audit evidence for the achievement of 363 jobs reported against 260 job opportunities created by 30 June 2022 in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Various indicators

25. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Indicator description	Reported achievement
3,27 km of bulk stormwater construction completed	3 020 m of pavement laid
Vehicle Testing Station constructed at foundation level	Construction of sewer network was still in progress (91 m complete out of 182 m), kerbing and channelling had not yet started

Other matters

26. I draw attention to the matters below.

Achievement of planned targets

27. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 23 to 25 of this report.

Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of basic services and infrastructure development priority. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

29. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

30. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual reports

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, current liabilities, expenditure and disclosures identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

32. Awards were made to providers who were in the service of other state institutions or whose directors/principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and supply chain management (SCM) regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
33. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of the code of conduct for councillors and the code of conduct for staff members, both issued in terms of the Municipal Systems Act.

Human resource management

34. I was unable to obtain sufficient appropriate audit evidence that the senior manager signed a performance agreement within the prescribed period, as required by section 57(2)(a) of the Municipal Systems Act.

Expenditure management

35. Reasonable steps were not taken to prevent unauthorised expenditure of R11,4 million, as disclosed in note 34 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by impairment losses and depreciation.
36. Reasonable steps were not taken to prevent irregular expenditure of R4,8 million as disclosed in note 36 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM legislation.

Consequence management

37. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Strategic planning and performance management

38. The Service Delivery and Budget Implementation Plan (SDBIP) for the year under review did not include the monthly capital expenditure by vote, as required by section 1 of the MFMA.
39. The performance management system and related controls were inadequate, as the described processes of performance planning measurement and reporting were not managed, as required by municipal planning and performance management regulation 7(1).

Other information

40. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's

report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that has been specifically reported in this auditor's report.

41. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
42. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
43. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

44. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
45. Leadership did not adequately discharge its oversight responsibilities with regards to the implementation and monitoring of internal controls, which includes adequate document management, to ensure sound financial and performance management and compliance with laws and regulations. Material misstatements were identified in the financial statements and performance report, indicating that the year end reporting and review processes are ineffective and need to be strengthened as the inadequate reviews contributed to inaccurate financial and performance reporting.
46. Leadership did not adequately implement the action plan to address prior year audit findings reported on compliance with laws and regulations, as a result, the internal control deficiencies were not adequately addressed and this resulted in recurring findings.
47. Adequate internal controls have not been implemented over the monthly financial and performance reporting processes.
48. The municipality did not have adequate systems in place to monitor compliance with all laws and regulations applicable to it, as recurring findings were raised in the financial year under audit. Non-compliance with legislations could have been prevented had compliance been properly reviewed and monitored.

Other reports

49. I draw attention to the following engagement conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
50. An independent consultant investigated allegations of land invasion and encroachment and the illegal sale of land at the request of the council, which covered the period 14 June 2021 to 28 September 2021. The investigation was concluded in October 2021 with recommendations for the accounting officer and council to consider and implement.

AUDITOR-GENERAL

East London

30 November 2022



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected development priority and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Mhlontlo Local Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other

matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



**AUDIT COMMITTEE
REPORT**

Mhlontlo Local Municipality – AUDIT COMMITTEE ANNUAL REPORT FOR THE 2021/2022 FINANCIAL YEAR

1. LEGISLATIVE REQUIREMENTS

The Audit, and Performance Audit Committee (hereinafter referred to as the “Audit Committee”) is pleased to present its annual report for the year ended 30 June 2022. The purpose of this report is to communicate the Audit Committee’s activities for the 2021/2022 Financial Year in carrying out its oversight and advisory responsibilities in terms of Section 166 of the Local Government Municipal Finance Management Act, Act 56 of 2003 read with Regulation 14 of the Planning and Performance Management regulations, 2001.

The Local Municipality appointed an Audit Committee comprising of three members and the Audit Committee continued to be functional for the year under review. During the previous financial year, the Municipal Council resolved to appoint an additional member and the Municipality has thus not been able to fill such a vacancy due to several reasons.

Through the reports submitted by Internal Audit the Audit Committee evaluated the adequacy of the risk management processes including fraud, risk management processes and the general system of internal controls. The Audit Committee fulfilled its mandate and provided advisory services to the Council, the Accounting Officer and Management on matters relating to the Internal Audit function, effectiveness of the systems of Internal Controls, ICT Governance, Risk Management processes and Performance Management Systems.

The functioning of the Audit Committee is governed by the Audit Committee’s Charter approved by the Municipal Council at the beginning of the Financial Year.

2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

During the year under review the Audit Committee held meetings as per their approved schedule and the attendance by each member is as follows:

Name of Member	Designation	Number of Meetings Attended.
A M Langa	Chairperson	6
Ms A Magwentshu	Member	5
B Mbewu	Member	6
Vacant	Member	Vacant

A total of four ordinary meetings and two special meetings were held and the meetings duly formed a quorum with the majority of members in attendance. The Audit Committee was able to meet as required by legislation and further none of its scheduled meetings was rescheduled due to unavailability of members. The

commitment of the Audit Committee members is highly appreciated. The Audit Committee through its Chairperson managed to submit on a quarterly basis its reports to the Municipal Council. All its reports were adopted by the Council and the implementation of the resolutions is monitored through a resolution tracker. The resolution tracker is presented by Management at all Audit Committee meetings reflecting progress in the implementation thereof. During the year under review the Audit Committee raised concerns on the slow implementation of the Audit Committee's resolutions.

The Audit Committee has as its standing items in its meetings a progress report on the implementation of the Post Audit Action Plan for addressing the 2020/2021 financial year audit findings. The Audit Committee noted that although management put effort to implement the action plan not all agreed actions were undertaken due to various reasons.

3. EVALUATION OF FINANCIAL AND PERFORMANCE REPORTS

Statutory quarterly reporting requirements per MFMA provisions to oversight committees, Council and treasury were performed by management. Quarterly reviews and Audit Committee reports, presentations to Council were conducted with recommendations on remedial actions to be taken on reported internal control deficiencies identified through internal and external audit findings.

The Audit Committee continually identified and advised Management and Council on financial management and performance reports, non-compliance issues with SCM policies, budget performance trends, progress reports on risk management and fraud, ICT Governance reports, MSCOA implementation. The ICT infrastructure of the Municipality is outdated and needs urgent attention to mitigate potential risks. The Committee commends the work performed by the ICT steering Committee chaired by an independent person however, the risks posed by the aged ICT infrastructure remain very high as the procurement of new ICT infrastructure has been extremely slow.

The Municipality successfully implemented MSCOA and is currently transacting on the new system although a few modules are yet to be implemented. The Committee noted with concern that the system vendor was not performing as expected and further that such vendor has ceded its rights to another company. The Audit Committee noted that the Municipality lacks ICT skills internally and as such the systems vendor performance could not be adequately monitored. The Committee is concerned that the MSCOA governance structures are not in place despite Management having been accordingly advised in this regard.

4. RISK MANAGEMENT

The Audit Committee is responsible for the oversight of the risk management function. The Audit Committee noted with concern that due to financial constraints the Municipality did not have an official dedicated for risk management, however,

such function is currently performed by the Chief Audit Executive as a consulting function with independent assurance being performed by the OR Tambo District Municipality. The report of the Risk Management Committee is a standing item in the meetings of the Audit Committee.

Effective Risk management forms an integral part of the institution's objectives of implementing and maintaining effective risk assessment system on risk identification and monitoring of maturing and emerging risks through progress reports drawn from risk registers by risk owners in accordance with the requirements of the MFMA. The Municipality's strategic risk register was updated based on risk assessments performed by Management with the assistance from the OR Tambo District Municipality.

During the year under review the Municipality's Risk Management Committee continued to be functional. The three-year Internal Audit plan is based on the risk assessment conducted by Management.

Quarterly reports were considered by the Audit Committee from the Risk Management Committee and such were reviewed by the Committee.

The implementation of further action plans to strengthen fraud risk management processes are under way. This includes, but not limited to, the appointment of a service provider to manage the fraud hotline.

5. EFFECTIVENESS OF INTERNAL CONTROLS

The Audit Committee provided oversight on the financial reporting processes and existing internal control systems within the Municipality and concluded that the municipality maintains a system of internal controls designed to provide reasonable assurance that transactions are processed and concluded with management's authority; assets are safeguarded against unauthorised use or disposal with proper recording and authorisation of transactions.

During the year under review, reviews were conducted by oversight bodies identified instances where the effectiveness of internal controls were compromised though systems are in existence based on repeated and new audit findings on internal control system deficiencies identified. The Audit Committee takes cognisance of the fact that there are inherent limitations in the effectiveness of any system of internal controls attributed to human errors and circumvention of internal controls.

Remedial actions taken to address control deficiencies identified in the quarterly reports of internal audit and external audit findings were found inadequate and ineffective as depicted by the control dashboard.

6. INTERNAL AUDIT UNIT

The Municipality has an internal audit unit headed by the Chief Audit Executive and reports to the Audit Committee and administratively directly to the Accounting Officer. The unit operates based on a risk based internal audit plan approved by the Audit Committee. The Audit Committee further approved the internal audit charter for the year under review. Further the Audit Committee approved the three - year rolling internal audit plan for the unit.

The projects undertaken by the internal audit unit for the year under review can be summarised as follows:

- Review of Annual Financial Statements;
- Quarterly Performance Management System Review;
- Fleet Management;
- Asset Management;
- Recruitment and selection Management;
- Follow-up audit on leave Management, Information Technology and payroll Management;
- Fraud and Corruption awareness;
- Receivables and Revenue Management;
- Dashboard Review;
- Post Audit Action Plan audit;
- Risk Register monitoring;
- Payables and Expenditure Management;
- Skills Development review;
- SDBIP Review;
- Pound review;
- Review of Internal Audit Charter, Audit Committee Charter, Internal Audit Manual and the development of Internal Audit three-year rolling plan and annual plan.

The Audit Committee noted the need for continued development of the internal audit staff and further to employ more staff to execute all the projects for the municipality effectively. The Audit Committee developed a tracking tool for the implementation of internal audit recommendations by management and noted the slow implementation of such recommendations.

The Audit Committee evaluated independence of the unit, effectiveness and performance of the internal audit function, considered internal audit reports on the municipality's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems and assessed the adequacy of the performance of internal audit function and find them satisfactory and improving.

7. REVIEW OF ANNUAL FINANCIAL STATEMENTS AND ANNUAL PERFORMANCE REPORT

The Audit Committee reviewed the 2021/2022 annual financial statements and the annual performance report as required by the MFMA. The Audit Committee identified challenges which included but not limited to arithmetical errors which were pointed out to management for rectification. Due to time constraints the corrected reports could not be considered by the Audit Committee. The reviews confirmed that no new accounting policies were introduced and further that the annual financial statements were prepared on the going concern basis.

The Audit Committee appreciated that the Annual Financial Statements were prepared internally despite the limited internal capacity.

8. EXTERNAL AUDIT

The Audit Committee considered the audit strategy by the Office of the Auditor General and made comments and further noted that for the year under review the amended public audit act would not be implemented. The Audit Committee accepts the external auditor's conclusions on the annual financial statements and the annual performance report for the 2021/2022 financial year. The Committee advised Management and the Council to consider appointing a PMS specialist to address performance management related reporting. During the year under review the Committee noted that processes are under way to cascade performance management to lower levels of staff in line with the requirements of the Municipal Systems Act.

The Audit Committee reviewed the post audit action plan developed by Management in response to the findings raised by the External Auditors. The Audit Committee will continue to oversee the development of the Post Audit Action Plan for the 2021/2022 Financial Year Audit and the implementation of project clean administration with the objective of improving the audit outcome for future years.

Except for the matters identified by the external auditors in the auditor's report, the Audit Committee has satisfied itself that the annual financial statements have been prepared in terms of GRAP and the MFMA.

Report Compiled on behalf of the Audit Committee by:



Mr A M Langa

Audit Committee Chairperson

28/01/2023

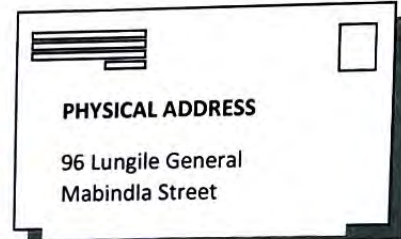
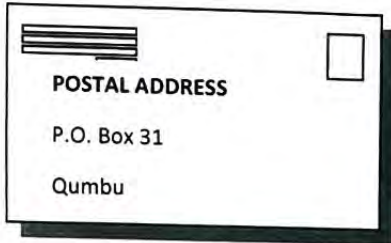


**COUNCIL
RESOLUTION**

MHLONTLO

LOCAL

MUNICIPAL



Iphone/Tel: 047-5537000 Ifax/Fax: 047-5530189
 E-mail: speaker_mhlontlo@yahoo.com
 Imibuzo/Enquiries: *Mr M Stemela*

Date: 31 March 2023

Office of the Speaker

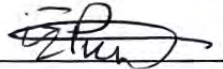
Notice: Is hereby given in terms of Section 29(1) of the Local Government; Municipal Structures Act, (Act 117 of 1998) in conjunction with section 19&20 of the Local Government Municipal Systems Act (32 of 2000) that, the Speaker hereby convenes a Special Council Meeting of Mhlontlo Municipality Council to be held on Wednesday the 31 March 2023 at 11:00 in Mhlontlo Council Chambers to discuss the agenda underneath:

1. Oversight report on Draft Annual Report 2021/2022

Resolution No. 02-2022/2023

The Council resolved **adopt** the Draft Annual Report 2021/2022 with reservation, on condition that:

- (i) The 2021/22 Annual Report be corrected and completed before final report is submitted to relevant parties, government departments and institutions (e.g., incomplete chapters, tables and required attachments as indicated under 7 and 9 above).

Signature: 

Cllr. E. Pula

Council Speaker

Mhlontlo L.M.

