



MHLONTLO LOCAL
MUNICIPALITY

ANNUAL REPORT 2022/23



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**MHLONTLO LOCAL
MUNICIPALITY**



ANNUAL REPORT VOLUME 1

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**MHLONTLO LOCAL
MUNICIPALITY**



CHAPTER 1

**MAYOR'S FOREWORD AND EXECUTIVE
SUMMARY CHAPTER 1: MAYOR'S FOREWORD
AND EXECUTIVE SUMMARY**

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

MAYOR'S FOREWORD

The annual report for 2022/23 financial year under review outlines in detail, the activities, and the programmes our municipality has embarked on. It also gives an account on the use of the council approved budget and the positive impact on the quality of the lives of people living within the boundaries of Mhlontlo Local Municipality. We provide in this report details of development projects in housing, electricity, roads, and local economic development initiatives that together impacted positively on the lives of all residents of Mhlontlo Local Municipality.

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 also provides information on how we sought to transform and strengthen the management team 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 and administrative leadership and management. The municipal strategy is always aligned to Provincial and Growth and Development Strategy.

We look forward to an even more successful 2023-2024 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 2022-2023 financial year.

To significantly contribute to the economy through our activities, in line with our National Development Plan, we would need to step up 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 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 Local Municipality who supported us and made these milestones achievable. Together we can and must do more to make Mhlontlo Local Municipality a better place for all who live in it.

a. Vision

A responsive, stable and accountable municipality that improve people's lives.

b. Key Policy Developments

The municipality has identified its key development objectives to be implemented over five (5) 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 municipality is committed to:

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

c. Key Service Delivery Improvements and Challenges

Given the rural nature of the municipality, key service delivery areas are:

- Access Road infrastructure
- Electricity
- Social Infrastructure
- Water and Sanitation

Due to the depleted revenue base, the Municipality depends largely on grant funding to meet its service delivery mandate. (The Municipal Infrastructure Grant (MIG), INEP, Expanded Public Works Programme (EPWP) and a portion

of the Equitable Share Grant) to provide services to the communities as a result the pace is not in line with the competing needs of the community.

During 2022/23 financial year the municipality managed to practically complete 56,58 kilometres of gravel access roads in ward 7,14,15,1 and 10. Then 23,12 kilometres in wards 5 and 3 work is still in progress. By the end of the 2023/24 financial year, it is planned that all the projects will have been completed.

In so far as electricity roll-out is concerned, 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 regarding electricity rollout. There are no clear targets on backlog, the cost per connection has doubled due to density issues and the bulk infrastructure that needs to be upgraded in areas where connection needs to be done. During the year of reporting 1206 households of infills and extensions were connected in wards 02,08,10,12,25,14 and 15.

The municipality is experiencing high backlog on provision of social infrastructure in a form of sporting facilities, community halls and pre-schools. During the development of the new IDP (2026/27) the municipality had prioritized provision of community facilities in a form of pre-schools and community halls as a result, planning and feasibility studies for two pre-schools and two community halls intended to be implemented in 2023/24 financial year is complete. On provision of sporting facilities, performance of service providers and contract management has been a challenge. Construction of two sports fields is due to be completed in 2023/24 financial year.

The Provincial Department of Roads and Transport operates within the municipality to ensure maintenance of roads and bridges, and the information is provided through the Roads Forum. The intervention programmes such as the inhouse team from the department of transport and other stakeholders like SANRAL assist in the construction and maintenance of roads that lead to schools and clinics. Water and Sanitation is a funded mandate of the OR Tambo District municipality for both development and maintenance of infrastructure. During the year under review, the municipality has experienced dire water shortages to an extent of having communities forced to purchase water 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. The 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 progress when the projects are on construction phase. The municipality works with DoHS through a housing strategy to ensure that houses identified for housing construction are informed by the Housing Sector Plan.

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. In the financial year under review, the municipality managed to conduct IDP Roadshows in all twenty-six (26) wards, Mayoral Imbizo's in seven (7) wards, MPAC Public Hearings in both Administrative Areas, and Community Outreaches in twelve (12) wards.

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 infrastructure 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 backlog in our municipal space as a result, historic backlog has been completely addressed to date.

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.

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 economic objectives of the institution.

f. Agreements / Partnerships

Many of the agreements/ partnerships the 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 community members, especially, the youth. Deliberately, the municipal learnerships have a focus on unemployed graduates. Bursaries were also granted by the municipality to

assist in up-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 AGRISETA. There are also existing partnerships with government departments that include Department of Energy (DOE), Department of Economic Development, Department of Public Works, 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 2022/23 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).



28/03/2023

DATE: _____

CLLR M.G. JARA
MAYOR

T 1.0.1

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

When we're developing our Integrated Development Plan for 2022/2023 financial year, we were aware that the municipality was struggling due to the high unemployment rate. The Municipality does not have a revenue base as it is grant dependent.

In spite of our difficulties, we as a municipality maintained our optimism and persevered in our efforts to provide basic services to our customers, who are residents of Mhlontlo Local Municipality, both households and business community. Even though we recognise the difficulty of our situation as a municipality, we have not given hope because we have made a commitment to provide basic needs for our people, and we have derived our optimism from the contract we have signed with our citizens, particularly with the business community.

Additionally, we wish to express our appreciation for the assistance provided by the National government, Provincial government and District Municipality, which has enabled us to continue serving our constituents. We were able to maintain a consistent daily and weekly household waste collection in both urban centres and formal and informal settlements in our municipal area during the previous financial year, despite the difficult economic climate and lack of resources. As the municipality, we are aware that this is what we should be doing on daily basis, but we are working diligently to accomplish this goal and are optimistic that we will succeed. Similarly, we are capable of cleaning up all illegal dumping sites to keep our Mhlontlo Local Municipality environment clean.

The municipality has adopted a service delivery model to ensure that we are able to adequately respond to the service delivery challenges. We want our clients to feel at ease whenever they visit our offices for a variety of reasons related to service delivery, which is why we have developed an organisational structure that ensures that we have a well-equipped and competent staff complement that adheres Back to Basic and Batho Pele principles.

Our human resources development programmes are also well-established within the municipality. This includes a variety of activities such as Skills Development and wellness programmes for our employees. Against all odds, we as the management want to express our gratitude to all our employees who braved challenges faces and chose to work tirelessly in bring services to the community we serve. This is significant, as it is consistent with the narration that municipal employees are on the frontline of service delivery.

Correspondingly, we are making a concerted effort to re-establish public confidence in the municipality's management of its organisation among its constituents. Since then, we have been implementing the Audit Action Plan. In regard to Auditor General's recommendations, including how to combat corruption and fraud in the municipality, we have tightened the systems (MPAC, Audit Committee and Internal Audit Unit) to ensure that fraud and corruption are completely eradicated from the municipality's day to day operations. We are making a concerted effort to eliminate Irregular, Wasteful and unauthorised expenditures.

Efforts are being made to ensure that Mhlontlo Local Municipality is recognised as a municipality of choice by addressing critical infrastructure issues such as electricity connection and access roads. Regarding this, we hope to attract investors to Mhlontlo Local Municipality in order to create job opportunities for our people in general, for young people in particular. This is especially important given the troubling unemployment statistics for young people in the country.

As part of this process, we have reviewed our Local Economic Development Strategy, which will be followed by a plan to ensure that previously disadvantaged people and designated groups are integrated into the mainstream of the municipality's economy. Currently there are ways to ensure that small businesses benefit from the municipality's daily operations. As a result, we will revise our Supply Chain Management policy to ensure that people of benefit from their municipality particularly the young, female and disabled.

There are plans in the works to bolster assertions about job creation. With the construction of Umzimvubu dam and Laleni dam by the Department of Water and Sanitation, people of Mhlontlo local municipality will eventually be able to participate as economic drivers in such developments. Processes have advanced to a more advanced stage, and issues of local contractor beneficiation are now at the forefront of consideration with the assistance of local Traditional Leaders.

Agriculture and Tourism are among the initiatives that are being perused by the Municipality as we believe that we have competitive advantage on them. This will have a significant impact on the people of Mhlontlo local municipality, as it is not speaking of job opportunities only, but also to the development of the local economy in terms of small and medium size enterprises. Most of the municipal functions such as Traffic and Parking, Building Regulation, Pounds, Refuse Removal, Street Lighting and many more are detailed in APPENDIX D.

In conclusion, we take this opportunity to encourage all residents who contribute to the cost of services provided by the municipality in order for us to continue to improve. We maintain a positive outlook for the future and are committed to act to bring our hopes and ambitions to fruition.

T 1.1.1

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 settlements.

T 1.2.1

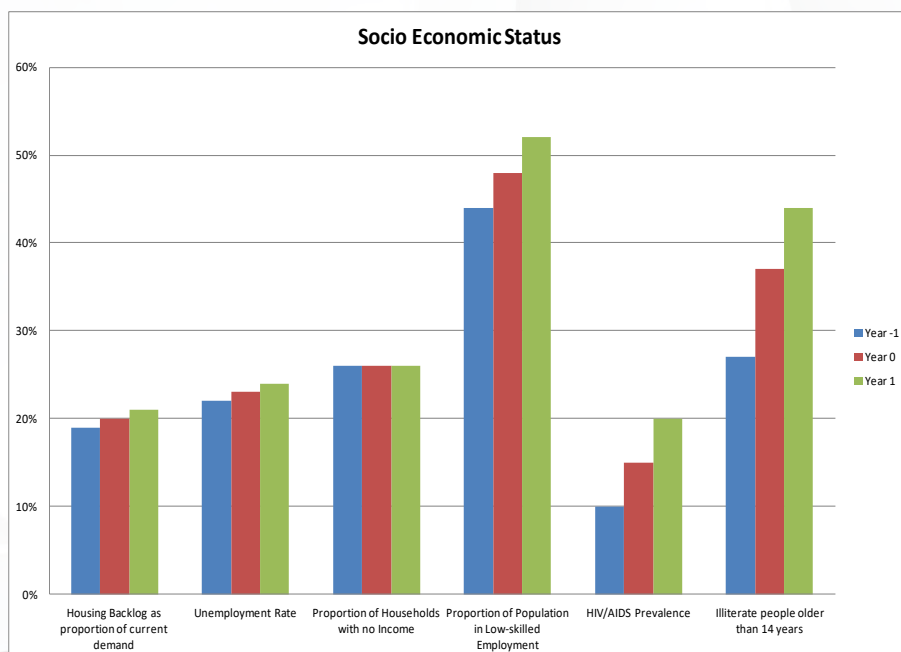
Population Details									
Age	Population '000								
	Year -2021			Year -2022			Year 2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	11 700	10 900	22 600	11 700	10 900	22 600	11 400	10 900	22 300
Age: 5 - 14	24 000	22 200	46 200	24 000	22 200	46 200	24 000	22 200	46 200
Age: 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 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
2021	58%	43%	4%	56%	9%	15%
2022	58%	43%	4%	56%	9%	15%
2023	58%	43%	4%	56%	9%	15%

T1.2.3



T 1.2.5

Overview of Neighbourhoods within 'Mhlontlo Local 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	2000
Ext 6 Tsolo	469	2345
Ext. 7 Tsolo	500	2500
Ext 4 Qumbu	11	55
Ext 5 Qumbu	534	2670
Ext 6 Qumbu	76	380
Gqunu Farms	115	575
Sub-Total		45525
Rural settlements		
26 wards)	49	196 000
Sub-Total	49	196 000
Informal settlements		
Langeni	619	3095
Qumbu (Ext 7)	500	2 500
Tsolo (Ext 7)	500	2 500
Sub-Total	1619	7 500
Total	5 949	391 000

T 1.2.6

Natural Resources	
Major Natural Resource	Relevance to Community
Land	Future development and growth of the existing communities.
Indigenous forests	Langeni & Nqandu forests.
Water	Necessary basic service and pillar to the very existence of life.
Sand	Financial benefit to community trust.
Quaries	Natural resources to aid economic growth.

T 1.2.7

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 resources to contribute to the GDP of the municipality.

T 1.2.8

1.2 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 halls, pre-schools, and sporting facilities). Services are not limited to that, but some are a mandate that is with other government departments and State-Owned Entities. The municipality has not and is still too far from satisfactorily providing services due to historic backlogs that continue haunting the communities of Mhlontlo Local Municipality.

The municipality relies on grant funding (Municipal Infrastructure Grant, INEP, Extended Public Works Program 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 2022/23 financial year the municipality managed to practically complete 56,58 kilometers of gravel access roads in ward 7,14,15,1 and 09. 23,12 kilometers in ward 5 and 3 was still work in progress at the end of the financial year and all the projects are planned to be completed during 2023/24 financial year.

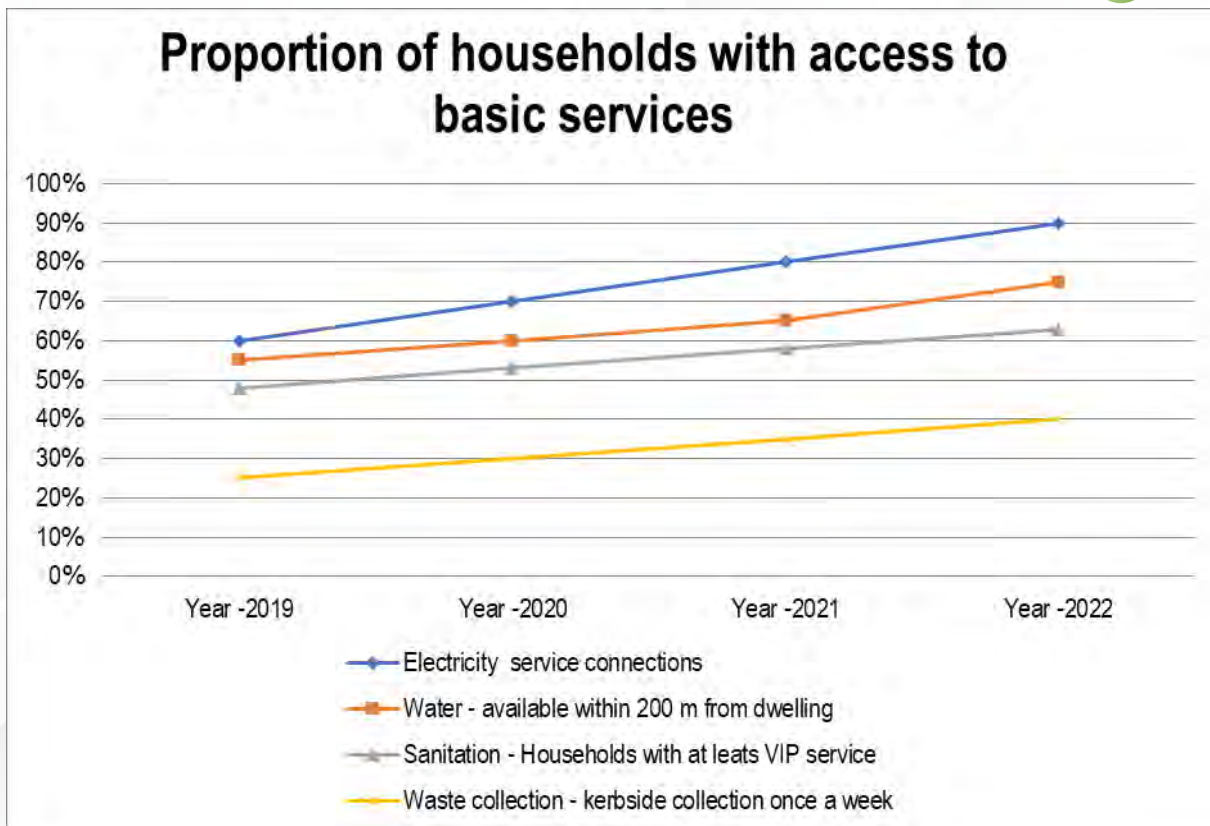
In terms of electricity roll-out the municipality is doing relatively well, 100% of the historic backlog has been completely addressed. Infills and the extensions are the new challenge facing the municipality in terms of electricity rollout. There are no clear targets on backlog, the cost per connection has doubled due to density issues and the bulk infrastructure that needs to be upgraded in areas where connection needs to be done. During the year of reporting 1206 households of infills and extensions were connected in wards 02,08,10,12,25,14 and 15.

The municipality is having a high backlog around provision of social infrastructure in a form of sporting facilities, community hall and pre-schools. During the development of the new IDP (2026/27) the municipality prioritized provision of community facilities in a form of pre-schools and community halls as a result planning and feasibility studies for two pre-schools and two community halls intended to be implemented in 2023/24 financial year were completed. On provision of sporting facilities - performance of service providers and contract management have been a challenge. Construction of two sports fields is due to be completed in 2023/24 financial year. The department of roads and transport operate within the municipality to ensure maintenance of roads and bridges, and the information and progress sharing platform is the Roads Forum. There are intervention programmes such as the in-house team from the department of transport and other interventions 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 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 water 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. The 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 progress when the projects are under construction. The municipality works with DoHS through housing strategy to ensure that houses identified for housing construction are informed by the Housing Sector Plan.

T 1.3.1

For the 2022/23 financial year, the department of Infrastructure Development Services set itself forty-two (42) targets. The department managed to achieve thirty-one (31) of those, whilst eleven (11) were not achieved due to various reasons that are ascribed and attributed on the quarterly reports.



T 1.3.2

COMMENT ON ACCESS TO BASIC SERVICES

The incomplete projects will be rolled over to 2023/24 financial year for completion. Poor performance of service providers and disruptions by community business forum and bad weather conditions had resulted into some of the projects to be delayed, thus affecting the performance of the department negatively during 2022/23 financial year.

T 1.3.3

1.3 FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The municipality's deficit has decreased compared to last year. The Statement of Financial Performance and the Statement of Budget Comparison clearly indicate that an actual operating surplus of R14 million realised compared to an operating deficit of R3 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 673 817 192 at 30 June 2023 and total assets exceeded its total liabilities by R673 817 192.

The annual financial statements have been prepared based on 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 several factors. In assessing whether the going concern assumption is appropriate under the current economic climate, 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 as 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 its payment of creditors. The municipality does have the ability to operate as a going concern and to continue rendering services to its community.

T 1.4.1

Financial Overview: 2022-2023			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	299 280 000	299 317 000	300 708 143
Taxes, Levies and tariffs	34 437 000	33 855 000	33 875 730
Other	8 568 000	11 893 000	19 133 868
Sub Total	342 285 000	345 065 000	353 717 741
Less: Expenditure	338 087 000	392 660 000	339 382 210
Net Total*	4 198 000	-47 595 000	14 335 531

*** Note: surplus/(deficit): T 1.4.2**

Operating Ratios	
Detail	%
Employee Cost	30,2%
Repairs & Maintenance	15%
Finance Charges & Impairment	0,1%

T 1.4.3

COMMENT ON OPERATING RATIOS

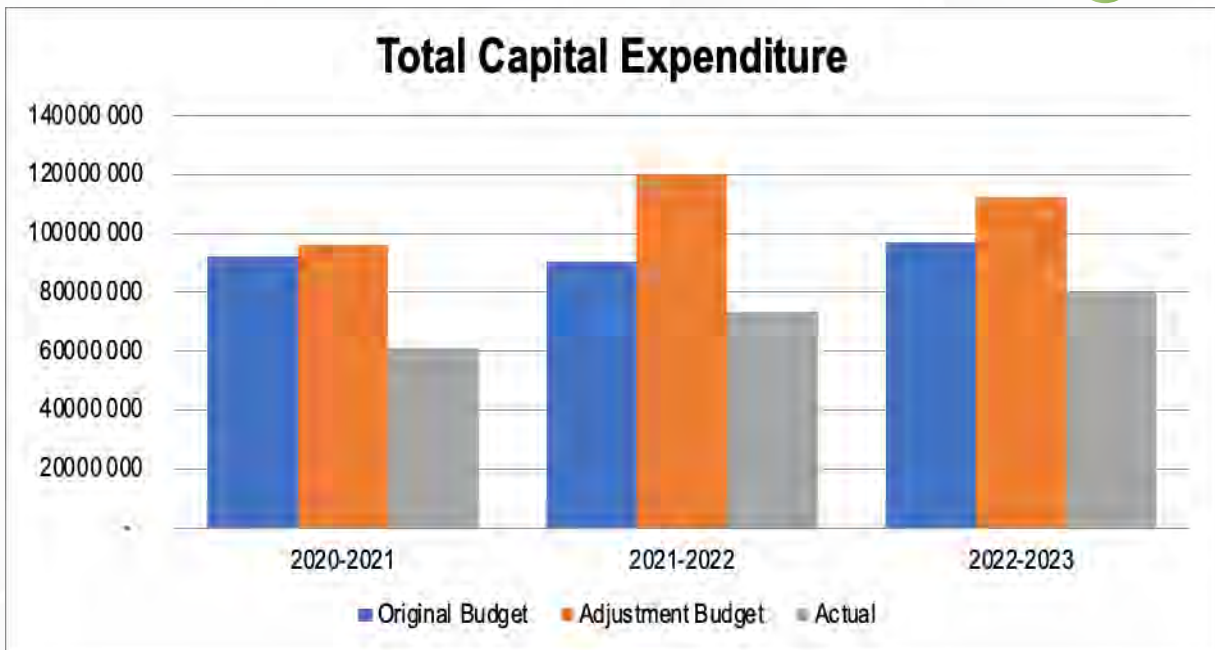
Employee costs' ratios were sitting at 30,2% compared to expected norm of 25% to 40%. The municipality's spending on repairs and maintenance as a percentage of operating expenditure is 15% which is above the expected norm of 7% to 8%.

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

T 1.4.3

Total Capital Expenditure: 2020-2021 to 2022-2023			
			R'000
Detail	2020 - 2021	2021 - 2022	2022 -2023
Original Budget	92 289 689	90 499 726	96 871 192
Adjustment Budget	96 157 357	120 329 199	112 150 448
Actual	61 094 808	76 283 721	79 906 408

T 1.4.4



T 1.4.5

COMMENT ON CAPITAL EXPENDITURE

The municipality's performance on capital projects increased by 10% compared to last year's capital expenditure.

T 1.4.5.1

1.4 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 OD 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 would require an appointment of an experienced and suitable qualified service provider 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 to ensure that staff members can perform their duties effectively.

T 1.5.1

1.5 AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT: YEAR 2022/23

The Auditor General conducted the 2022/2023 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 maintained a qualified audit opinion for 2022/2023 which it also received in the 2021/2022 financial year.

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.

In the past five years, the municipality’s audit opinion was as follows:

- 2022/2023 financial year – Qualified Audit Opinion
- 2021/2022 financial year – Qualified Audit Opinion
- 2020/2021 financial year – Unqualified Audit Opinion
- 2019/2020 financial year – Unqualified Audit Opinion
- 2018/2019 financial year- Qualified Audit Opinion

T 1.6.1

1.6 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 2023
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4th quarter Report for previous financial year	
4	Submit draft 2022/23 Annual Report to Internal Audit and Auditor-General	
5	Audit/Performance committee considers draft Annual Report of the municipality	31 August 2023
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 2023
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 2024
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 2024
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	
18	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input.	August 2024

T1.7.1

COMMENT ON THE ANNUAL REPORT PROCESS

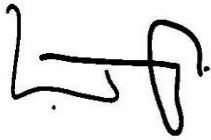
The importance of achieving annual report deadlines will enable the municipality to provide:

- 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 are integrated.



MR L. NDABENI
MUNICIPAL MANAGER

DATE: 28/03/2023

T 1.7.1.1



**MHLONTLO LOCAL
MUNICIPALITY**



CHAPTER 2

GOVERNANCE

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

The purpose of an annual report in the context of governance is to promote accountability to communities and other stakeholders for decisions taken by the municipal council and matters relating to administrative structures, throughout 2022/23 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 the 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

The mayor, as the political head of the institution, has given guidance to the committees of the council. In 2022/23, 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

EXECUTIVE COMMITTEE

Cllr. L. Yalezo
Cllr. M. Mvanyashe
Cllr. S. Matshoba
Cllr. N. Sayiti
Cllr. S. Voko
Cllr. S. Khahla
Cllr. L. Dlova
Cllr. N. Zikolo
Cllr. M. Funo

T 2.1.1

COUNCILLORS

The council of Mhlontlo Local Municipality has 51 Councillors. 26 are ward Councillors and 25 are proportional representative councillors. There are two 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 acting municipal manager, during the year 2022/23, 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

T2.2.2

TOP ADMINISTRATIVE STRUCTURE TIER 1

ACTING MUNICIPAL MANAGER -1st July 2022 to 28th February 2023

Mr. L. Ndabeni

Municipal Manager - 1st March 2023 to 30th June 2023.

Mr. L. Ndabeni

Senior Managers:

CHIEF FINANCIAL OFFICER: 1st July 2022 to 28 February 2023

Mrs N. Boti

Acting CFO: 1st March 2023 to June 2023

Mr M Langa

SENIOR MANAGER: INFRASTRUTURE SERVICES – 1st July 2022 – June 2023

Ms Z. Petse

SENIOR MANAGER: CORPORATE SERVICES – 1st July 2022 to 30th June 2023

Mr W. Zwane

SENIOR MANAGER: COMMUNITY SERVICES- 1st July 2022 to 28th February 2023

Mr L. Ndabeni

Acting senior manager: COMMUNITY SERVICES - 1ST March 2023 to 30th June 2023

Mr G. P Ngcangula

SENIOR MANAGER: LEDPARD – 1st July 2022 to 31st January 2023

Ms S. Batyi

Acting Senior Manager; LEDPARD - 1 February 2023 to 30th June 2023

Ms N Tukwayo

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 meetings 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 projects that should be included in the IDP and setting of performance 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 local government legislative framework, which in this case have participated in the meetings at the national level through a special invitation. During the 2022/2023 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 Local Municipality 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 through 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 2022 to May 2023.

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 for 26 wards with 10 members as a maximum per ward. However, due to various reasons, their number dropped from 260 to 258. Ward committee meetings sat and had their minutes processed and 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

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Public participation and purpose were to engage community members on service delivery issues	28-July-22	10	2	108		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	26-Aug-22	10	6	66		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	24-Aug-22	3	2	88		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	22-Sep-22	2	2	137	Yes	The feedback was addressed by Hon Speaker and all Councillors
Public participation and purpose were to engage community members on service delivery issues	27-Oct-22	5	4	148		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	02-Nov-22	5	2	169		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	15-Nov-22	4	2	89		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	25-Nov-22	1	2	101		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Moral Regeneration Movement and purpose was to revise moral values of the community members	31-Jan-23	2	2	79		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	14-Feb-23	4	2	110		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	22-Mar-23	5	2	121		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day

service delivery issues						delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	22-Mar-23	3	3	91		The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	16-Mar-23	4	2	62	Yes	The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	26-April-23	5	2	109	Yes	The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	05-May-23	7	2	100	Yes	The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day
Public participation and purpose were to engage community members on service delivery issues	07-Jun-23	4	3	80	Yes	The issues raised by community member related to service delivery were attended and addressed by all councillors on the same day

T 2.4.3

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 submit to council for consideration. The IDP Public Consultation report was prepared and all issues raised by

communities were captured in the reports and later on in the 2022/2023 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?	No
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 2023/24 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 2022/2023 financial year.

The municipality had identified the following Top 5 risks:

1. Inadequate leadership and technical skills
2. Poor governance, risk management and compliance
3. Inadequate financial management
4. Poor stakeholder engagement
5. Underutilisation of available economic opportunities within the municipal jurisdiction.

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 Database (CSD) 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 supply chain management (SCM) policy was reviewed during the 2022/2023 financial year. Certain amendments to the SCM policy to improve operational efficiency were tabled before council for approval. 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 applied 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 aiming 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 2023					
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

***Note: See MSA section 13: T 2.9.1**

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	No	N/A
All current budget-related policies	No	N/A
The previous annual report (Year -1)	No	N/A
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	No	N/A
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	No	N/A
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	N/A
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	N/A
Public-private partnership agreements referred to in section 120 made in Year 0	No	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No	N/A

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.

T 2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS

The municipality's website has been stable and updated in 2022/23.

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



**MHLONTLO LOCAL
MUNICIPALITY**



CHAPTER 3

**SERVICE DELIVERY PERFORMANCE
(PERFORMANCE REPORT PART I)**

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

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 state owned entities (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.

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

Mhlontlo local Municipality is using grant funding (Municipal Infrastructure Grant, INEP Extended Public Works Program 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 2022/23 financial year the municipality had managed to practically complete 56,58 kilometres of gravel access roads in ward 7,14,15,1 and 09. 23,12 kilometres in ward 5 and 3 was still work in progress at the end of financial year and all the projects are planned to be completed during 2023/24 financial year.

In terms of electricity roll-out the municipality is doing relatively well, 100% of the historic backlog has been completely aggressed. Infills and the extensions is the new challenge facing the municipality in terms of electricity rollout. There are no clear targets on backlog, the cost per connection has doubled due to density issues and the bulk infrastructure that needs to be upgraded in areas where connection needs to be done. During the year of reporting 1206 households of infills and extensions were connected in wards 02,08,10,12,25,14and 15.

The municipality is having a high backlog around provision of social infrastructure in a form of sporting facilities, community hall and pre-schools. During the development of the new IDP (2026/27) the municipality had prioritized provision of community facilities in a form of pre-schools and community halls as a result planning and feasibility studies for two pre-schools and two community halls intended to be implemented in 2023/24 financial year was complete. On provision of sporting facilities performance of service providers and contract management has been a challenge. Construction of two sports fields is due to be completed in 2023/24 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.

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 2022/23 financial year, the department of Infrastructure Development Services set itself forty-two (42) targets. The department managed to achieve thirty-one (31) of those, whilst eleven (11) were not achieved due to various reasons that are ascribed and attributed on the quarterly reports.

T3.1.0

3.1 WATER PROVISION

INTRODUCTION TO WATER PROVISION

This function resides with the district municipality; however, it is worth mentioning that 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, it is worth mentioning that the municipality is experiencing challenges with sewer spillages due to dilapidated infrastructure.

T 3.2.1

3.3 ELECTRICITY

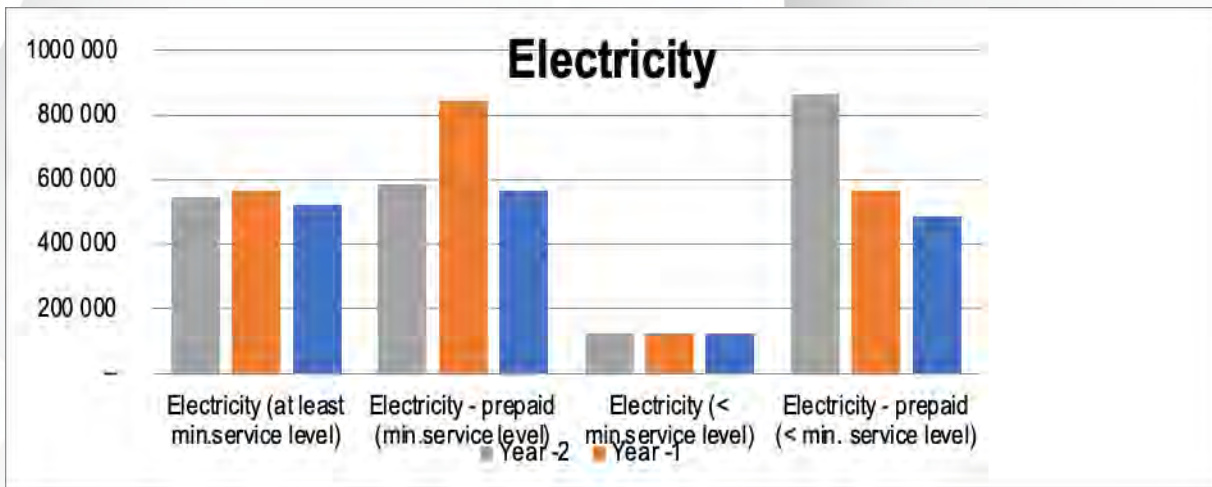
INTRODUCTION TO ELECTRICITY

The municipality is not licenced to provide electricity; hence it is an Eskom's area of operation and maintenance. Electrification program of the municipality focused in all wards including urban and rural areas. The institution is solely being funded by Department of Energy through schedule 6 that gets to be allocated to Eskom and schedule 5(b) that gets to be allocated directly to the municipality for eradication of electricity backlogs in municipal area. One thousand two hundred and six households (1206) of infills and the extensions were electrified by the municipality in 8 different wards.

Villages that benefited are Langeni, Mhlahlane, Nothanaza, Qanda, Mbokothwana, Mfabantu, Nqgongo, Mfundisweni Mbombo, qumbu development housing and Moyeni.

Maintenance of street lights and high mast lights for both towns had been conducted as at when the need arise.

T 3.3.1



Electricity Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Year 0
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<i>Energy: (above minimum level)</i>				
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%
<i>Energy: (below minimum level)</i>				
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	Actual	Actual	Original	Adjusted	Actual
	No.	No.	No.	Budget	Budget	No.
	No.	No.	No.	No.	No.	No.
<i>Formal Settlements</i>						
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%
<i>Informal Settlements</i>						
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

Electricity Service Policy Objectives Taken From IDP															
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3							
		Target	Actual	Target	Actual	*Current Year	Target	*Current Year	Target						
Service Indicators	(i)	*Previous Year	(iv)	*Previous Year	(v)	*Current Year	(vi)	*Current Year	(vii)	*Current Year	(viii)	*Current Year	(ix)	*Following Year	(x)
Service Objective xxx	(ii)														
Provision of minimum supply of electricity	Additional households (HHS) provided with minimum supply during the year (Number of HHS below minimum supply level)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)	xxxxxx additional HHS (xxxxxx HHS below minimum)
Energy supply		628	628	966	1206	303	0	0	0	0	0	0	0	0	
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 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 arrangements by municipalities in which IDPs play a key role.															
T 3.3.5															

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 2023: Electricity Services					
					R'000
Details	Year -2021	Year -2023			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
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%

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 3.3.7

R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	20 968	26 968	26 968	22%	
Electrification in various wards	20 968	26 968	26 968	22%	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 vrending 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 2023, 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 in 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 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 2022/2023.

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 -2020	Year -2021	Year -2022	Households
	Actual	Actual	Actual	Year -2023
	No.	No.	No.	Actual
				No.
Solid Waste Removal: (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%
Solid Waste Removal: (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 Levelpercentage</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 Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	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

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL

T 3.4.10

3.5 HOUSING

INTRODUCTION TO HOUSING

Housing Sector Plan review is being implemented as the service provider was appointed in March 2023 and housing allocation policy is in the process of being developed.

Mhlontlo Local Municipality has been appointed by Department of Human Settlements as implementing agent for 260 housing units. The consultant was appointed for the Phase 1 of the project and the municipality is in the process of appointing 10 SMMEs for Phase 2 of the project. 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 a number of unfinished projects and recent disasters that has led to litigations.

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

Service Objectives	Service Indicators	Year 0				Year 1		Year 2		Year 3		
		Outline Service Targets		Actual	Target	Previous Year	Current Year	Actual	Current Year	Target	Current Year	Following Year
		(i)	(ii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(k)	
Service Objective xxx												
Provision for housing for all households	Additional houses provided during the year (Houses required at year end)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)	xxxxx additional houses (xxxxx houses required)
The Function of Housing delivery vests with the Department of human Settlements and the Municipality plays an oversight role												
<p>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/DP round. ** 'Following Year' refers to the targets set in the Year 1 Budget/DP round. Note that all targets in the DP 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 municipalities in which DPs play a key role.</p>												

T3.5.3

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					
4 - 6					
7 - 9					
10 - 12	1	1	1	0	0%
13 - 15					
16 - 18		1			
19 - 20					
Total					

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 3.5.4

Financial Performance Year 0: Housing Services					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total Operational Expenditure					
Net Operational Expenditure					

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 3.5.5

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	N/A	N/A	N/A	N/A	N/A
Project A					
Project B					
Project C					
Project D					

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

T 3.5.6

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

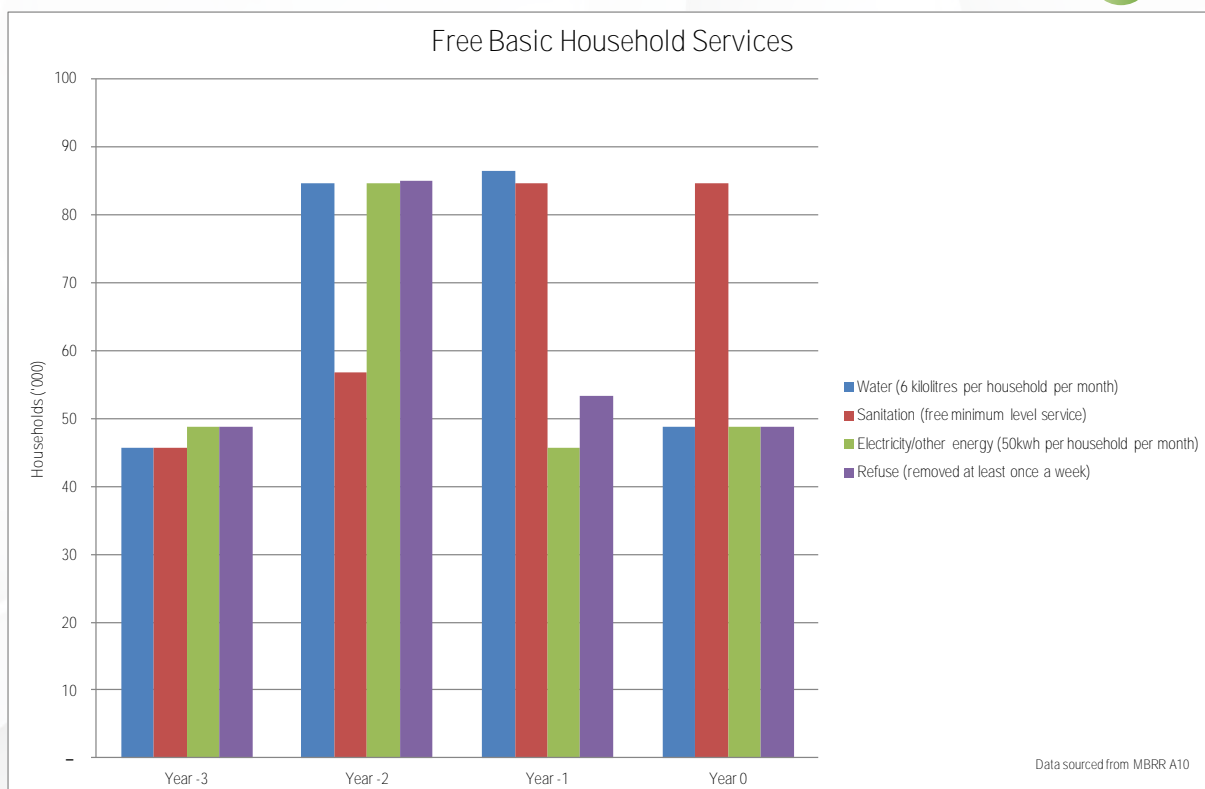
The purpose of the indigent policy is to implement the national initiative to improve the lives of indigents and to improve access to free basic services. The policy is aimed at providing a social safety net to relieve poverty within communities.

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

The following free basic services are provided to qualifying indigents:

1. 1.50kWh (units) of free basic electricity per month.
2. 2.100% rebate on assessment rates.
3. The waste removal rate in respect of indigents, be fully discounted

T 3.6.1



T 3.6.

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 -2021	186 043	186 043		0%		0%	11 287	6%	265	0%
Year -2022	203 421	203 421		0%		0%	12 836	6%	265	0%
Year -2023	241 239	241 239		0%		0%	12 836	5%	265	0%

T 3.6.3

Financial Performance Year 2023: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year -2022	Year -2023			
	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

Free Basic Service Policy Objectives Taken From IDP										
Service Objectives	Service Indicators	Year - 1		Year 0		Year 1		Year 3		Following Year (x)
		Target *Previous Year (iii)	Actual (iv)	Target *Previous Year (v)	Actual (vi)	Target *Current Year (viii)	Actual (vii)	Target *Current Year (ix)		
(i)	(ii)									
Service Objective xxx										
Provision of alternative support to low income households (that do not receive all Free Basic Services)	Low income households (LHs) who do not receive all the free basic services but do receive alternative support (Total number of LHs not in receipt of free basic services)	xxxx LHs receiving support (out of xxx LHs in total)	xxxx LHs receiving support (out of xxx LHs in total)	xxxx LHs receiving support (out of xxx LHs in total)	xxxx LHs receiving support (out of xxx LHs in total)	xxxx LHs receiving support (out of xxx LHs in total)	xxxx LHs receiving support (out of xxx LHs in total)	xxxx LHs receiving support (out of xxx LHs in total)	xxxx LHs receiving support (out of xxx LHs in total)	xxxx LHs receiving support (out of xxx LHs in total)
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/DP round'. *Current Year refers to the targets set in the Year 0 Budget/DP round. *Following Year refers to the targets set in the Year 1 Budget/DP round. Note that all targets in the IDP must be fundable within approved budget provision. JMS4 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 arrangements by municipalities in which IDPs play a key role.										T 3.6.5

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 3.7.0

3.7 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 offer testing services due to inadequate facilities. The municipality is not issuing permits on bus operations, such function is in the competency of Department of Transport.

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. 1. Increased demand for licensing services, but the facilities have not been upgraded to meet the customers' demands.
2. 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. 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%

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 3.8.5

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

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.8.6

COMMENT ON THE PERFORMANCE OF TRANSPORT OVERALL

T 3.8.7

3.8 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 monetary 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 3.7.6

Indicators	Previous Year - 2 Planned	*Previous Year - 2 Actual	Previous Year-1 Planned	*Previous Year -1 Actual	Previous Year - 0 Planned	Previous Year -0 Actual	*Current Year(Planned)	*Current Year Actual	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
1.1.3 A 200 kms of gravel access roads maintained	25 Km access roads completed	25 Km access roads completed	64.7 kilometres of maintenance by June	25 Km access roads completed	Maintenance of 100km access roads	Maintenance 255.6 km from various access roads had been conducted. Key activities that were undertaken in its blading and patch re-gravelling.	160km Blading of gravel Access roads 40 km of Patch-	During the year of reporting 163,3km of Blading and 45,11 km of patch re-gravelling were achieved as a result there was an over achievement of 3,3 km km on blading and 5,11km on patch-re-gravelling	200 kms of gravel access roads maintained
Maintenance of 14km access and urban roads	14Km access road completed	Maintenance of 14km roads in Qumbu and Tsolo was completed	Maintenance of 14km urban roads by June by June 2021	14Km access road completed	Maintenance of 14km urban roads	14km of the road maintenance (Pothole patching, asphalt, concrete works were done)	Maintenance of 14km urban roads	14km of the road maintenance (Pothole patching, asphalt, concrete works, Installation of Kerbs, installation of Stormwater pipes, and re-gravelling of streets was conducted	14Km access road completed
1.1.5 Provincial roads maintenance (T-Roads) – 107 kms of blading. 4.5 km of re-gravelling per quarter completed	450Kms T-roads completed. 25km of	450Kms T-roads completed. 25km of		450Kms T-roads completed. 25km of	Construction of 2km Qumbu Landfill Site surfaced road	The project was planned to be implemented by the department of roads and transport	The project was planned to be implemented by the department of roads and transport	The project was planned to be implemented by the department of roads and transport	The project was planned to be implemented by the department of roads and transport

ed									
Provision of storm water facilities in Qumbu and Tsolo towns	N/A	N/A	To install 3.27km bulk storm-water with related manhole facilities in Tsolo town by June 2021	The project was delayed by the heavy rains that had occurred during the third quarter. Some of the work that was completed at the stage had to be re-done because it was washed away. To-date Site establishment, Site Clearance, Earthworks are complete, 2286m Sub-soil drains is complete and Laying of 1600m segment paving bricks. Placing of culverts for the two low level crossings is complete	Km of storm water facilities installed by June 2022	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 by June 2022	Complete construction of 1km V Drains channels and laying of 2km of stormwater culverts at Tsolo stormwater phase 2 by June 2023	The overall progress on the completed works is about 27%, the project is far behind the scheduled completion time, there is lost time of about 6,3 months. The main challenge is the service provider not providing adequate resources to complete the project.	Planning for construction of Qumbu Stormwater management
1.1.1 A 100 kms of constructed quality access roads with storm water management constructed	Construction of 28,9 km of gravel access roads to be completed by June 2019	1 Construction of 8,9 km of access roads were completed by June 2019 as against the 28,9 that was planned	Construction of 83,98 km of gravel access roads completed by June 2021	Of 73,18 km of gravel access roads was completed in 2021	Construction of 71,93km of gravel access roads completed in June 2022	Construction of 39,49 kilometers of gravel access roads were completed against the 73,18 that was planned	Construction of 66,7 km of New gravel Access roads was planned	56,35 km was constructed and practical completed	Construction of 20km gravel access roads completed
1.1.2 A 15 kms of quality surfaced urban roads with	Construction of 6,8km construction of surfaced access	Construction of 6,8 kilometers was completed in June	N/A	N/A		N/A	Prepare planning and designs completed.	Planning and design for surfacing of internal streets in Qumbu was completed	Construction of 4km of surfaced access roads completed by

storm water management constructed	roads completed in Qumbu by June 2019	2019							June 2025
1.1.4 A 170 kms of gravel access roads rehabilitated	N/A	N/A	Rehabilitation of 25,85 kilometers of access roads completed and Construction of 70 x 5.5 x 0.150m Khalankomo concrete Slab by completed June 2021	Rehabilitation of 25,85 km of gravel access road were rehabilitated by June 2021	Rehabilitation of 30km of gravel access roads from various wards of Mhlontlo LM, construction 85 m of reinforced concrete slab and construction 2 km of Stone pitching construction completed by June 2022	Rehabilitation of 30km access road, construction of 85m slab and 2km stone pitching were completed by June 2022	Rehabilitation of 34km of gravel access roads prioritized in the rehabilitation plan of Mhlontlo LM by June 2023	Rehabilitation of 48,127 Km of gravel access roads was achieved during the year of reporting as against the 34km that was planned therefore there was an over achievement of 14,127 km. Rehabilitation work was done in ward (18,14,16,9,17,13,26,25,2,7,21,24- and 23)	Rehabilitation of 34km of gravel access roads completed by June 2025

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					
R'000					
Details	Year -2021	Year -2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	4653950	4653950	21963196	79%
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 Qumbu 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 Qumbu 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 seven gravel access roads with 66,78 km planned kilometres to be constructed of which 56,58 km were completed in the reporting year and 10,42 has been rolled over to be completed in the next financial year 2021/2022.

Completed Access roads are as follows:

Tar to Suthwini- 10.1km, Sboko to Stadium – 8,7, Gqunu Farms – 13,64 km, Batyi -10,43, Shawbury to Mncetyana – 13,71km.

Construction Ngudle Access road could not be completed due to issues raised by the community on material that was being used. Shawbury to Mncetyana was closed however on the assessment conducted the quality of work done was not done as a result the road needs to be redone. Construction of Nomhala to St Curthbets was to start during the year of reporting such that its rolled over to the next financial year.

T 3.7.10

3.9 WASTE WATER (STORMWATER DRAINAGE)

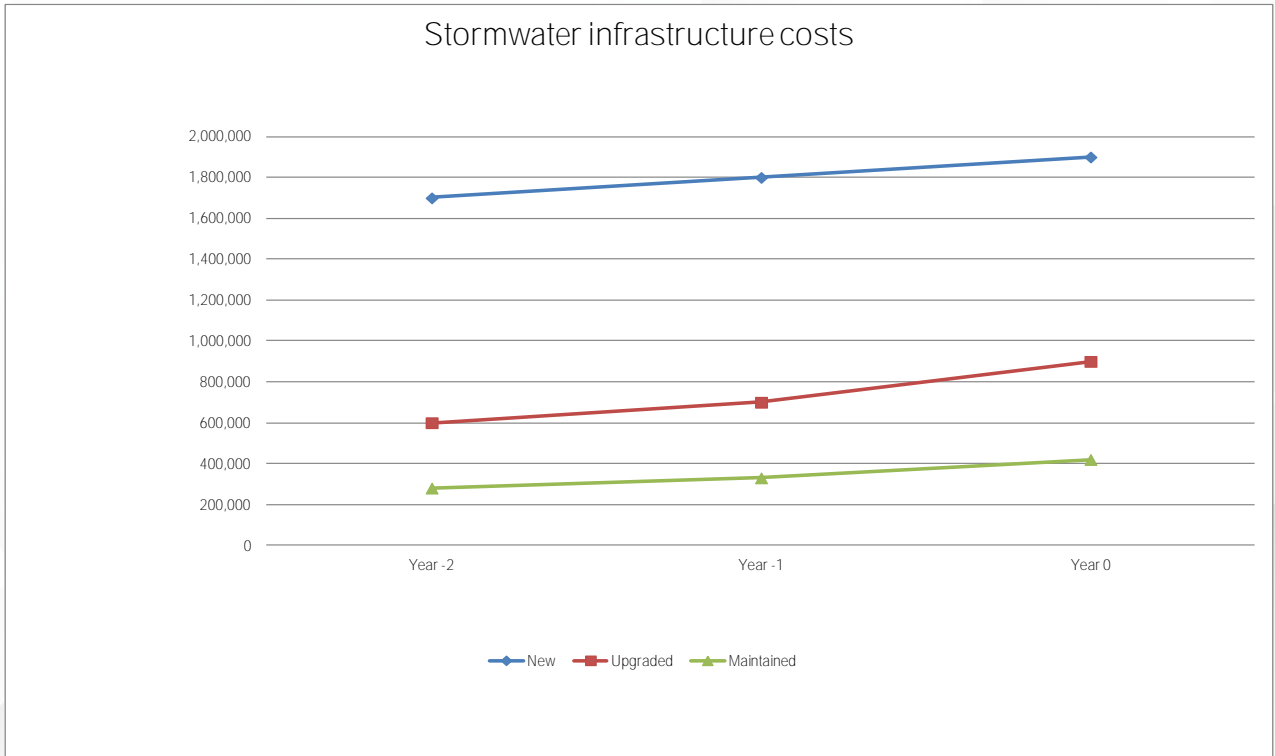
INTRODUCTION TO STORMWATER DRAINAGE

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
				<i>T 3.9.2</i>

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	
			<i>T 3.9.3</i>	



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.
- 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.

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 Mthatha to buy high order goods and for banking facilities. The Mhlontlo Spatial Development Framework (SDF) was last reviewed in the 2018/19 financial year and is currently under review.

The SDF goes further and identify 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

Detail	Applications for Land Use Development					
	Formalisation of Townships		Rezoning		Built Environment	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
Planning application received	N/A	N/A	N/A	2 Applications	0 Application	
Determination made in year of receipt	N/A	N/A	N/A	1 application	10 Application	
Determination made in following year	N/A	N/A	N/A	1 application	1 Application	
Applications withdrawn	N/A	N/A	N/A	0 applicationj	0 Application	
Applications outstanding at year end	N/A	N/A	N/A	1 application	0 applications	

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 0: Planning Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total Operational Expenditure					
Net Operational Expenditure					

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

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

R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A					
Project B					
Project C					
Project D					

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 the municipality is trying to align its 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 COGTA through the Small Towns Revitalisation program for the Precinct plans of both our Towns (Qumbu and Tsolo) these plans 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 Conjunctive Scheme

The scheme being implemented 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 at implementation stage, Laleni hydropower scheme is awaiting financial injection for it to take off. The conjunctive scheme marks the initial phase of a broader development programme of the Mzimvubu Catchment to be phased over time.

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 market 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	83,9	83,2	83,4
Mining and quarrying	12,1	12,4	11,9
Manufacturing	172,2	177,4	179,5
Wholesale and retail trade	756,3	773,5	785,1
Finance, property, etc.	541	549,2	555
Govt, community and social services	2,049.2	2,049.8	2,0441.3
Infrastructure services	96.1	99.2	102.5
Total	1565,5	1595,7	1614,9

T 3.11.2

Economic Employment by Sector			
Jobs			
Sector	Year 1	Year -1	Year 0

	No.	No.	No.
Agric, forestry and fishing	1 440	1 440	1 440
Mining and quarrying	15	15	15
Manufacturing	480	480	480
Wholesale and retail trade	1 810	1 810	1 810
Finance, property, etc.	1 400	1 400	1 400
Govt, community and social services	6 120	6 120	6 120
Infrastructure services	912	912	912
Total		12177	12177

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 arable land and community works programme.

T 3.11.4

Jobs Created during Year 0 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created	Jobs lost/displaced by other initiatives	Net total jobs created in year	Method of validating jobs created/lost
	No.	No.	No.	
Total (all initiatives)	1			
Year -2	63	None		Worksheets
Year -1	63	Nne		Worksheets
Year 0	63	None		Worksheets
Initiative A (Year 0)	Fencing of arable land			
Initiative B (Year 0)	Fencing of arable land			
Initiative C (Year 0)	Fencing of arable land			

T 3.11.5

Job creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
Year -2	2	180
Year -1	2	180
Year 0	2	180

* - Extended Public Works Programme

T 3.11.6

Employees: Local Economic Development Services									
Local Economic Development Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
		(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)
Service Objective xxx									
Training of people in essential skills: x, y, z	No of participants qualifying on prioritised skills	20 people	20 people	20 people	20 people	20 people	20 people	20 people	20 people

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 Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.

T 3.11.7

Financial Performance Year 0: Local Economic Development Services					
					R'000
Details	Year -1	Year 0			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue					
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total Operational Expenditure					
Net Operational Expenditure					

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					
Project A					
Project B					
Project C					
Project D					

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

T 3.11.10

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 whilst making agriculture fashionable to the youth. This initiative by the municipality is commendable and reflects a proactive approach to instilling entrepreneurial skills in students from a young age while promoting sustainable practices in agriculture. An economic recovery plan has been developed which is aligned to national and provincial plans.

We have a number of incubator programmes which include livestock, crop production and fashion designing mentorship programmes where we intend for the small businesses will graduate into big businesses and having share in the market.

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 focusing on agro-processing as well as textile and clothing sector.

Mhlontlo local municipality 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 the whole of 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 a. Special Economic Zone (SEZ).

Mhlontlo local municipality is primarily responsible for creation of an LED-enabling environment. Among others this includes building institutional capacity for LED, 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 internally 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.

Mhlontlo 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 LED workstreams will be organized around various sub-sectors, each focusing on specific aspects of Local Economic Development (LED). Here are the sub-sectors: Agriculture, Aquaculture and Forestry, Tourism, Wholesale and Trade and Enterprise, Manufacturing, mining and renewable energy and Enterprise Development and innovation. These LED workstreams are designed to serve as specialized discussion platforms, each focusing on a specific area of

local economic development. By breaking down LED initiatives into sub-sectors, it becomes easier to address the unique challenges and opportunities within each sector, ultimately contributing to the overall economic development of the municipality. These workstreams may feed into LED fora where comprehensive strategies and plans can be discussed and developed.

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 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.

LED is conducted in order to 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 municipality intends setting specific indicators to track LED implementation progress on a 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; childcare; 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.

T3.12.0

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

INTRODUCTION TO WASTE MANAGEMENT

Mhlontlo Local Municipality is also mandated by section 24 of the Republic of South Africa which states that: “[everyone has the right to have the environment protected for the benefit of present and future generations, through reasonable legislative and other measures.”

Mhlontlo waste is mostly generated by businesses and urban households which pay the refuse rates as per the municipal regulations. Domestic refuse is stored and collected in Black Plastic bags, supplied by the Municipality. Businesses store their waste in cages and wheel bins for collection by the municipal refuse truck for landfilling and recycling.

Recycling is one the key functions that assists in waste management and also job creation in the municipality. The municipality is involved in the O.R. Tambo District Regional Recycling programme and Mhlontlo LM is the regional centre.

Waste removal service:

The total number of households with access to waste removal services was 2022 by June 2023 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.

Collection:

- Domestic 1 x weekly removal
- Business / Commercial: Daily 7 x per week
- Street sweeping: Daily 7 x per week

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 and is still under construction. There is one class B licensed landfill site in Qumbu. The Tsolo landfill site is not functional.

Recycling

Mhlontlo was declared a regional waste recycling centre for OR Tambo district. There are two by-back centers, one in Tsolo and another site 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 2022/2023

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 3.12.0.1

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	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 3.12.5

Capital Expenditure Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Capital Projects	R' 000				
	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

T 3.12.7

3.14 CEMETORIES AND CREMATORIUMS

INTRODUCTION TO CEMETORIES & CREMATORIUMS

Currently, two (2) cemeteries are operational and located in Qumbu and Tsolo towns. The community in the rest of the incorporated areas of the municipality area utilises the cemeteries in the nearest vicinities.

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

SERVICE STATISTICS FOR CEMETORIES & CREMATORIUMS

Currently, two (2) cemeteries are operational and located in Qumbu and Tsolo towns. The community in the rest of the incorporated areas of the municipality area utilises the cemeteries in the nearest vicinities.

T 3.13.2

Employees: Cemeteries and Crematoriums					
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%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.13.5

Capital Expenditure Year 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

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T 3.13.6

COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIIUMS 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

Capital Expenditure Year 0: Child Care; Aged Care; Social Programmes					
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 3.14.6</i>

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

T 3.14.7

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 2022/23 financial year besides the continuous maintenance of the landfill site in Qumbu.

T 3.14

3.16 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

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 3.15.2

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	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 3.15.5

Capital Expenditure Year 0: Pollution Control					
Capital Projects	R' 000				
	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

COMMENT ON THE PERFORMANCE OF POLLUTION CONTROL OVERALL

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 3.15.7

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

INTRODUCTION BIO-DIVERSITY AND LANDSCAPE

Tree planting programmes around the municipal area was conducted in 2022/23 financial year. Planting of trees and monthly grass cutting in Qumbu and Tsolo offices, grave sites and open spaces in towns. They were also planted in Qumbu Village High School, Little flower High School, Qumbu Library and Tsolo Library.

T 3.16.1

SERVICE STATISTICS FOR BIO-DIVERSITY AND LANDSCAPE

Tree planting programmes around the municipal area was conducted in 2022/23 financial year. Planting of trees and monthly grass cutting in Qumbu and Tsolo offices, grave sites and open spaces in towns.

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						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 3.16.5

Capital Expenditure Year 0: Bio-Diversity; Landscape and Other						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 3.16.6

COMMENT ON THE PERFORMANCE OF BIO-DIVERSITY; LANDSCAPE AND OTHER OVERALL

Tree planting programmes around the municipal area was conducted in 2022/23 financial year. Planting of trees and monthly grass cutting in Qumbu and Tsolo offices, grave sites and open spaces in towns.

T 3.16.7

COMPONENT F: HEALTH

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

INTRODUCTION TO HEALTH

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

T 3.17

3.18 CLINICS

INTRODUCTION TO CLINICS

The municipality has no clinic under its management but there are twenty-nine (29) clinics within the municipal jurisdiction.

T 3.17.1

3.19 AMBULANCE SERVICES

INTRODUCTION TO AMBULANCE SERVICES

The municipality does not have any ambulances under its management.

T 3.18.1

3.20 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 2022/23 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 that 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 MLM 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

3.21 POLICE

INTRODUCTION TO POLICE

Mhlontlo Local municipality provides security and safety by participation in 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	
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of road traffic accidents during the year	405	350	405	405
2	Number of by-law infringements attended	256	300	256	256
3	Number of police officers in the field on an average day	7	14	10	14
4	Number of police officers on duty on an average day		14	10	14

T 3.20.2

COMMENT ON THE PERFORMANCE OF SECURITY & SAFETY

T 3.20.2.1

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

3.22 FIRE

INTRODUCTION TO FIRE SERVICES

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

T 3.21.1

3.23 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

The municipality has two animal pounds it manages and maintains, situated in Qumbu and Tsolo.

3.22.1

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

Two animal pounds in Qumbu and Tsolo have been managed in the 2022/23 financial year. Disaster management is the function of the district.

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

As part of its infrastructure program, the municipality builds community sports fields and community halls. In terms of the roll-out of these facilities, the municipality is not doing great because only 5 of the 26 wards have community halls. There are only 3 sports fields not yet complete and a history of 4 that was left incomplete and needs rework.

T 3.23

3.24 SPORT AND RECREATION

SERVICE STATISTICS FOR SPORT AND RECREATION

Three sports fields are under construction and four that were left incomplete are scheduled to be completed in the next IDP term.

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

Most of the policies and guiding documents are in the following directorates and/or departments: Finance, Human Resources, LED, Office of the Municipal Manager and Information Communication Technology, with Council having by-laws as well.

T 3.24

3.25 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			Variance to Budget	
	Actual	Original Budget	Adjustment Budget	Actual		
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 3.24.5

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	

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.24.6

COMMENT ON THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL:

Municipal executive and council performed according to its mandate in 2022/23 financial year. All council committees were appointed and functioning and that includes the audit and risk committees.

Oversight was exercised monthly by the executive and quarterly by council.

T 3.24.7

3.26 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

Financial services, an administrative support service, generated an operating surplus of R 169.4 million for the 2022/2023 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%	

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.

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 2022 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)	(iii)	Actual	Target	Previous Year (v)	Actual	Target	Current Year (vii)	Target
Service Indicators				2020/2021	2021/22	2020/2021	2021/22	2022/23	2022/23	2023/24
				Target	Previous Year (iv)	Actual	Target	Current Year (vi)	Current Year (viii)	Following Year (ix)
To develop and fully implement a Revenue Enhancement and Management Strategy by 2022	Percentage of debt collection rate	Collection rate of 100% on arrear debt (Government) by 30th June 2021	R1,0 million collected since July 2020	R1,0 million collected since July 2020	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	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	R1,9 million collected since July 2020	Collection rate of 30% on debt/Businesses by June 2022	R1,1 million collected since July 2021	Collection rate of 30% on debt/Businesses by June 2022	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	R789 thousand collected since July 2020	Collection rate of 30% on arrear debt (Households) by 30th June 2022	R1,8 million collected since July 2021	Collection rate of 30% on Household debt by June 2022	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	One Supplementary valuation roll completed	Completion of 1 Supplementary valuation roll by June 2022	One Supplementary valuation roll completed	Completion of 1 Supplementary valuation roll by June 2022	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	Revenue enhancement strategy not reviewed	Review 1 revenue enhancement strategy by June 2022	Revenue enhancement strategy not reviewed	Review 1 revenue enhancement strategy by June 2022	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	Creditors paid within 30 days on receipt of an invoice	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)	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	One annual funded annual and adjusted budget compiled	Formulate 1 credible budget by 31st March 2021	One annual funded annual and adjusted budget compiled	Formulate 1 credible budget	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	One GRAP compliant fixed asset register maintained	1 Update assets register to be GRAP compliant by 30th June 2021	One GRAP compliant fixed asset register maintained	1 Updated assets register to be GRAP compliant	1 Updated assets register to be GRAP compliant	N/A	N/A
To ensure that supply chain policies comply with MFMA and all relevant regulations	Procurement Plan	100% compliance with the SCM policy and procurement plan by 30th June 2021	72% compliance with procurement plan	72% compliance with procurement plan	100% compliance with the SCM policy and procurement plan by 30th June 2021	87% compliance with procurement plan	100% compliance with the SCM policy and 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 -2022		Year -2023		
	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 2022/23 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 2022/2023 MTREF process; and
- The collection of outstanding debtors remains a challenge and requires that far more attention is needed to be paid to minimizing debt at an early stage, that is, before it reaches 90 days.

T 3.25.7

3.27 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					
R'000					
Details	Year -1	Year 0			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
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

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T 3.26.6

COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

T 3.26.7

3.28 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 is a unit under corporate services and is responsible for all ICT services within the municipality. It is an innovative resource to ensure that the core main objectives of delivering services to the communities is met by the municipality using latest technologies.

T 3.27.1

SERVICE STATISTICS FOR ICT SERVICES

Information and Communication Technology is responsible for deployment of ICT infrastructure and application platforms to enhance systems performance management of municipal data integrity and data analysis service, development and maintenance of the municipal website, development and implementation of ICT strategy, ICT policies and procedures, systems and network administration and statutory configurations. Transformational front and back-end support services.

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%	

*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. T3.27.4*

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%	

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 3.27.5

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	

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T 3.27.6

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:

T3.27.7

3.29 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 managed by the 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 registers and 6 operational risk registers were developed and maintained in 2022/23.

A contracts register was maintained for all procurement conducted during 2022/23 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



**MHLONTLO LOCAL
MUNICIPALITY**



CHAPTER 4

**ORGANISATIONAL DEVELOPMENT
PERFORMANCE**

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 organization, 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

Department	Employees				
	Year -2022	Year -2023			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Municipal Manager's Office	9	11	14	4	28,5%
Infrastructure Development and Planning	19	32	32	11	34,37%
Budget and Treasury office	24	30	38	4	10,5%
Community Services	47	62	67	22	32,8%
Local Economic Development	10	14	16	0	0%
Corporate Services	33	41	43	8	5,3%
Totals	190	67	196	49	25%

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

Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	1	66,56
CFO	1	1	83,20
Other S56 Managers (excluding Finance Posts)	4	2	74,80
Police officers	2	2	100%
Senior management: Levels 13-15 (excluding Finance Posts)	10	4	40,00
Senior management: Levels 13-15 (Finance posts)	2	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	50	3	6,00
Highly skilled supervision: levels 9-12 (Finance posts)	8	0	0%
Total	78	13	16,67

*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.*

T 4.1.2

T 4.1.2

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year -2021	4	9	225%
Year -2022	5	18	360%
Year -2023	12	2	17%
* 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			T 4.1.3

* 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

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. Appointments on an acting basis were made while recruitment processes were underway.

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 CELLPHONE & MOBILE DATA POLICY	100%	28-30 March 2023	31 May 2023
2 EMPLOYEE RETENTION STRATEGY	100%	28-30 March 2023	31 May 2023
3 CONFIDENTIAL POLICY	100%	28-30 March 2023	31 May 2023
4 PERFORMANCE MANAGEMENT DEVELOPMENT POLICY	100%	28-30 March 2023	31 May 2023
5 CIVIL FUNERAL POLICY FOR COUNCILLORS & TRADITIONAL LEADERS	100%	28-30 March 2023	31 May 2023
6 RELOCATION POLICY	100%	28-30 March 2023	31 May 2023
7 EMPLOYEE REWARDS AND RECOGNITION POLICY	100%	28-30 March 2023	31 May 2023
8 ORGANIZATIONAL ESTABLISHMENT	100%	28-30 March 2023	31 May 2023
9 CUSTOMER CARE POLICY	100%	28-30 March 2023	31 May 2023
10 IMPRISONMENT POLICY	100%	28-30 March 2023	31 May 2023
11 OHS POLICY	100%	28-30 March 2023	31 May 2023
12 CAR ALLOWANCE POLICY	100%	28-30 March 2023	31 May 2023
13 PLACEMENT POLICY	100%	28-30 March 2023	31 May 2023
14 MUNICIPAL ICT GENERAL CONTROLS FRAMEWORK	100%	28-30 March 2023	31 May 2023
15 MUNICIPAL CORPORATE GOVERNANCE OF ICT CHARTER	100%	28-30 March 2023	31 May 2023
16 USER ACCESS MANAGEMENT POLICY	100%	28-30 March 2023	31 May 2023
17 NETWORK SECURITY POLICY	100%	28-30 March 2023	31 May 2023
18 ICT SECURITY POLICY	100%	28-30 March 2023	31 May 2023
19 DISASTER RECOVERY PLAN	100%	28-30 March 2023	31 May 2023
20 ICT INTERGRATED POLICIES	100%	28-30 March 2023	31 May 2023
21 RECRUITMENT, SELECTION, APPOINTMENT, PROBATION, PROMOTION, DEMOTION & TRANSFER	100%	28-30 March 2023	31 May 2023
22 ICT STRAGIC PLAN	100%	28-30 March 2023	31 May 2023
23 ICT DISASTER RECOVERY PLAN	100%	28-30 March 2023	31 May 2023
24 ICT USER ACCESS MANAGEMENT POLICY	100%	28-30 March 2023	31 May 2023
25 ICT BACKUP AND RESTORE POLICY	100%	28-30 March 2023	31 May 2023
26 CORPORATE GOVERNANCE OF ICT TECHNOLOGY POLICY	100%	28-30 March 2023	31 May 2023
27 ACTING ALLOWANCE POLICY	100%	28-30 March 2023	31 May 2023
28 ICT COMMUNICATION TECHNOLOGY POLICY	100%	28-30 March 2023	31 May 2023
29 INDIVIDUAL PERFORMANCE MANAGEMENT PROCEDURE MANAUAL	100%	28-30 March 2023	31 May 2023
30 MUNICIPAL TELEPHONE POLICY	100%	28-30 March 2023	31 May 2023
31 INTERNSHIP POLICY	100%	28-30 March 2023	31 May 2023
32 RECRUITMENT MANAGEMENT REGULATIONS	100%	28-30 March 2023	31 May 2023
33 STRIKE MANAGEMENT POLICY	100%	28-30 March 2023	31 May 2023
34 DISCIPLINARY CODE & PROCEDURES	100%	28-30 March 2023	31 May 2023
35 TERMINATION OF EMPLOYMENT POLICY	100%	28-30 March 2023	31 May 2023
36 REMUNERATION POLICY	100%	28-30 March 2023	31 May 2023
37 ICT RISK MANAGEMENT POLICY	100%	28-30 March 2023	31 May 2023

38	ICT ASSET MANAGEMENT POLICY	100%	28-30 March 2023	31 May 2023
39	INFORMATION SECURITY POLICY	100%	28-30 March 2023	31 May 2023
40	SUBSISTENCE AND TRAVELLING POLICY	100%	28-30 March 2023	31 May 2023
41	TRAINING AND DEVELOPMENT POLICY	100%	28-30 March 2023	31 May 2023
42	TOWARDS BURIAL OF WARD COMMITTEE MEMBERS	100%	28-30 March 2023	31 May 2023
43	BACKUP POLICY	100%	28-30 March 2023	31 May 2023
44	INFORMATION SECURITY POLICY	100%	28-30 March 2023	31 May 2023
45	LEAVE MANAGEMENT POLICY	100%	28-30 March 2023	31 May 2023

T 4.2.1

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.

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	30	1	3	30	60
Temporary total disablement	-	-	-	-	-
Permanent disablement	-	-	-	-	-
Fatal	-	-	-	-	-
Total	-	-	-	-	-

T 4.3.1

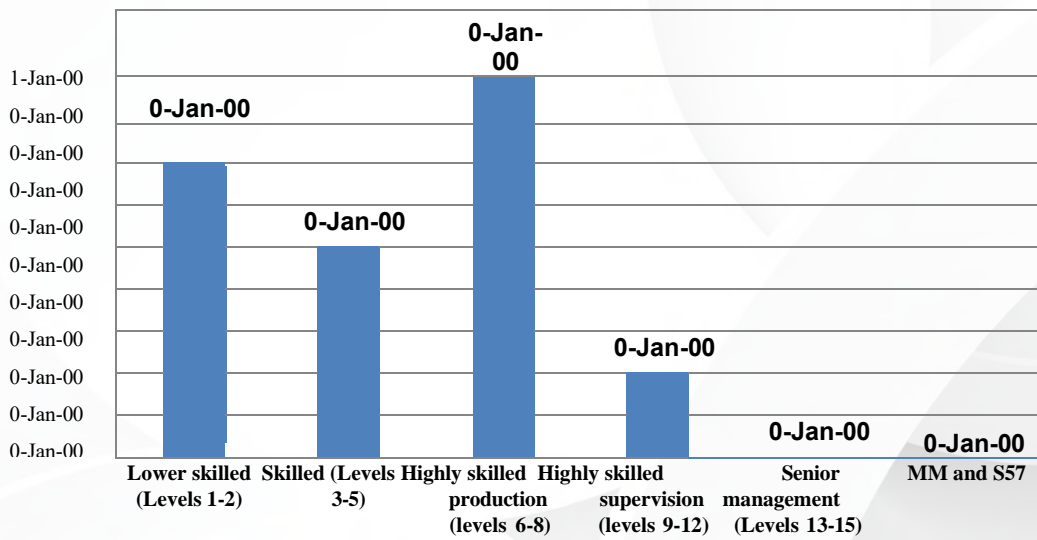
Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post*	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 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

Average Number of Days Sick Leave (excluding IOD)



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

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct, holding an unauthorized meeting	Date of Suspension	Details of Disciplinary Action taken, or Status of Case and Reasons why not finalized	Date Finalized
None	N/A	N/A	There were no cases disciplinary hearing that were reported in the financial year 2022/23 financial year	N/A

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Driver	Damaging municipal vehicle while driving during the unauthorised time.	Still underway	N/A
			T 4.3.6

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

One case was conducted but not finalised yet.

4.3.7

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				
	Male	There were no performance rewards issued during the year of reporting.			
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					
Has the statutory municipal calculator been used as part of the evaluation process ?					Yes/No

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).

T 4.4.1

COMMENT ON PERFORMANCE REWARDS:

Performance assessments were conducted, however there were no performance rewards paid to municipal employees in 2022/23 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												
			Learnerships			Skills programmes & other short courses			Other forms of training			Total			
			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
MM and s57	Female		0	0	0	0	0			0	0			0	
	Male	1								1	1			1	
Councillors, senior officials and managers	Female	6								6	6			6	
	Male	6								6	6			6	
Technicians and associate professionals *	Female	0								0	0			0	
	Male	0								0	0			0	
Professionals	Female	13								13	13			13	
	Male	5								5	5			5	
Sub total	Female	19								19	19			19	
	Male	12								12	12			12	
Total		62	0	0	0	0	0	0	0	62	62	0	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.

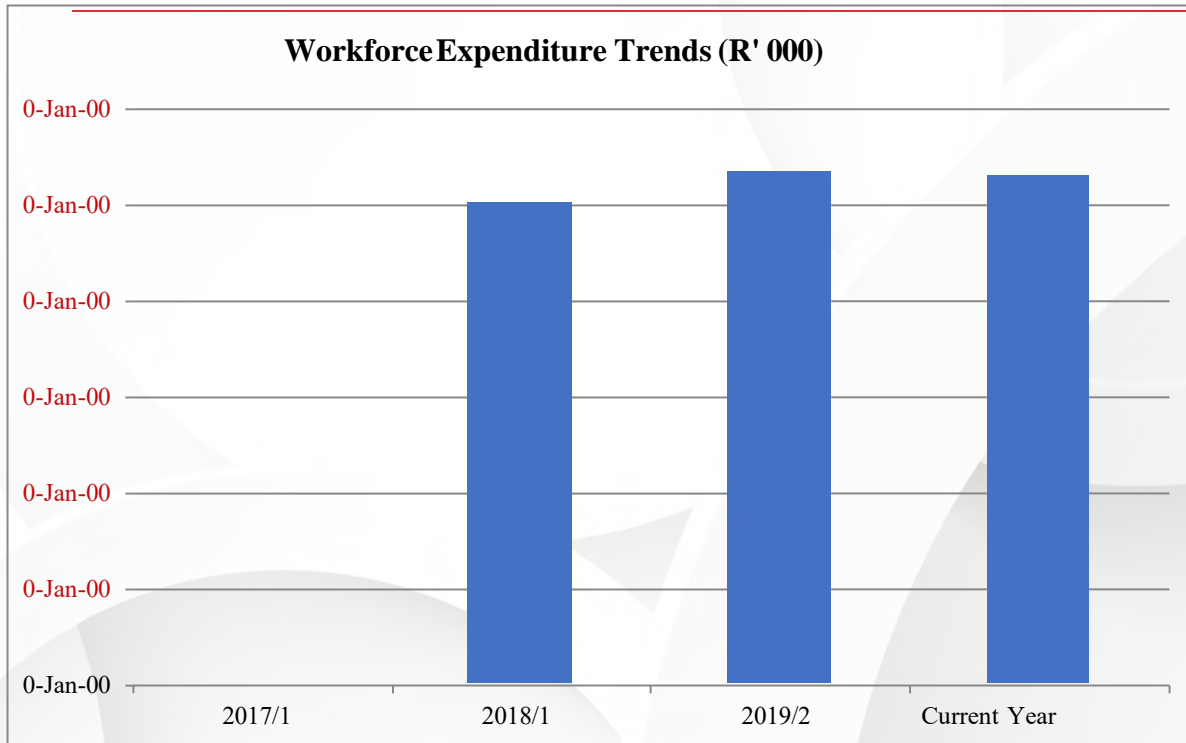
T 4.5.4

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 2022/2023 financial year. The trends show that personnel expenditure in the year under review increased. In 2021/2022 the employee expenditure was R88 million whilst in 2022/2023 it has increased to R104 million. Councilor's allowances show an increase from R20 million to R21.3 million going to 2022/2023 financial year. In overall, personnel expenditure was within the budgeted amount.

4.6 EMPLOYEE EXPENDITURE



Source: MBRR SA22

T 4.6.

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 (Levels 9-12)	Female	
	Male	
Senior management (Levels 13-16)	Female	
	Male	
MM and S 57	Female	
	Male	
Total		0

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

T 4.6.2

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation

T 4.6.3

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist

T 4.6.4

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 2022/23 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



**MHLONTLO LOCAL
MUNICIPALITY**



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 surplus of R14 - million compared the prior year deficit of R3 - million. Operating revenue for the year is R354 - million (2022: R316 - million), which reflects a decrease.

The operating expenditure for the year is R340 - million (2022: R319 million), which reveals an increase.

The total capital expenditure capitalized for the year in respect of property, plant, and equipment amounted to R79 million. This includes R77 million from government grants, and the rest from own cash resources.

Cash and short-term investments decreased to R127 million (2022: R172 - 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 R277 million (2022: R251-million), which shows an increase of 10%.

Included in the above figure are operating government grants to the amount of R223-million, which constitute 85% of total revenue.

Service charges comprise 0.6% of total revenue and increased by R440 thousand from 2021 (R2 -million) to R2,4-million in the reporting financial year.

Property rates constitute 10% of revenue and increased by 0.2% from the previous financial year.

Interest received has increased from R5,2 – million to R10,2 - million, which can mainly be attributed to the interest rate increases during the year.

Revenue from fines decreased by R69-thousand from the previous year.

The operating expenditure for the year is R340-million (2022-R319-million), which indicates an increase of 6,5% from the previous financial year.

The main expenditures are employee-related costs at R104-million (2022 R88-million), remuneration of councilors at R21-million, depreciation, and amortization R47 million, general expenses at R137-million.

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

Capital expenditure for the year amount to R79-million. This includes capital grants of R65-million and R14-million of internally generated funds.

T 5.1.0

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	2022/23						
	Original Budget	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R thousands	1	3	6	7	9	10	11
Financial Performance							
Property rates	33 278	34 437	33 856	33 876	(20)	100%	102%
Service charges	2 032	1 897	1 220	2 441	(1 220)	200%	120%
Investment revenue	5 274	3 418	4 873	10 126	(5 253)	208%	192%
Transfers recognised - operational	206 565	226 529	226 590	203 613	22 977	90%	99%
Other own revenue	1 714	3 253	5 800	5 758	42	99%	336%
Total Revenue (excluding capital transfers and contributions)	248 863	269 534	272 339	255 813	16 526	94%	103%
Employee costs	91 263	107 736	110 341	104 363	5 978	95%	114%
Remuneration of councillors	20 121	24 205	21 152	20 885	267	99%	104%
Debt impairment	-	-	-	-	-	#DIV/0!	#DIV/0!
Depreciation & asset impairment	57 739	52 187	54 356	68 097	(13 741)	125%	118%
Finance charges	551	-	-	-	-	-	-
Transfers and grants	199	3 102	3 102	383	2 719	12%	193%
Other expenditure	145 661	150 858	203 711	151 915	51 796	75%	104%
Total Expenditure	315 533	338 088	392 662	345 643	47 019	88%	110%
Surplus/(Deficit)	(66 670)	(68 554)	(120 323)	(89 830)	(30 493)	0	(0)
Transfers recognised - capital	-	-	-	-	-	#DIV/0!	0%
Contributions recognised - capital & contributed assets	-	-	-	-	-	0%	-
Surplus/(Deficit) after capital transfers & contributions	(66 670)	(68 554)	(68 554)	(89 830)	21 275	131%	135%
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(66 670)	(68 554)	(68 554)	(89 830)	21 275	131%	135%
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	70 491	-	100%	26%
Net cash from (used) investing	(92 290)	(95 957)	(95 957)	(95 957)	-	100%	104%
Cash/cash equivalents at the year end	208 049	57 245	57 245	57 245	-	100%	28%

T 5.1.1

#REF!	R '000					
	2021/22	2022/23		2020/21 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Waste Management	18 797	27 648	18 871	17 072	-61,94%	-10,53%
Housing	-	-	-	-	-	-
Component A: sub-total	18 797	27 648	18 871	17 072	-61,94%	-10,53%
Waste Water (Stormwater Drainage)	-	-	-	-	-	-
Roads	71 309	83 445	109 822	63 513	-31,38%	-72,91%
Transport	-	-	-	-	-	-
Component B: sub-total	71 309	83 445	109 822	63 513	-31,38%	-72,91%
Planning	-	-	-	-	-	-
Local Economic Development	12 433	21 123	21 078	19 419	-8,78%	-8,55%
Component B: sub-total	12 433	21 123	21 078	19 419	-8,78%	-8,55%
Planning (Strategic & Regulatory)	91 689	136 429	139 006	113 842	-19,84%	-22,10%
Local Economic Development	-	-	-	-	#DIV/0!	#DIV/0!
Component C: sub-total	91 689	136 429	139 006	113 842	-19,84%	-22,10%
Community & Social Services	2 135	460	650	93	-	-
Security and Safety	27 331	25 247	28 204	25 633	1,50%	-10,03%
Component D: sub-total	29 466	25 707	28 854	25 725	0,07%	-12,16%
Total Expenditure	223 693	294 352	317 631	239 571	-22,87%	-32,58%

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 unfavorable variance of R3-million.

T5.1.3

5.2 GRANTS

Grant Performance							R' 000
Description	2021/22	2022/23		2022/23 Variance			
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)	
<u>Operating Transfers and Grants</u>							
National Government:	221 802	243 295	243 063	249 295			
Equitable share	200 960	217 727	217 727	217 727	0,00%	0,00%	
Finance Management	-	2 300	2 068	2 300	0,00%	11,23%	
EPWP Grant	2 321	2 300	2 300	2 300	0,00%	0,00%	
Integrated National Electrification Programme	18 521	20 968	20 968	26 968			
Provincial Government:	550	-	550	550			
Library & Subsidies	550	-	550	550	0,00%	0,00%	
Local Government SETA	-	-	-	-	0,00%	0,00%	
Tsitsa Fire Management grant	-	-	-	-			
COVID 19 Grant Relief	-	-	-	-	0,00%	0,00%	
District Municipality:	-	3 508	3 207	3 211			
Communications grant	-	-	-	-			
MIG - Operational	-	3 508	3 207	3 211			
Other grant providers:	-	-	-	-			
Gqunu Lots	-	-	-	-	0,00%	0	
Total Operating Transfers and Grants	222 352	246 803	246 819	253 056	-	-	
<i>Variations 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 R217-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, R20-million was received for the year under review. An additional allocation of R6 million was received because of good spending on Integrated electrification program.

The municipal infrastructure grant is for constructing basic municipal infrastructure. An amount of R50 million was gazetted and received.

The municipality also received a Disaster relief grant on the 15th of June 2023 which was unspent at year end.

T 5.2.2

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 (CFO).

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 2022/23				
Asset 1				
Name	Construction of Shawbury-Mncetyana Access Road			
Description	Construction of Shawbury-Mncetyana Access Road			
Asset Type	Infrastructure			
Key Staff Involved	Ms XY Ngatyelwa			
Staff Responsibilities	To be the project manager. Acting as a consultant for the project.			
	2019/20	2020/21	2021/22	2022/23
Asset Value	-	-	1 047 730,88	7 414 871,03
Capital Implications	None			
Future Purpose of Asset	Provisioning of access roads			
Describe Key Issues	None			
Policies in Place to Manage Asset	Asset management Policy			
Asset 2				
Name	Rehabilitation of Qumbu Sports field Phase 2			
Description	Rehabilitation of Qumbu Sports field Phase 2			
Asset Type	Provision of sporting ground to the community			
Key Staff Involved	Ms XY Ngatyelwa			
Staff Responsibilities	To be the project manager. Acting as a consultant for the project.			
	2019/20	2020/21	2021/22	2022/23
Asset Value	143 628,86	3 529 374,30	7 260 228,31	6 695 131,04
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			
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.			
	2019/20	2020/21	2021/22	2022/23
Asset Value	10 494 603,06	10 781 562,08	16 105 216,64	23 450 434,78
Capital Implications	None			
Future Purpose of Asset	Provision of access to electricity by the community			
Describe Key Issues	None			
Policies in Place to Manage Asset	None			

T 5.3.2

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: 2022/23				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	16 556,00	23 509,00	17 789,00	-7%

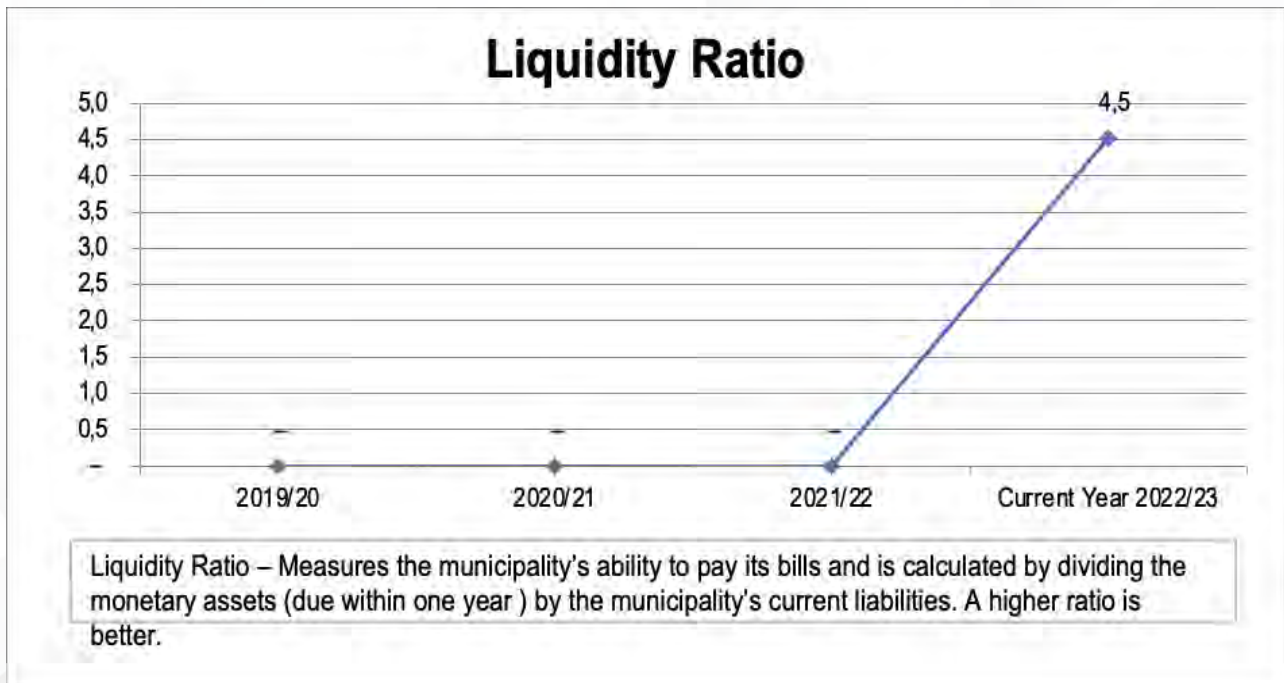
T 5.3.4

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE

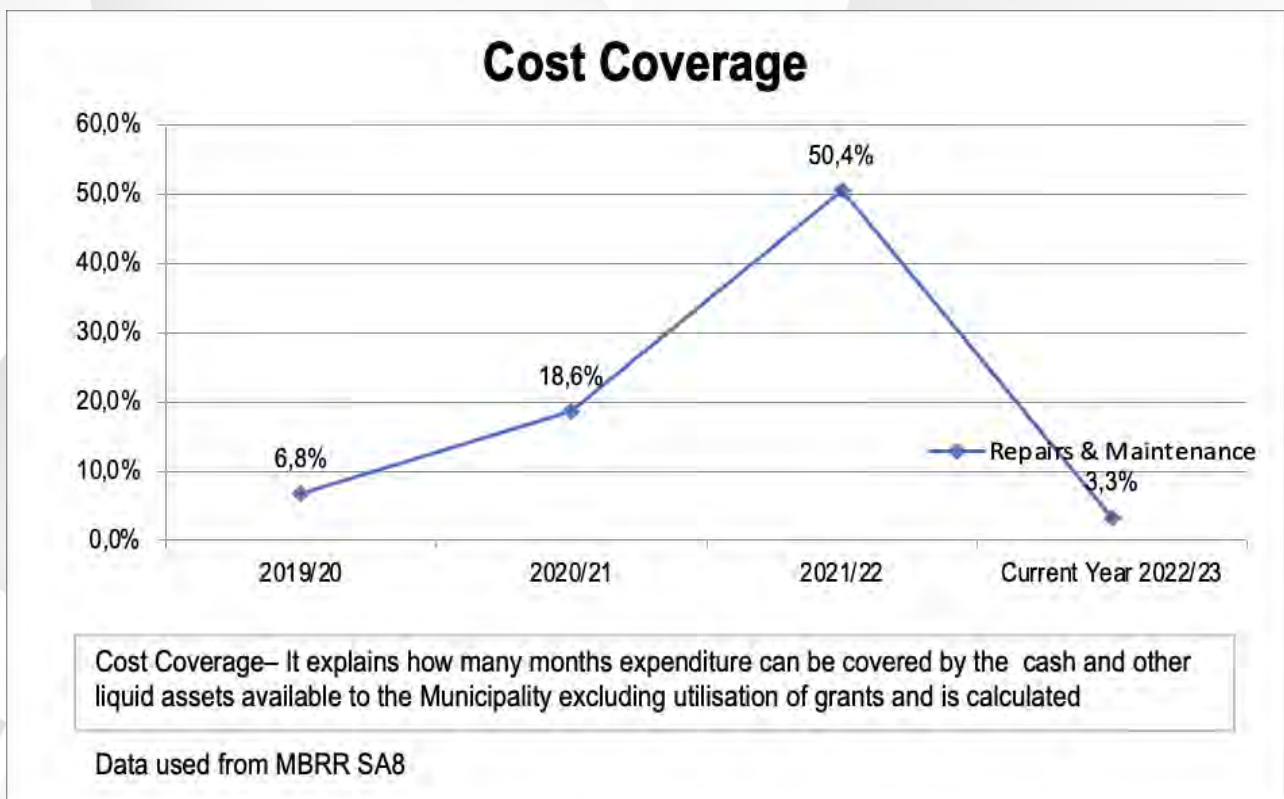
The aging infrastructure of the municipality requires that larger amounts be made available for the maintenance and replacement of rural roads. However, the pressure placed on budget provision for the extension of infrastructure to cater for new developments limits the availability of funds for maintenance 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

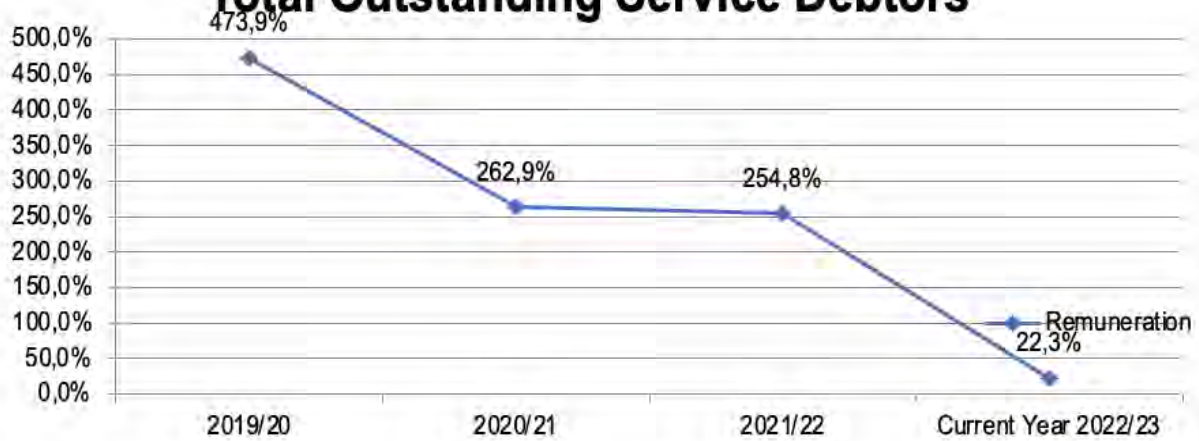


T 5.4.1



T 5.4.2

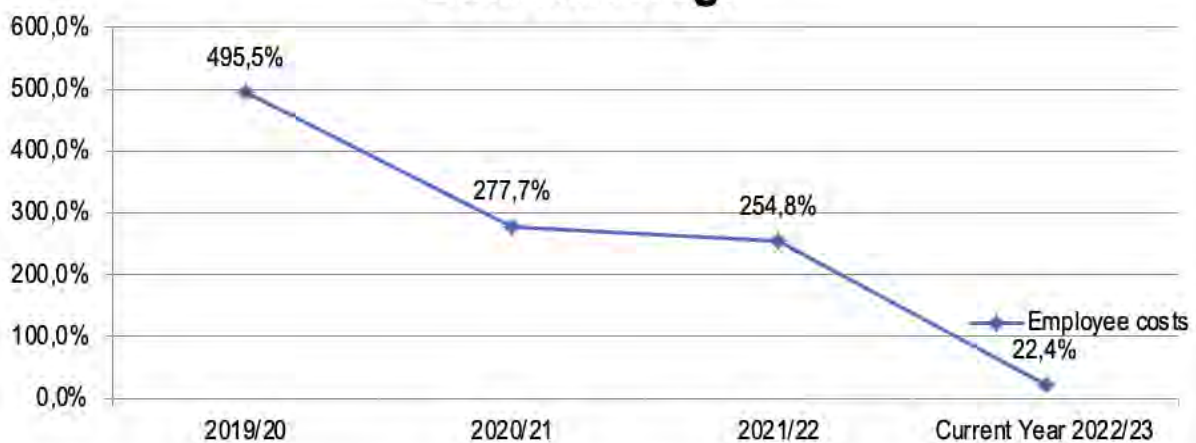
Total Outstanding Service Debtors



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

T 5.4.3

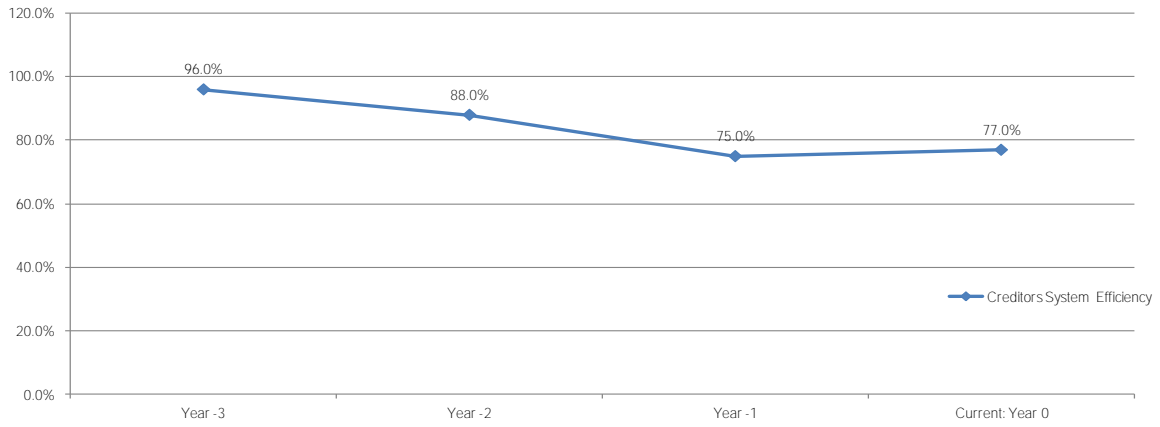
Debt Coverage



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

T 5.4.4

Creditors System Efficiency

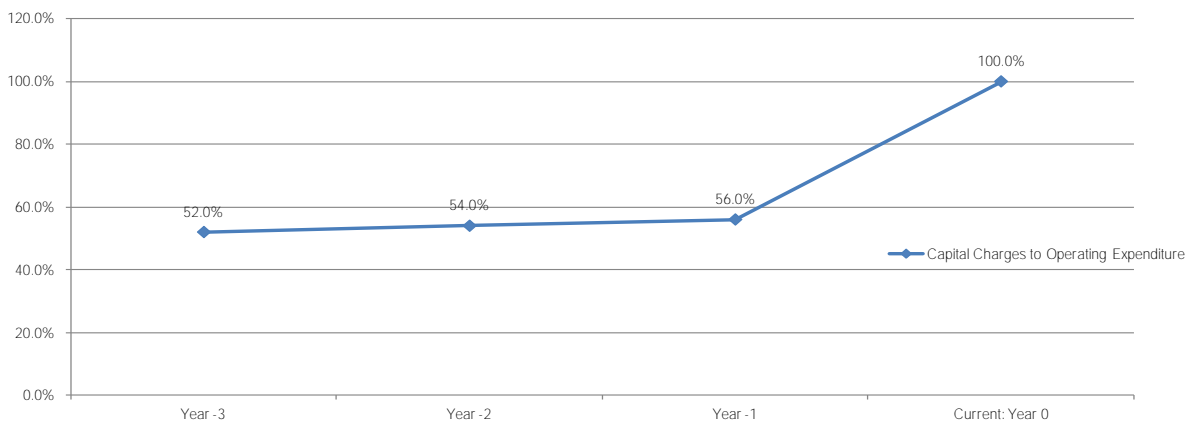


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.5

Capital Charges to Operating Expenditure



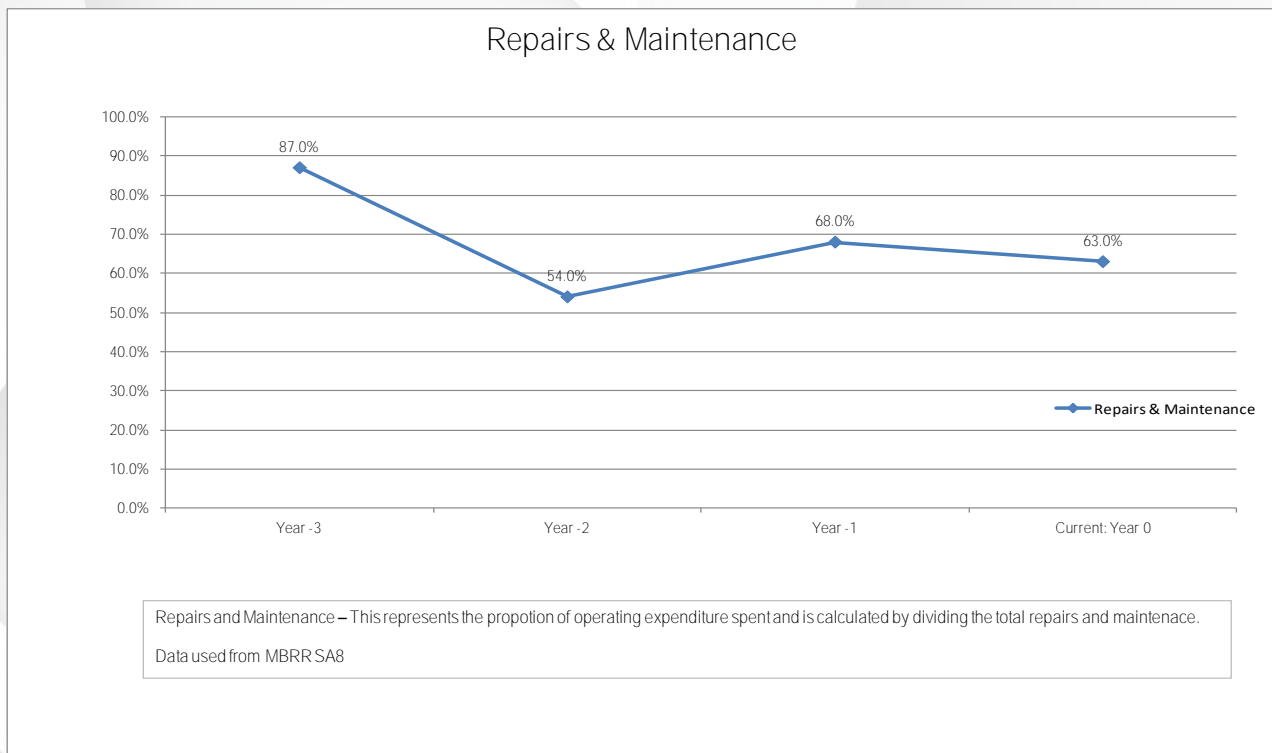
Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

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

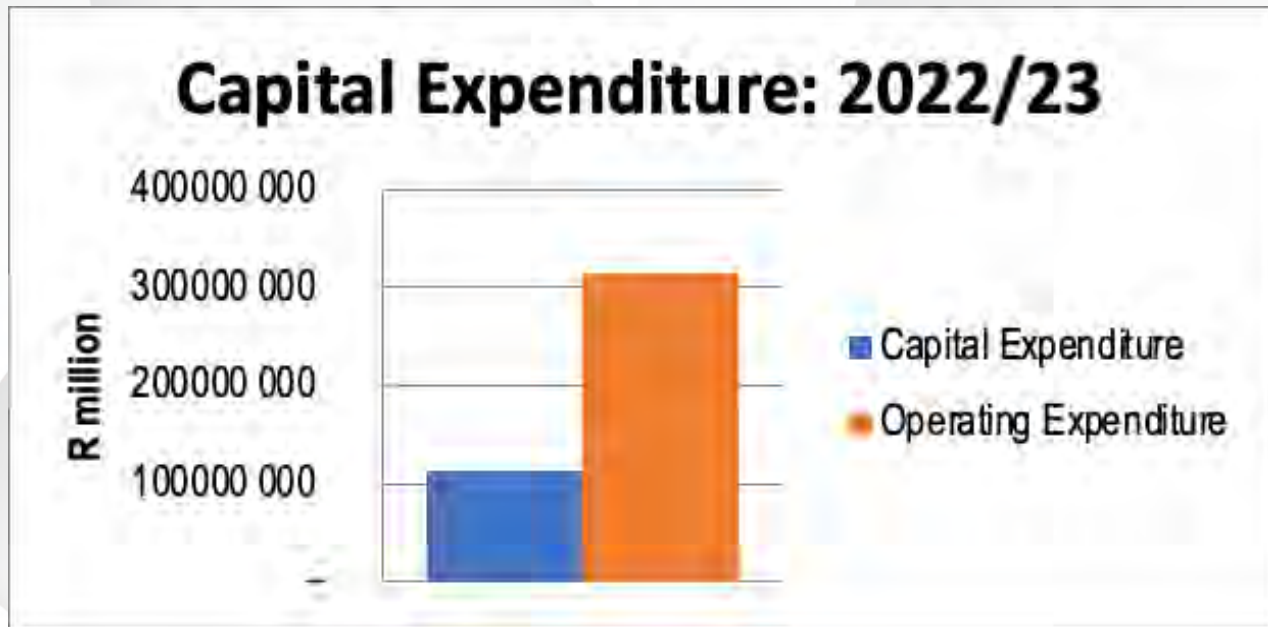
Capital expenditure relates mainly to the construction of assets that will have value, lasting over many years. Capital expenditure is funded from grants, and surpluses.

During the financial year under review, capital expenditure amounts to R79-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



T 5.5.

5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2020/21 to 2021/2						
R' 000						
Details	2021/22	2022/2023				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
<i>Source of finance</i>						
External loans	-	-	-	-		
Public contributions and donations	-	-	-	-		
Grants and subsidies	206 564 764	226 528 548	226 589 818	226 528 548	0,03%	0,00%
Other	1 713 691	3 252 967	5 799 985	5 757 688		
Total	208 278 455	229 781 515	232 389 803	232 286 236	0,03%	0,00%
<i>Percentage of finance</i>						
External loans		0,0%	0,0%	0,0%	0,0%	#DIV/0!
Public contributions and donations		0,0%	0,0%	0,0%	0,0%	#DIV/0!
Grants and subsidies	99,2%	98,6%	97,5%	97,5%	100,0%	#DIV/0!
Other	0,8%	1,4%	2,5%	2,5%	0,0%	#DIV/0!
<i>Capital expenditure</i>						
Roads and storm water	-376 588,00	96 871 192	112 150 448	96 871 192	15,77%	0,00%
Other	35 597			-	#DIV/0!	#DIV/0!
Total	35 220 656,39	96 871 192	112 150 448	96 871 192	#DIV/0!	#DIV/0!
<i>Percentage of expenditure</i>						
Roads and storm water	-1,1%	100,0%	100,0%	100,0%	#DIV/0!	#DIV/0!
Other	101,1%	0,0%	0,0%	0,0%	#DIV/0!	#DIV/0!
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%
<i>* Projects with the highest capital expenditure in 2019/20</i>					
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 desasterouse 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				
Future Challenges	None				
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 R79 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 R30 million, and other capital expenditure amounts to R36 million. The capital budget was funded by government grants amounting to R65 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 2023				
	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				
% HHs are the service above/below minimum standard as a proportion of total HHs.				T 5.8.2
% HHs are the service above/below minimum standard as a proportion of total HHs.				
*Housing refers to * formal and ** informal settlements.				

Municipal Infrastructure Grant (MIG)* Expenditure 2023 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				%	%	
<i>Roads, Pavements & Bridges</i>	28 878 122,00	31 854 322,64	31 854 322,64	110%	100%	
<i>Storm water</i>	7 757 821,00	4 757 821,00	4 757 821,00	61%	100%	
<i>Other Specify:</i>				%	%	
<i>Sports field</i>	12 267 249,00	12 267 249,00	12 267 249,00	100%	100%	
<i>Hall</i>	850 000,00	850 000,00	850 000,00	100%	100%	
				%	%	
Total	49 753 192,00	49 729 392,64	49 729 392,64	100%	100%	
* 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.						T 5.8.3

COMMENT ON BACKLOGS

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

T 5.8.4

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				
#REF!	2021/22	Current: 2022/23		
	Actual	Original Budget (OB)	Adjustment Budget	Actual
R'000				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts	266 872	316 063	322 928	261 839
Ratepayers and other	9 701	17 563	17 266	27 123
Government - operating	202 533	226 529	226 590	199 630
Government - capital	42 595	67 751	67 751	5 100
Interest	5 271	–	4 873	10 121
Service charges	–	968	622	582
Other revenue	6 772	3 253	5 825	19 284
Donations	–	–	–	–
Payments	(84 752)	(243 515)	(307 369)	(280 034)
Suppliers and employees	(84 752)	(243 515)	(307 369)	(279 910)
Finance charges	–	–	–	–
Transfers and Grants	–	–	–	(124)
NET CASH FROM/(USED) OPERATING ACTIVITIES	351 624	559 579	630 297	541 874
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts	–	–	–	–
Proceeds on disposal of PPE	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments	–	–	–	–
Capital assets	(3 187)	(94 451)	(112 150)	(64 417)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(3 187)	(94 451)	(112 150)	(64 417)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts	–	–	–	–
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments	–	–	–	–
Repayment of borrowing	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD	348 438	465 128	518 146	477 457
Cash/cash equivalents at the year begin:	(6 303)	145 745	220 432	213 767
Cash/cash equivalents at the year end:	172 630	123 842	123 842	131 155
<i>Source: MBRR A7</i>				<i>T 5.9.1</i>

COMMENT ON CASH FLOW OUTCOMES

The cash flow from operating activities indicates a positive cash flow of R127 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 R127 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	2020-2021	2021-2022	2022-2023
	Actual	Actual	Actual
Municipality			
Securities - National Government	0,00	0,00	0,00
Listed Corporate Bonds	0,00	0,00	0,00
Deposits - Bank	160 425 581	167 410 927	123 126 914
Deposits - Public Investment Commissioners	0,00	0,00	0,00
Deposits - Corporation for Public Deposits	0,00	0,00	0,00
Bankers Acceptance Certificates	0,00	0,00	0,00
Negotiable Certificates of Deposit - Banks	0,00	0,00	0,00
Guaranteed Endowment Policies (sinking)	0,00	0,00	0,00
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	160 425 581,00	167 410 926,94	123 126 914,00
Consolidated total:	160 425 581,00	167 410 926,94	123 126 914,00
			<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 2022 with effect from 01 July 2022.

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 (6) six 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 2022/23 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.



**MHLONTLO LOCAL
MUNICIPALITY**



CHAPTER 6

**AUDITOR GENERAL REPORT ON THE
FINANCIAL STATEMENTS: YEAR 2023**

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 28/03/2024
T 6.2.5

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 EPMSD performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

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 Naniwe Sayiti	FT	COUNCIL, EXCO., WOMEN'S CAUCUS	ANC PR	80%	20%
Cllr Siphenkosi Voko	FT	COUNCIL, EXCO, LED	ANC PR	68%	32%
Cllr Sesi Matshoba	FT	COUNCIL, EXCO, SPU AND WOMEN'S CAUCUS	ANC PR	77%	23%
Cllr Siginine Khahla	PT	COUNCIL, EXCO, CORPORATE SERVICES.	ANC PR	81%	19%
Cllr. Ntomboxolo Mbunjana	PT	COUNCIL, HUMAN SETTLEMENT AND LED	ANC PR	86%	14%
Cllr. Nobuntu Walaza	PT	COUNCIL, PUBLIC PARTICIPATION AND ETHICS	ANC PR	81%	19%
Cllr Mandisa R. Giyose	FT	COUNCIL, Human Settlement	ANC PR	22%	77%
Cllr. Babalwa Rasmeni	PT	COUNCIL, MPAC, CORPORATE SERVICES.	ANC PR	81%	19%
Cllr. Bulelwa Madikida	PT	COUNCIL, CORPORATE SERVICES, Human Settlement	ANC PR	72%	28%
Cllr. Khwezi Mad'omso Jubase	PT	COUNCIL, MPAC, LOCAL LABOUR FORUM	UDM	45%	54%
Cllr. Makabongwe Libazi	PT	COUNCIL. ETHICS, BTO	UMD PR	4.5%	95%
Cllr. Bless Vuyisa Mpendulo Rosi	PT	COUNCIL, BTO, CORPORATE SERVICES	ATM PR	81%	19%
Cllr. Lulamile Alfred Boyana	PT	COUNCIL, COMMUNITY SERVICES	ATM PR	63%	36%
Cllr. Nosipho Tiwane	PT	COUNCIL, COMMUNITY SERVICES.	SANCO PR	81%	19%
Cllr. Simphiwe Mngcotana	PT	COUNCIL, BUDGET AND TREASURY	WARD 01 INDEPENDENT	81%	19%
Cllr. Ntsikelelo Ranga	PT	COUNCIL, ETHICS AND BTO	WARD 02 ANC	50%	50%
Cllr. Simtembile Mbola	PT	COUNCIL, CORPORATE SERVICES, INFRASTRUCTURE	WARD 03 ANC	72%	27%
Cllr Sivuyile Sophangisa	PT	COUNCIL, MPAC AND LERDPAD	WARD 04 ANC	74%	27%
Cllr Siginine Khahla	FT	COUNCIL CORPORATE SERVICES	WARD 05 ANC	81%	50%
Cllr Mbulelo Vungu-vungu	PT	COUNCIL, INFRASTRUCTURE	WARD 06 ANC	72%	54%
Cllr. Thembelani Sibongiseni Guga	PT	COUNCIL, PUBLIC PARTICIPATION, COMMUNITY SERVICES.	WARD 07 ANC	72%	27%
Cllr. Velisani Nododana	PT	COUNCIL, MPAC	WARD 08 ANC	68%	31%
Cllr. Andile Nombewu	PT	COUNCIL, CORPORATE SERVICES	WARD 09 ANC	90%	10%
Cllr. Sinethemba Mtwazi	PT	COUNCIL, COMMUNITY SERVICES	WARD 10 ANC	81%	18%
Cllr. Thandiwe Titshana	PT	Council, BTO, WOMENS CAUCUS	WARD 13	100%	0%

			ANC		
Cllr. Bhekizenzo Gigi	PT	COUNCIL,SPU AND COMMUNITYSERVICES	WARD 14 ANC	68%	31%
Cllr Zizamele Renene	PT	COUNCIL AND COMMUNITY SERVICES	WARD 15 ANC	71%	10%
Cllr. Mzuvumile Prizeman Bontsa	PT	COUNCIL,SPU,COMMUNITY SERVICES.	WARD 17 ANC	72%	27%
Cllr. Tamsanqa Wiseman Magugu	PT	COUNCIL, ETHICS AND MEMBERS INTEREST	WARD 18 ANC	90%	10%
Cllr Mzimkhulu Jeremiah Jikijela	PT	COUNCIL AND LEDPARD	WARD 19 ANC	36%	10%
Cllr Mzwakha Tembela	PT	COUNCIL AND COMMUNITY SERVICES	WARD 20 ANC	63%	27%
Cllr. Nickelwa Khemtshe	PT	COUNCIL,SPU,HUMAN SETTLEMENT.	WARD 21 ANC	72%	30%
Cllr. Siphenkosi Master Hlathi	PT	COUNCIL, Public Participation and petition,Infratructure	WARD 22 ANC	60%	40%
Cllr. Mkhululi Konza	PT	COUNCIL,PUBLIC PARTICIPATION AND PETITIONS	WARD 23 ANC	36%	63%
Cllr. Witness Badanile Ntamo	PT	COUNCIL AND MPAC	WARD 24 ANC	63%	36%
Cllr. Chumisa Maqebula	PT	COUNCIL, SPU	WARD 26 ANC	77%	22%

Note: * Councillors appointed on a proportional basis do not have wards allocated to them

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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 DISPLINERY BOARD	Investigate and make a finding on the interests of Councillors. 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

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APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
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 Mfabela 10 ward committee members elected	Yes	12	12	4
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 – WARD INFORMATION

Priority No	Project Name	Ward	Project Status
1.	Rehabilitation of Qumbu Sports Field	15	Construction
2.	Mvumelwno Sports field phase 2	14	Complete
3.	Tar to Suthwini Access Road	07	Complete
4.	Tsolo Bulk Stormwater	06	Complete
5.	Tsolo Storm Water Management Phase2	06	Construction
6.	Batyi Access Road	01	Complete
7.	T213-Cameron Ngudle Access Road	04	Construction
8.	Shawbury-Mncetyana Access Road	11	Complete
9.	Sboko to Stadium	14	Complete
10.	Gqunu Farms	15	Complete
11.	Nomhala-St Cuthberts Access Road	03	Construction

Municipal Infrastructure Grant 2023/2024

Priority No	Project Name	Ward	Project Status
1.	Gqunu Farms	15	Construction
2.	Tsolo Sports Field	14	Construction
3.	Nodali-Madiba Access Road	07	Construction
4.	Gqubela-Mhlabathi Access Road	06	Construction
5.	Tsolo New Homes Pre-School	06	Construction
6.	Ntibane Farms Pre-School	01	Construction
7.	Mchathu-Sidwadweni Community Halls	04	Construction
8.	Sithangameni Community Halls	11	Construction
9.	Caveni-Dumaneni Access Road	14	Construction

List of projects implemented under Equitable Share 2022/2023

Priority No	Project Name	Ward	Project Status
1.	Tsolo Service Centre	06	Complete
2.	Mhlontlo Emergency Water and sanitation for Qumbu and Tsolo Offices.	15 & 06	Complete
3.	Vehicle Testing Centre	06	Complete

Electrification Programme

Priority No	Project Name	Financial Year	Ward	Project Status
1.	Mhlontlo Electrification in various wards	2022/2023	02 08 12 25	Complete
2.	Mhlontlo Electrification in various wards	2023/2024	10 15 21 23 25	

ELECTED WARD MEMBERS (STATING NUMBER OF MEETING ATTENDED – MAXIMUM 12 MEETINGS)

Names: xxx (8); xxx (7)...

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APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE YEAR 2023

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during Year 2022	Recommendations adopted (enter Yes) If not adopted (provide explanation)
28/08/2022	That a POPI Act compliance plan be urgently developed to ensure compliance with the Act;	Yes
18/10/2022	That a detailed report on MSCOA be submitted at the next meeting of the Committee.	Yes
18/10/2022	That the municipality urgently address the UIFW expenditure in compliance with Section 32 of the MFMA;	Yes
18/10/2022	That a plan for the functionality of the MSCOA governance structures be developed and submitted at the next meeting.	Yes
18/10/2022	That the Municipality's annual report for the 2019/2020 financial year be finalized as a matter of extreme urgency.	Yes
22/01/2023	That standard operating procedures in fleet management be developed and implemented as a matter of urgency;	Yes
22/01/2023	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
22/01/2023	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
22/01/2023	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
22/01/2023	That the MSCOA report for the period ending 31st March 2022 be deferred to the next meeting.	Yes
22/01/2023	That the third quarter performance report for the period ended 31st March 2022 be deferred to the next meeting	Yes
22/01/2023	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
22/01/2023	That the process of cascading PMS to lower levels of staff be proceeded with in compliance with Section 46: of the Local Government Municipal Systems Act.	Yes
22/01/2023	That Performance Agreements be signed by all staff Members before end of July 2022.	Yes
22/01/2023	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
22/01/2023	That the Municipality consider appointing a PMS practitioner in order to ensure proper coordination of performance management information	Yes
22/01/2023	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
22/01/2023	That the Municipality adopts a loss control policy as a matter of urgency;	Yes
22/01/2023	That the Accounting Officer ensure that the OHS report is resubmitted to the Risk Management Committee	Yes
22/01/2023	That the position for Assistant Manager Risk and Compliance be advertise as soon as possible.	Yes
22/01/2023	To institute Disciplinary hearing with regards to the Driver involved in the car that was allocated to the Chief Whip.	Yes

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APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of Year 0 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor		
Member of MayCo / Exco		
Councillor		
Municipal Manager		
Chief Financial Officer		
Deputy MM and (Executive) Directors		
Other S57 Officials		

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

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX K (I): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
R' 000						
Vote Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Example 1 - Vote 1						
Example 2 - Vote 2						
Example 3 - Vote 3						
Example 4 - Vote 4						
Example 5 - Vote 5						
Example 6 - Vote 6						
Example 7 - Vote 7						
Example 8 - Vote 8						
Example 9 - Vote 9						
Example 10 - Vote 10						
Example 11 - Vote 11						
Example 12 - Vote 12						
Example 13 - Vote 13						
Example 14 - Vote 14						
Example 15 - Vote 15						
Total Revenue by Vote	-	-	-	-	-	-
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3</i>						T K.1

APPENDIX K (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 L: 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						

** 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.*

T L

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

APPENDIX M (I): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	R '000						
	Year -1	Year 0			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<u>Capital expenditure by Asset Class</u>							
<u>Infrastructure - Total</u>	-	-		-	-	-	-
Infrastructure: Road transport - Total	-	-		-	-	-	-
<i>Roads, Pavements & Bridges</i>							
<i>Storm water</i>							
Infrastructure: Electricity - Total	-	-		-	-	-	-
<i>Generation</i>							
<i>Transmission & Reticulation</i>							
<i>Street Lighting</i>							
Infrastructure: Water - Total	-	-		-	-	-	-
<i>Dams & Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
Infrastructure: Sanitation - Total	-	-		-	-	-	-
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total	-	-		-	-	-	-
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>							
<u>Community - Total</u>	-	-		-	-	-	-
<i>Parks & gardens</i>							
<i>Sportsfields & stadia</i>							
<i>Swimming pools</i>							
<i>Community halls</i>							
<i>Libraries</i>							
<i>Recreational facilities</i>							
<i>Fire, safety & emergency</i>							
<i>Security and policing</i>							
<i>Buses</i>							
<i>Clinics</i>							
<i>Museums & Art Galleries</i>							
<i>Cemeteries</i>							
<i>Social rental housing</i>							
<i>Other</i>							
<i>Table continued next page</i>							

Table continued from previous page

Capital Expenditure - New Assets Programme*							
Description	R '000						
	Year -1	Year 0			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
<u>Heritage assets - Total</u>	-	-		-	-	-	-
Buildings							
Other							
<u>Investment properties - Total</u>	-	-		-	-	-	-
Housing development							
Other							
<u>Other assets</u>	-	-		-	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<u>Agricultural assets</u>	-	-		-	-	-	-
List sub-class							
<u>Biological assets</u>	-	-		-	-	-	-
List sub-class							
<u>Intangibles</u>	-	-		-	-	-	-
Computers - software & programming							
Other (list sub-class)							
Total Capital Expenditure on new assets	-	-		-	-	-	-
<u>Specialised vehicles</u>	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							

* Note: Information for this table may be sourced from MBRR (2009: Table SA34a)

T M.1

APPENDIX M (II): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

Capital Expenditure - Upgrade/Renewal Programme*							
Description	R '000						
	Year -1	Year 0			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Infrastructure - Total	-	-		-	-	-	-
Infrastructure: Road transport - Total	-	-		-	-	-	-
<i>Roads, Pavements & Bridges</i>							
<i>Storm water</i>							
Infrastructure: Electricity - Total	-	-		-	-	-	-
<i>Generation</i>							
<i>Transmission & Reticulation</i>							
<i>Street Lighting</i>							
Infrastructure: Water - Total	-	-		-	-	-	-
<i>Dams & Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
Infrastructure: Sanitation - Total	-	-		-	-	-	-
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total	-	-		-	-	-	-
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>							
Community	-	-		-	-	-	-
Parks & gardens							
Sportsfields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							
Heritage assets	-	-		-	-	-	-
Buildings							
Other							

Table continued next page

Table continued from previous page

Capital Expenditure - Upgrade/Renewal Programme*							
Description	R '000						
	Year -1	Year 0			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
<u>Investment properties</u>	-	-		-	-	-	-
Housing development							
Other							
<u>Other assets</u>	-	-		-	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<u>Agricultural assets</u>	-	-		-	-	-	-
List sub-class							
<u>Biological assets</u>	-	-		-	-	-	-
List sub-class							
<u>Intangibles</u>	-	-		-	-	-	-
Computers - software & programming							
Other (list sub-class)							
Total Capital Expenditure on renewal of existing assets	-	-		-	-	-	-
<u>Specialised vehicles</u>	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							

* Note: Information for this table may be sourced from MBRR (2009: Table SA34b)

T M.2

APPENDIX N – CAPITAL PROGRAMME BY PROJECT YEAR 0

Capital Programme by Project: Year 0					
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



**MHLONTLO LOCAL
MUNICIPALITY**



ANNUAL PERFORMANCE REPORT



MHLONTLO LOCAL MUNICIPALITY

**ANNUAL
PERFORMANCE
REPORT**

2022/2023 FY

**MHLONTLO
LOCAL
MUNICIPALITY**

QUALITY CERTIFICATE

I, LUNGUE NDABENI (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 2023 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

MUNICIPAL MANAGER

2023/08/31

DATE

RECEIPT BY THE MAYOR

I, Mbuldo G. JARA (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 2023 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

31/08/2023

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

BUDGET AND TREASURY OFFICE




NATIONAL KEY PERFORMANCE AREAS	LEAD DEPARTMENT	STRATEGIC GOAL	PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2021/2022	KEY PERFORMANCE INDICATOR	ANNUAL BUDGET	ANNUAL TARGET	Achieved/ Not Achieved	Reasons for Variance	Corrective Measure	Portfolio of Evidence
1. DELIVER Y ON BASIC SERVICES	Budget and Treasury Office	To ensure universal access to basic socio-economic services to communities and households	1.2 Energy supply	All indigent people have access to free basic electricity (FBE)	Provide Free basic electricity (FBE)	Indigent register	Number of indigent households receiving FBE	R 1 563 327,56	Update Indigent register and 100% of indigent households list submitted to Eskom by 30th June 2023	 Achieved	N/A	N/A	Indigent listing and email submission to Eskom.
									Indigent register submitted to Eskom				
1. DELIVER Y ON BASIC SERVICES	Budget and Treasury Office	To ensure universal access to basic socio-economic services to communities and households	1.2 Energy supply	All indigent people have access to free basic electricity (FBE)	Provide free basic alternate energy	Indigent register	Number of indigent households receiving FBE (paraffin)	R 3 500 000,00	Update Indigent register and 75% of indigent households receive FBE by 30th June 2023 (paraffin)	 Achieved	N/A	N/A	Indigent listing and payment vouchers for paraffin.
									Payment vouchers				




PORTFOLIO OF EVIDENCE

PORTFOLIO OF EVIDENCE

2: INSTITUTIONAL CAPACITY BUILDING AND TRANSFORMATION	All	A strong and capable municipal administration	2.6 Performance management	A fully cascaded municipal-wide performance management system is implemented	A fully cascaded individual performance management	PMS policy and framework in place	Number of formal performance management to general workers.	R -	Signing of two Performance Agreements signed by Managers and Individual Annual and Quarter 4 performance evaluation conducted to Managers	 Not Achieved	Not all managers within the department were assessed.	Going forward the department will be performing quarterly performance assessments for all employees within the department.	N/A
PORTFOLIO OF EVIDENCE													
3: SOUND FINANCIAL MANAGEMENT	Budget and Treasury Office	To be a financially viable and sustainable municipality	3.1 Maximize Municipal Financial Resources	Increased contribution of own operational revenue to municipal financial resources	Maximising Revenue collection	74% monthly collection rate ((Opening balance + billed revenue-closing balance)/billed revenue) X100	Monthly debt collection rate	R -	75% collection on debtors	 Not Achieved	Collection rate is very low for Individual households and businesses.	A Revenue enhancement strategy has been developed and tabled to council and will be implemented in the 2023/2024 Financial period.	N/A
PORTFOLIO OF EVIDENCE													
75% monthly collection rate ((Opening balance + billed revenue-closing balance)/billed revenue) X100													

3. SOUND FINANCIAL MANAGEMENT	Budget and Treasury Office	To be a financially viable and sustainable municipality	3.1 Maximise Municipal Financial Resources	Increased contribution of own operational revenue to municipal financial resources	Grow revenue generated from properties	General Valuation roll and Supplementary valuation roll in place	General Valuation roll and Supplementary valuation roll	R 493 900,00	Completion of 1 Supplementary valuation roll	 Achieved	N/A	N/A	Supplementary valuation roll and appointment letter for valuer.
PORTFOLIO OF EVIDENCE													
3. SOUND FINANCIAL MANAGEMENT	All	To be a financially viable and sustainable municipality	3.2 Supply Chain Management	Supply chain management is effective and efficient	Effective, efficient and economical Supply chain management	60% adherence to the procurement plan	% adherence to procurement plan	R -	80% adherence to the procurement plan by 30th June 2023	 Achieved	N/A	N/A	Procurement plan and appointment letters.
PORTFOLIO OF EVIDENCE													
3. SOUND FINANCIAL MANAGEMENT	Budget and Treasury Office	To be a financially viable and sustainable municipality	3.2 Supply Chain Management	Eliminated irregular expenditure	Effective, efficient and economical Supply chain management	R105 103 711,77 irregular expenditure	% reduction on irregular expenditure	R -	60% of R105 103 711,77 reduction	 Achieved	N/A	N/A	UJFW registers, MPAC reports and Council resolution.
PORTFOLIO OF EVIDENCE													
3. SOUND FINANCIAL MANAGEMENT	Budget and Treasury Office	To be a financially viable and sustainable municipality	3.3 Expenditure Management	Expenditure management is effective and efficient	Timely creditor payment	Incurring interest due to overdue accounts	% of invoices paid within 30 days of submission	R -	Irregular expenditure progress report 100% Creditors paid within 30 days	 Not Achieved	Majority of the invoices that were not paid on time, were invoices in dispute.	Department will be developing disputed invoices' register that will be reviewed monthly. Once an invoice is corrected suppliers will	12 payment registers and age analysis.

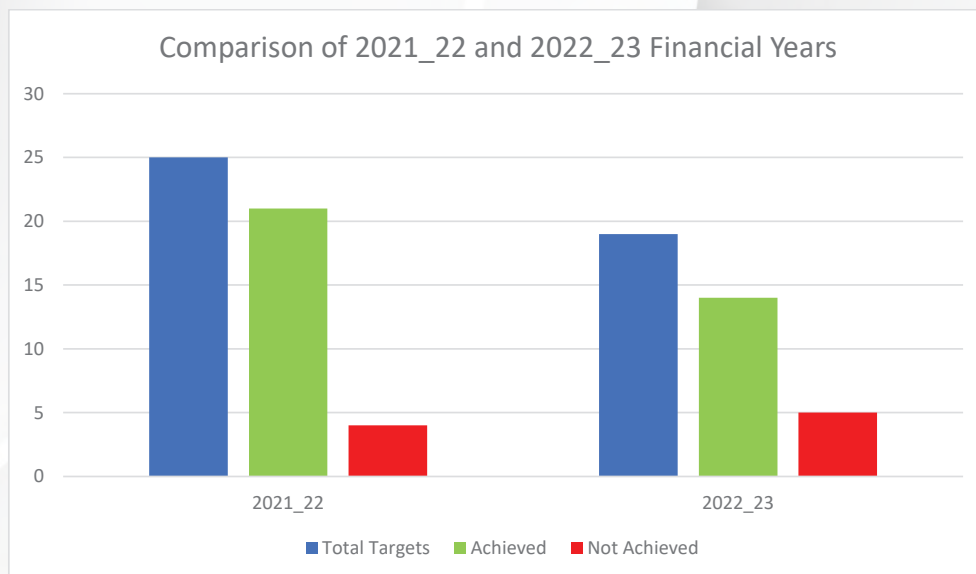
3. SOUND FINANCIAL MANAGEMENT	BUDGET AND TREASURY OFFICE	To be a financially viable and sustainable municipality	3.6 Fleet Management	Fleet utilised economically in a sustainable manner	Effective fleet management	100% of municipal fleet maintained as at 31 May 2022	% of municipal vehicles 'individual costing	R 560 000,00	Costing report for 10 vehicles	 Achieved	N/A	N/A	12 Monthly fleet reports.
PORTFOLIO OF EVIDENCE													
3. SOUND FINANCIAL MANAGEMENT	BUDGET AND TREASURY OFFICE	To be a financially viable and sustainable municipality	3.7 Effective financial management and reporting	Reliable and relevant financial reporting maintained	Maintain unqualified audit opinion	Unqualified audit opinion for 2020/2021 financial year	Unqualified audit opinion	R -	Unqualified audit opinion	 Not Achieved	The municipality received a qualified audit opinion for the 2022/2023 due to various issues.	Develop and implementation of Audit action plan.	N/A
PORTFOLIO OF EVIDENCE													
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	To be a financially viable and sustainable municipality	3.7 Effective financial management and reporting	Reliable and relevant financial reporting maintained	Maintain unqualified audit opinion	Unqualified audit opinion for 2020/2021 financial year	Unqualified audit opinion	R -	Monthly reconciliations performed and reviewed	 Not Achieved	Creditors Clerk was on maternity leave and creditors recons were not prepared	Creditors Recons are being prepared and will be submitted shortly to Internal Audit Office	12 Monthly reconciliations for VAT, Creditors, Assets, Debtors, Main bank account and Investment accounts.
PORTFOLIO OF EVIDENCE													
									Signed monthly reconciliations				



A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Strategic risk register developed	Strategic register	R -	1 Annual submission of strategic register to council	 Achieved	N/A	N/A	Strategic register and council resolution.
PORTFOLIO OF EVIDENCE											
All	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Operational risk register	% of risks mitigation measures implemented	R -	40% of risk mitigation measures implemented	 Achieved	N/A	N/A	Progress report on risk management and supporting documentation.
PORTFOLIO OF EVIDENCE											
All	4.1 Good Governance and Public Participation	Improved municipal efficiency	Contract Management	Service level agreements and contracts	Number of monthly reports produced on performance of service providers	R -	12 monthly reports on performance of service providers	 Not Achieved	All services providers were evaluated monthly for their performance.	N/A	

Budget and Treasury Office



For the year under review, nineteen (19) targets were set in the department of Budget and Treasury. The department managed to achieve fourteen (14) 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 slight decline in 2022_23 financial year as it was at **73.68%** when compared to **84%** achievement in 2021_22. However, revenue enhancement strategy remains a worrying factor as collection mostly depends on it being achieved.






INFRASTRUCTURE SERVICES DEPARTMENT													
STRATEGIC GOAL	PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2021/2022	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	ACHIEVED or Not Achieved	COMMENT FOR ACHIEVEMENT	ADJUSTED COMMENT ACHIEVEMENT	REASONS FOR VARIANCE	REMEDIAL ACTION	POTFOLIO OF EVIDENCE
To ensure universal access to basic socio-economic services to communities and households	1.1 Delivery Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management constructed	Construction of access roads	Ward based plans are in place, Overall, 100 Kms of access roads identified for construction	10.1 km of gravel access constructed at tar to suthwini	R 3 206 990,08	Complete construction of 10.1km of Tar to Suthwini gravel access road in ward 07 by June 2023	 Achieved	The access road was practical completed on the 11 th of February 2023	Construction of 10.1 km of Tar to Suthwini access roads was practically completed on the 11 th of February 2023	N/A	N/A	Practical Completion Certificate
							Monthly progress report and practical completion certificate						
To ensure universal access to basic socio-economic services to communities and households	1.1 Delivery Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management constructed	Construction of access roads	Ward based plans are in place, Overall, 100 Kms of access roads identified for construction	8.7 km of gravel access road completed at Spoko to Stadium	R 6 172 759,00	Complete construction of 8.7km of Spoko to Stadium gravel access road in ward 14	 Achieved	The access road is practical complete	Construction of 8,7km of Spoko to stadium access road was practically completed on the 30 th June 2023	N/A	N/A	Practical completion Certificate



PORTFOLIO OF EVIDENCE


	constructed				related manholes and other works completed.		Stock Fencing and other related work for Tsolo Bulk stormwater Phase 1 in Tsolo town ward 6 by June 2023	 Achieved	The project was practical completed on the 17 th of May 2023.	Construction of 10,43km of Batyi Access Road was practically completed on the 17 th of May 2023	bricks. Late delivery of materials has delayed the construction process.	had been placed. Completion is anticipated to be on the 31 st of August 2023			Practical Completion
PORTFOLIO OF EVIDENCE															
To ensure universal access to basic socio-economic services to communities and households	1.1 Deliver Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management constructed	Construction of access roads	Ward based plans are in place, Overall, 100 Kms of access roads identified for construction	10.43 km of gravel access road completed at Bhatyi	5 604 815 17	Complete Construction of 10.43km of Bhatyi gravel access road in ward 01 by June 2023	 Achieved	The project was practical completed on the 17 th of May 2023.	Construction of 10,43km of Batyi Access Road was practically completed on the 17 th of May 2023	N/A	N/A			
	PORTFOLIO OF EVIDENCE														
Draft tender document and site handover minutes and attendance register and monthly progress report															



To ensure universal access to basic socio-economic services to communities and households	1.1 Deliver Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management constructed	Construction of access roads	Ward based plans are in place, Overall, 100 Kms of access roads identified for construction	5 km road formation and 5km of tipping and processing completed at Nomhala to St Curtis	Complete construction of 5km road formation and 5km Tipping for Nomhala to St Curtis gravel access road in ward 03 by June 2023	 Achieved	N/A	7km of road formation and 5.92km of tipping of gravel hips for Nomhala to St Curtis gravel access road was completed	N/A	N/A	Monthly Progress Report
PORTFOLIO OF EVIDENCE												
To ensure universal access to basic socio-economic services to communities and households	1.1 Deliver Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management	Construction of access roads	Ward based plans are in place, Overall, 100 Kms of access roads identified for construction	Completed planning for Gqubela to Mhlathi	Draft tender document and site handover minutes and attendance register and monthly progress report	 Achieved	N/A	Planning for construction of Gqubela to Mhlathi gravel access	N/A	N/A	Draft tender document

To ensure universal access to basic socio-economic services to communities and households	1.1 Deliver Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management constructed	Construction of access roads	Ward based plans are in place, Overall, 100 Kms of access roads identified for construction	Completed planning for Nodali to Madiba access road	80%	Planning for construction of Nodali-Madiba gravel access road in ward 12 by June 2023	 Achieved	Specification and Tender document were developed and the project was advertised.	road has been completed. Activities achieved was to develop specification and the document to assist with procurement process	N/A	N/A	Draft tender document
PORTFOLIO OF EVIDENCE													

To ensure universal access to basic socio-economic services to communities and households	PORTFOLIO OF EVIDENCE		1.1 Deliver Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management constructed	Construction of access roads	Ward based plans are in place, Overall, 100 Kms of access roads identified for construction	Completed planning for caweni to Dumane ni access road	0.00	Planning for construction of Caweni to Dumaneni access road in ward 11 by June 2023	 Achieved	Tender document and the specification were developed and the project submitted to supply chain for advertisement	procurement process	N/A	N/A	Copy of a draft tender document
	1.1 Deliver Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management constructed													
To ensure universal access to basic socio-economic services to communities and households	PORTFOLIO OF EVIDENCE		1.1 Deliver Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management	Construction of access roads	Ward based plans are in place, Overall, 100 Kms of access roads identified for construction	Completed planning for Upper Magxeni via Diphini access road	0.00	Planning for construction of Upper Magxeni via Diphini ward 20 by June 2023	 Achieved	Tender document and the specification were developed and the project	procurement process	N/A	N/A	Copy of a draft tender document
	1.1 Deliver Roads and storm water infrastructure	A 100 kms of constructed roads with storm water management													



To ensure universal access to basic socio-economic services to communities and households	1.1 Deliver Roads and storm water infrastructure	A 170 kms of gravel access roads rehabilitated	Gravel access roads rehabilitation	170 Kms of gravel access roads in assessed and earmarked for rehabilitation	Retention monies for Khalankomo slab released by June 2023	R 100 000,00	Released monies for Khalankomo slab by June 2023	 Achieved	Final Completion for the project was issued on the 30 th of September 2022	Retention monies for Khalankomo slab were released and the project was finally completed on the 30th of September 2022	N/A	N/A	Final Completion Certificate
PORTFOLIO OF EVIDENCE													
To ensure universal access to basic socio-economic services to communities and households	1.1 Deliver Roads and storm water infrastructure	A 170 kms of gravel access roads rehabilitated	Gravel access roads rehabilitation	170 Kms of gravel access roads in assessed and earmarked for rehabilitation	34 km of gravel access road rehabilitated.	R 15 000 000,00	Rehabilitation of 34km of gravel access roads prioritized in the rehabilitation plan of Mhlontlo LM by June 2023	 Achieved	43,48 KM of gravel access roads were rehabilitated in ward (18,14,16,19,17,13,26,25,2,7,21,24 and 23)	Rehabilitation of 48,127 Km of gravel access roads was achieved during the year of reporting as against the 34km that was planned therefore there was an over achievement	N/A	N/A	Monthly progress reports.



To ensure universal access to basic socio-economic services to communities and households	1.1 Deliver Roads and storm water infrastructure	Maintenance of urban roads for 14km (Tsolo & Qumbu) completed	Maintain gravel and surfaced urban roads for both towns.	5,71km surfaced road and 8,3 km gravel road in existence.	Maintained 7km of Tsolo Urban roads	Maintenance of 7km Tsolo Urban Streets by June 2023	 Achieved Maintenance of Street in Tsolo was conducted in line with the maintenance plan	Maintenance of the planned 7km of Tsolo streets was conducted during the year of reporting. Activities that we achieved include cleaning of the existing stormwater pipes and channels, patching of potholes with the bitumen and replacement of damaged stormwater facilities.	N/A	N/A	Maintenance Reports
PORTFOLIO OF EVIDENCE						R 3 000 000 000,00	Assessment report and the				

To ensure universal access to basic socio-economic services to communities and households	1.1 Deliver Roads and storm water infrastructure	Maintenance of urban roads for 14km (Tsolo & Qumbu) completed	Maintain gravel and surfaced urban roads for both towns.	5,71km surfaced road and 8,3 km gravel road in existence.	Maintained 7km of Qumbu Urban Streets by June 2023	 Achieved	Maintenance was conducted in line with the maintenance plan	Maintenance of 7km Urban streets was conducted in Qumbu. The program included filling of the potholes, installation of concrete kerbs and construction of concrete channels.	N/A	N/A	Maintenance Reports
		R 3 000 000,00									
PORTFOLIO OF EVIDENCE											
To ensure universal access to basic socio-economic services to communities and households	1.2 Energy supply	10 high mast and 20 streetlights constructed	Construction of high mast and streetlights.	55 high mast lights and 106 streetlights erected.	1 Design report completed for the installation of street and high	 Not Achieved	N/A		Additional scope has been identified as a result of the business	The business plan has been completed and it will be presented in a stakeholder	Draft business plan

	funds completed	mast lights					<p>der meeting with SANRAL for confirmation of scope and alignment of times.</p> <p>s plan needs to be adjusted as well to cover the entire scope before the project could be registered for funding application.</p>								
PORTFOLIO OF EVIDENCE															
<p>To ensure universal access to basic socio-economic services to communities and households</p>	<p>1.2 Energy supply</p>	<p>Electricity backlogs (4000 households) eliminated</p>	<p>Connectivity on and energizing of 4000 households</p>	<p>49 700 households connected.</p>	<p>1206 connected to the grid and the 22 kv section breaker.</p>	<p>R 26 968 000,00</p>	<p>Connectivity of 1206 households has been completed in all the wards, 409 of the 1207 has already been energised</p>	<p>Connectivity of 1207 households and 22km KV section breaker has been achieved. There is an over achievement by one</p>	<p>N/A</p>	<p>N/A</p>	<p>Monthly Progress Reports</p>	<p>ACHIEVED</p>	<p>MIG1 registration form</p>		

basic socio-economic services to communities and households	Management	management laws and regulations achieved	Management Planning.	site and it is fenced	Waste Transfer station completed	Waste Transfer station by 30 June 2023	Achieved	transfer station has been developed and the project was presented to COGTA and approved	Transfer station has been completed . 1 design report is in place			
PORTFOLIO OF EVIDENCE												
To ensure universal access to basic socio-economic services to communities and households	1.6 Sports, Arts & Culture Facilities	Sports, arts, culture facilities operational in all wards.	Promotion and development of sport, arts and culture activities	4 sports fields require planning for completion; 3 sports fields under construction	Site Handover and site establishment completed for Tsolo sports Fields	R 8 716 380,00	Facilitate the appointment of the service provider, and conduct site establishment and site handover for Tsolo sports field by June 2023	Not Achieved	N/A	The project had been advertised and closed it is waiting for the sitting of the committee	Procurement process is due to be completed on the	N/A
PORTFOLIO OF EVIDENCE												

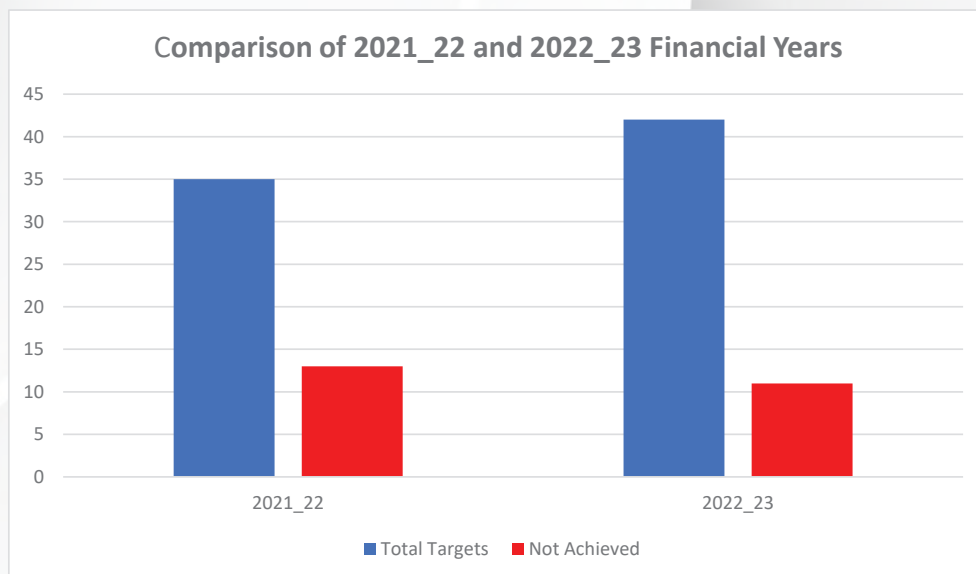
To ensure universal access to basic socio-economic services to communities and households	1.6 Sports, Arts & Culture Facilities	Sports, arts, culture facilities operational in all wards.	Promotion and development of sport, arts and culture activities	4 sports fields require planning for completion; 3 sports fields under construction	Rehabilitation of one sports field at Qumbu completed	R 893 102,39	n certificate	 Not Achieved	N/A				Progress reports
To ensure universal access to basic socio-economic services to communities and households	1.6 Sports, Arts & Culture Facilities	Sports, arts, culture facilities operational in all wards.	Promotion and development of sport, arts and culture activities	4 sports fields require planning for completion; 3 sports fields under construction	Construction of one sports field at Mvumelwano (Phase 2) Completed	R 2 657 767,10	Practical Completion Certificate	 Not Achieved	N/A				Progress reports
PORTFOLIO OF EVIDENCE													

To be a financially viable and sustainable municipality	3.2 Supply Chain Management	Supply chain management is effective and efficient	Efficient, effective and economical Supply chain management	80% adherence to the procurement plan	% adherence to procurement plan	R -	handover minutes and attendance register, Monthly progress reports, Practical Completion	 Achieved	More than 80% of the project that were in the procurement plan were advertised and they were considered by the committee.	Service providers accounting for 81,8% projects that were in the procurement plan were sourced.	N/A	N/A	Procurement plan progress report	certificate
							handover minutes.							
PORTFOLIO OF EVIDENCE														
A responsive, accountable, Inclusive, municipal	4.1 Good Governance and	Improved municipal efficiency	Risk Management	Strategic risk register developed	Strategic register	R -	Procurement plan progress report	 Achieved	Strategic risk register has been developed	1 Strategic risk register has been developed	N/A	N/A	Strategic Risk Register	
							1 Annual submission of strategic risk							




Infrastructure Services Development




For the 2022_23 financial year, the department of Infrastructure Development Services set itself Forty-two (42) targets. The department managed to achieve Thirty-three (33) of those, whilst nine (9) were not achieved due to various reasons that are ascribed and attributed on the quarterly reports.





The departments overall performance reflected a significant improvement in 2022_23 financial year as it was at **78%** when compared to **62 %** achievement of the previous financial year 2021-2022. 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 2023_24 financial year.



LOCAL ECONOMIC DEVELOPMENT


STRATEGIC GOAL	PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2021/2022	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	Achieved or Not Achieved	Reasons for Variance	Corrective Measure	Portfolio of Evidence
To ensure universal access to basic socio-economic services to communities and households	1.4 Human Settlements	Low and middle-income housing needs met.	Improving administration of Housing beneficiaries	6004 housing beneficiaries administered (Housing Subsidy System)	% of up-to-date records	R 9000,00	Beneficiary administration for 1000 households completed	 Not Achieved	beneficiary administration could not be completed due to connectivity and availability of tools of trade	beneficiary admin will carry on in the next financial year	N/A
							beneficiaries reflecting on the housing register.				
To ensure universal access to basic socio-economic services to communities and households	1.4 Human Settlements	Unlock access to adequate land for human settlements	Human settlement planning	Out-dated housing sector plan	Completed human settlements	R 350 000,00	Housing sector plan reviewed	 Achieved	service provider was appointed to review the mhlontlo housing Sector plan		copy of appointment letter
							copy of appointment letter				
To ensure universal access to basic socio-economic services to communities and households	Spatial planning and land use management						Urban Regeneration plan developed by 30 June 2023	 Not Achieved	The department removed this target during adjustment budget and it was never removed from Adjusted SDBIP	N/A	N/A
PORTFOLIO OF EVIDENCE											
PORTFOLIO OF EVIDENCE											

To be a financially viable and sustainable municipality	3.1 Maximise Municipal Financial Resources	Increased contribution of own operational revenue to municipal financial resources	Grow revenue generated from properties	60 properties not transferred to relevant owners	Percentage of property transfers	R -	signed attendance Register	 Not Achieved	The department removed this target during budget and it was never removed from Adjusted SDBIP	N/A	N/A
PORTFOLIO OF EVIDENCE											
To be a financially viable and sustainable municipality	3.2 Supply Chain Management	Supply chain management is effective and efficient	Effective, efficient and economical Supply chain management	60% adherence to the procurement plan	% adherence to procurement plan	R -	80% adherence to the procurement plan by 30th June 2023	 Achieved	80% adherence to the procurement plan was done	Signed Procurement plan progress report	
PORTFOLIO OF EVIDENCE											
A responsive, accountable, Inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Strategic risk register developed	Strategic risk register	R -	1 Annual submission of strategic register to council	 Achieved	Updated Strategic Risk Register was submitted	Updated Strategic risk register	
PORTFOLIO OF EVIDENCE											
Strategic risk register											




A responsive, accountable, Inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Operational risk register	% of risks mitigation measures implemented	R -	40% of risk mitigation measures implemented	 Achieved	Updated Operational Risk Register was submitted	Updated Operational Risk Register
PORTFOLIO OF EVIDENCE										
A responsive, accountable, Inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Contract Management	Service level agreements and contracts	Number of monthly reports produced on performance of service providers	R -	12 monthly reports on performance of service providers	 Not Achieved	Monitoring of service providers was not properly conducted	Monitoring will be fully implemented in the next financial year
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.1 Employment creation and poverty alleviation	Unemployment rate and the number of people living in poverty reduced by 25%	100 SMME Mentorship Programme	6 entrepreneurs already benefiting from the programme	Number of learning institutions benefiting	R 460 000,00	Entrepreneurial skills training to 12 learning centres by 30 June 2023	 Achieved	Entrepreneurship skills were conducted in 12 Learning centres.	List of Identified schools Attendance register, training manual
PORTFOLIO OF EVIDENCE										
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.1 Employment creation and poverty alleviation	Unemployment rate and the number of people living in poverty reduced by 25%	100 SMME Mentorship Programme	7 entrepreneurs already benefiting from the programme	Number of SMMEs enterprises benefiting	R 1 699 000,00	List of Identified schools Attendance register, training manual Purchase of training Material and training of 30 beneficiaries for brick – making by 30 June 2023	 Not Achieved	The brick making structure is incomplete	The project will be implemented in the next financial year

PORTFOLIO OF EVIDENCE					
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.1 Employment and poverty alleviation	Unemployment rate and the number of people living in poverty reduced by 25%	100 SMME Mentorship Programme	20 entrepreneurs already benefiting from the programme	Number of SMMEs enterprises benefiting
					R 278 000,00
				Hold 2 workshops on franchising and support Franchising businesses by 30 June 2023	 Achieved 2 franchise workshops were held to and support to franchising businesses was given
				Copy of attendance registers	Copy of attendance registers
PORTFOLIO OF EVIDENCE					
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.1 Employment and poverty alleviation	Unemployment rate and the number of people living in poverty reduced by 25%	100 SMME Mentorship Programme	16 entrepreneurs already benefiting from the programme	Number of flea markets held
					R 40 000,00
				4 hosted flea markets by 30 June 2023	 Achieved 4 Flea markets were held
				Copy of attendance registers	Copy of attendance registers and photos
PORTFOLIO OF EVIDENCE					
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.1 Employment and poverty alleviation	Unemployment rate and the number of people living in poverty reduced by 25%	100 SMME Mentorship Programme	16 entrepreneurs already benefiting from the programme	Number of SMMEs enterprises benefiting
					R 495 000,00
				Copy of attendance registers and photos	Copy of attendance registers and photos
				Training of 10 participants (Food Technology) by 30 June 2023	 Not Achieved Training will be done in the next financial year Service provider has not yet been appointed
				Copy of Specification, advertisement and appointment letter of service provider	
PORTFOLIO OF EVIDENCE					

A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.1 Employment creation and poverty alleviation	Unemployment rate and the number of people living in poverty reduced by 25%	100 SMME Mentorship Programme	10 entrepreneurs already benefiting from the programme	Number of fashion designers trained	R 425 000,00	Training of 10 participants by 30 June 2023 (Fashion Designers)	 Not Achieved	A service provider was appointed at the end of June 2023	project will be implemented in the next financial year	N/A
PORTFOLIO OF EVIDENCE											
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.1 Employment creation and poverty alleviation	Unemployment rate and the number of people living in poverty reduced by 25%	100 SMME Mentorship Programme	16 entrepreneurs already benefiting from the programme	Number of business awards programme held	R 300 000,00	Host 1 business award event by 30 June 2023	 Achieved	business award ceremony was held on the 19/05/2023		copy of attendance registers and photos
PORTFOLIO OF EVIDENCE											
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.2 Strategic economic sector growth and development	Strategic economic sectors (agriculture and forestry, mining, Tourism, Retail) targeted for valued added growth and development	Support 50 small-scale agricultural manufacturers	There are existing programmes currently supported	Number of hectares fenced	R 1 642 000,00	copy of attendance registers and photos	 Achieved	Fencing of 70 hectares was done ZA Multi-Purpose, Mtwla Co-operative, Tsitwa Women in Agriculture, Ntibanane Farms, SSSME Solutions, Inqilo Co-op and Ndinga Trading		Pictures, payment voucher and report

A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.2 Strategic economic sector growth and development	Strategic economic sectors (agriculture and forestry, mining, Tourism, Retail) targeted for valued added growth and development	Support 50 small-scale agricultural manufacturers	There are existing programmes currently supported	Number of agricultural small-scale manufacturers supported	R 1 100 000,00	Incubator programme targeting 06 commodities by 30 June 2023	 Achieved	incubator programme was done in sheep production, poultry, piggyery, vegetable production and maize production	copy of specification, copy of appointment letter of service providers
PORTFOLIO OF EVIDENCE										
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.2 Strategic economic sector growth and development	Strategic economic sectors (agriculture and forestry, mining, Tourism, Retail) targeted for valued added growth and development	Livestock market development	There are programmes aimed at assisting farmers in livestock production	Number of beneficiaries	R 200 000,00	Business strategy adopted	 Not Achieved	The department removed this target during adjustment budget and it was never removed from Adjusted SDBIP	N/A
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.2 Strategic economic sector growth and development	Strategic economic sectors (agriculture and forestry, mining, Tourism, Retail) targeted for valued added growth and development	Aquaculture farming development	No existing farms	Number of aquaculture farms established	R 200 000,00	Business strategy adopted	 Achieved	Draft Feasibility study report has been submitted by the service provider	Copy of Draft feasibility report

PORTFOLIO OF EVIDENCE						Copy of Draft feasibility report				
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.2 Strategic economic sector growth and development	Strategic economic sectors (agriculture and forestry, mining, Tourism, Retail) targeted for valued added growth and development	Tourism sector development	Baseline unknown	Increase in number of tourists	Representation done in 3 shows (Grahamstown National Arts Festival, Macufe and Tourism Indaba Royal Show) by 30 June 2023	 Achieved	Beneficiaries went to Grahamstown National Arts Festival, Macufe and Tourism Indaba		attendance register and photos
						R 515 000,00				
PORTFOLIO OF EVIDENCE						attendance register and photos				
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.2 Strategic economic sector growth and development	Strategic economic sectors (agriculture and forestry, mining, Tourism, Retail) targeted for valued added growth and development	Tourism sector development	Baseline unknown	number of tourism events held	Host One Annual Tourism event	 Achieved	One Annual Tourism event was held on During the Tourism Month 23/09/2022		Attendance Register
						R 282 500,00				
PORTFOLIO OF EVIDENCE						Attendance Register				
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.2 Strategic economic sector growth and development	Strategic economic sectors (agriculture and forestry, mining, Tourism, Retail) targeted for valued added growth and development	Tourism sector development	Baseline unknown	number of Horse Raising events held	Host 1 Bajodini Horse Racing event	 Achieved	Bajodini Horse Racing Event was held on the 26/12/ 2023		Attendance Register
						R 690 000,00				

PORTFOLIO OF EVIDENCE						PORTFOLIO OF EVIDENCE						
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.2 Strategic economic sector growth and development	Strategic economic sectors (agriculture and forestry, mining, Tourism, Retail) targeted for value added growth and development	Small scale mining sector development	Mining activities unregulated	% reduction in regulatory non-compliance	R 63 600,00	Regulatory framework approved	 Not Achieved	The department removed this target during budget adjustment and it was never removed from Adjusted SDBIP	N/A	N/A	Attendance Register
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.3 Institutional Capacity	Enhance institutional capacity to drive LED	LED Forum Capacity Building	Number LED capacity building programmes	Number of LED Forum engagement sessions held	R 63 600,00	4 LED Sessions held	 Achieved	4 LED forums were held	Attendance Register		
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.3 Institutional Capacity	Enhance institutional capacity to drive LED	Strengthening institutional capacity	Existing LED unit and LED forum	Feasibility report tabled to council	R 63 600,00	Feasibility of municipal owned LEDA	 Not Achieved	The department removed this target during budget adjustment and it was never removed from Adjusted SDBIP	N/A	N/A	Attendance Register
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	Enhance institutional capacity to drive LED	Enhance institutional capacity to drive LED	Branding and Marketing	There is branding and marketing of tourism and investment programmes	Number of branding and marketing initiatives	R 235 000,00	Branding and marketing Mhlontlo products	 Achieved	Branding and marketing material was purchased			Copy of specification appointment letter

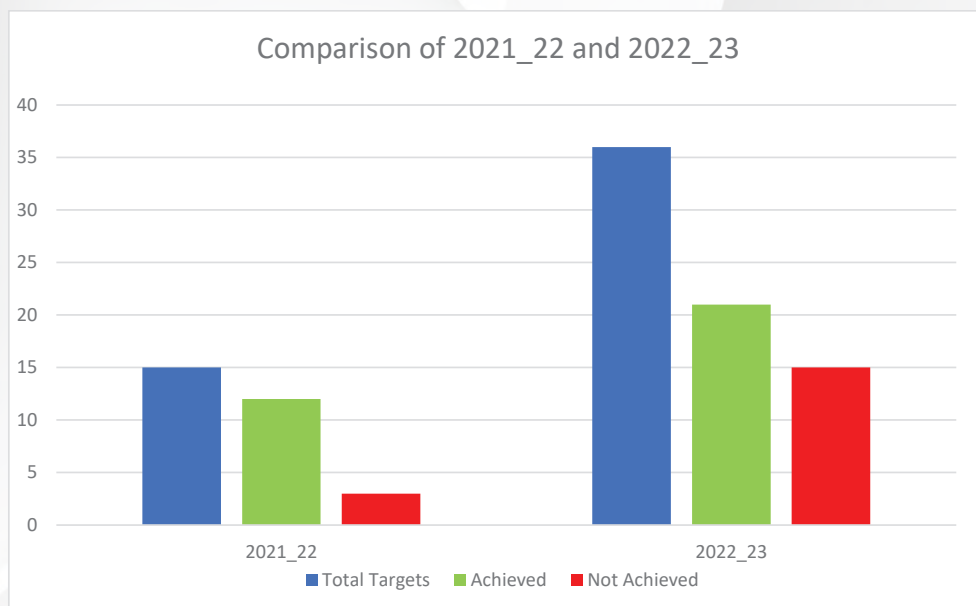
PORTFOLIO OF EVIDENCE						Copy of specification appointment letter	Status	Comments	Budget	Actual
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.3 Investment retention and attraction	Investment in strategic economic sectors retained, growing and new investments attracted	Strategic LED Infrastructure Investment	Trade and Investment Strategy Adopted	% Growth in LED infrastructure investment					
PORTFOLIO OF EVIDENCE										
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.3 Investment retention and attraction	Investment in strategic economic sectors retained, growing and new investments attracted	ICT Infrastructure Investment	Number baseline	% growth in ICT infrastructure investment	Master Plan for ICT Infrastructure Development approved	Not Achieved	The department removed this target during adjustment budget and it was never removed from Adjusted SDBIP	N/A	N/A
PORTFOLIO OF EVIDENCE										
A thriving economy that creates wealth, employment, and sustainable livelihoods for all	5.3 Investment retention and attraction	Investment in strategic economic sectors retained, growing and new investments attracted	Strategic LED Infrastructure Investment	Trade and Investment Strategy Adopted	% Growth in LED infrastructure investment	Business Plan for Strategic LED Infrastructure approved	Not Achieved	The department removed this target during adjustment budget and it was never removed from Adjusted SDBIP	N/A	N/A

PORTFOLIO OF EVIDENCE	




Local Economic Development, Planning and Rural Development



For the year under review, thirty-six (36) targets were set in the department of Local Economic Development, Planning and Rural Development. The department managed to achieve twenty-one (21) of those indicators and fifteen (15) targets were not achieved.

The departments overall performance reflected a significant decline in 2022_23 financial year as it was at **58%** compared to **80%** of the previous financial year.







CORPORATE SERVICES




STRATEGIC GOAL	PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2021/2022	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	Achieved or Not Achieved	Reason for Variance	Corrective Measure	Portfolio of Evidence
To build a strong and capable municipal administration	Human resources alignment and development	To review and ensure maintain an IDP-aligned organisational structure by 30 June 2023 and beyond.	Organisational review and Alignment	Current organogram not aligned to the IDP	Current organogram council approved	R0.00	Final reviewed organogram for 2023/24 financial year submitted to council for approval by 30 June 2023.	 Achieved	N/A	N/A	Organogram, attendance register and the agenda of the standing Committee
	PORTFOLIO OF EVIDENCE										
To build a strong and capable municipal administration	Human resources alignment and development	To review and ensure maintain an IDP-aligned organisational structure by 30 June 2023 and beyond	Skills Development and capacity building of personnel	WSP and Training Development Policy	No of successfully completed skills programmes by 30 June 2023	R900 000	Organogram, attendance register and the agenda of the Standing Committee	 Achieved	N/A	N/A	Signed attendance register bearing the names of Members of council trained and proof of payment of Training Provider
	Human resources alignment and development	To review and ensure maintain an IDP-aligned organisational structure by 30 June 2023 and beyond	Skills Development and capacity building of personnel	WSP and Training Development Policy	No of successfully completed skills programmes by 30 June 2023	R900 000	Conduct Five (5) Skills Development programmes by 30 June 2023	 Achieved	N/A	N/A	Signed attendance register bearing the names of Members of council trained and proof of payment of Training Provider



PORTFOLIO OF EVIDENCE							N/a	N/a	N/a	N/a	N/a
To build a strong and capable municipal administration	Human resources alignment and development	To review and ensure IDP-aligned organisational structure by 30 June 2023 and beyond	Skills Development and capacity building of personnel	WSP and Training Development Policy	No of successfully completed skills programmes by 30 June 2023	R550 000	Four (4) training Signed attendance register bearing the names of Members of council trained and proof of payment of Training Provider	N/a	 Achieved	N/A	Signed attendance registers bearing the names of officials,
PORTFOLIO OF EVIDENCE							N/a	N/a	N/a	N/a	N/a
To build a strong and capable municipal administration	Human resources alignment and development	To review and ensure IDP-aligned organisational structure by 30 June 2023 and beyond	Skills Development and capacity building of personnel	WSP and Training Development Policy	No of successfully completed skills programmes by 30 June 2023	R250 000	Signed attendance registers bearing the names of officials	N/a	 Achieved	N/a	Signed attendance registers bearing the names of officials,


PORTFOLIO OF EVIDENCE						N/a	N/a	N/a	N/a	N/a
To build a strong and capable municipal administration	Human resources alignment and development	To review and ensure maintain an IDP-aligned organisational structure by 30 June 2023 and beyond	Institutional Transformation	Employment Equity Plan	Reviewed employment equity plan and submission of the report to the Department of Labour by 30 June 2023	R7 000	Signed attendance registers bearing the names of officials and proof of payment	N/a	N/a	Reviewed EEP, Proof of submission or acknowledgement of receipt
PORTFOLIO OF EVIDENCE							Reviewed EEP, Proof of submission or acknowledgement of receipt	N/a	N/a	N/a
	Institutional policies and systems	To align institutional policies and systems with best practise in local government by 30 June 2023	Develop, Review and Implement HR Policies and procedure manuals	Approved institutional policies and systems	Number of new and reviewed institutional policies and systems with best practise in local government by 30 June 2023	R1 047 935	Review ten (10) municipal policies and develop two (2) new policies by 30 June 2023	 Achieved	N/a	Reviewed and new developed policies, council resolution



PORTFOLIO OF EVIDENCE						Reviewed and new developed policies, council resolution	N/a	N/a	N/a	N/a	N/a
To build a strong and capable municipal administration	OHS and Employee wellness	To promote a health and wellness culture among Councilors and municipal employees.	Sound OHS and Wellness environment	OHS policy and EAP systems are in place	Number of wellness programmes conducted by 30 June 2023	R100 000	Review and implement OHS and wellness plan by 30 June 2023	 Not Achieved	The Plan was reviewed on the 22 June 2023, not all activities planned were done	To be considered in the next financial year	N/a
PORTFOLIO OF EVIDENCE						Wellness report signed by HOD, attendance registers, invites.					
To build a strong and capable municipal administration	OHS and Employee wellness	To promote a health and wellness culture among Councilors and municipal employees.	Sound OHS and Wellness environment	OHS policy and EAP systems are in place	Number of risk assessment conducted by 30 June 2023	R0.00	Four (4) Risk assessment report of building and workites to ensure compliance with OHS Act by 30 June 2023.	 Achieved	N/A	N/A	Proof of site visits signed by site representative, site visit report
PORTFOLIO OF EVIDENCE						Proof of site visits signed by site representative, site visit report					


To build a strong and capable municipal administration	OHS and Employee wellness	To promote a health and wellness culture among Councillors and municipal employees.	Sound OHS and Wellness environment	OHS policy and EAP systems are in place	Number of wellness awareness by 30 June 2023	R0.00	Review and Implement OHS and Wellness Plan by 30 June 2023	 Not Achieved	The plan was reviewed on the 22 June 2023, not all activities planned were done	The target was not met since the SDBIP for 2023/2024 financial year.	N/A
PORTFOLIO OF EVIDENCE											
To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	ICT governance framework and policies in place	Number of documents collected for filing by 30 June 2023	R0.00	Collection of all documents from departments for filing 30 June 2023.	 Achieved	N/A	N/A	Proof of receipt of documents from one department, filing checklist signed by responsible official
PORTFOLIO OF EVIDENCE											
								N/A	N/A	N/A	N/A
								Proof of receipt of documents from four departments, filing checklist signed by responsible official			

To build a strong and capable municipal administration	Labour relations	To strengthen and maintain good relations within the workplace	Strengthening of labour relations	Collective agreements and labour relations policy	No of successful LLF meetings convened by 30 June 2023.	R0.00	Six (6) LLF meetings convened by 30 June 2023	 Achieved	N/A	N/A	N/A	Minutes, attendance registers.
PORTFOLIO OF EVIDENCE												
To build a strong and capable municipal administration	Public Participation	Ensure meaningful and effective stakeholder participation in municipal IDP and Budget processes.	Conduct public participation meetings	Public participation policy	Number of public participation meetings conducted by 30 June 2023.	R1 245 380	Conduct 14 public participation meetings and by 30 June 2023	 Achieved	N/A	N/A	N/A	Signed minutes and attendance register reflecting ward numbers
												N/A
PORTFOLIO OF EVIDENCE												
To build a strong and capable municipal administration	Public Participation	Ensure meaningful and effective stakeholder participation in municipal IDP and Budget processes.	Conduct public participation meetings	Traditional leaders	Number of traditional leader's meetings and conducted by 30 June 2023.	R88 000	Conduct initiation awareness, visits and 3 traditional leaders' meetings by 30 June 2023.	 Achieved	N/A	N/A	N/A	Signed minutes and attendance register reflecting ward numbers
												N/A



PORTFOLIO OF EVIDENCE						Signed minutes and attendance register reflecting traditional leaders	N/a	N/a	N/a	N/a
To build a strong and capable municipal administration	Public Participation	Ensure meaningful and effective stakeholder participation in municipal IDP and Budget processes.	Conduct public participation meetings	Moral regeneration movement	Number of moral regeneration movement meeting by 30 June 2023.	R159 000	 Achieved			Signed minutes and attendance register
PORTFOLIO OF EVIDENCE						Signed minutes and attendance register	N/a	N/a	N/a	N/a
To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT Infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	ICT governance framework and policies in place	Number of generators installed by 30 June 2023	R1 200 000	 Not Achieved	The project was advertised, and it was not adjudicated due to changes within the municipality, influenced by the cost of alternative powers sources.	The project will be considered on 23/24 financial by implementing an alternative cost-effective power supply.	Advert

PORTFOLIO OF EVIDENCE							Signed terms of reference, progress report, inception meeting register, implementation progress report, closeout report, completion certificate	N/a	N/a	N/a	N/a
To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	ICT governance framework and policies in place	Number of ICT tools of trade procured by 30 June 2023	R1 900 000	 Achieved	N/A	N/A	N/A	Delivery note
							Signed terms of Reference, progress report, delivery note and signed SLA	N/a	N/a	N/a	N/a
								Two (2) ICT servers installed, and One (1) DR Infrastructure established by 30 June 2023	 Not Achieved	The project is still on implementation phase due to the delays in appointment, caused by non-responsive service	The project is estimated to be completed by 30 September 2023
To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	ICT governance framework and policies in place	Number of servers installed, and DR established by 30 June 2023	R4 400 000	 Not Achieved		The project is still on implementation phase due to the delays in appointment, caused by non-responsive service	The project is estimated to be completed by 30 September 2023	N/a
							Signed terms of Reference, progress report, delivery note and signed SLA	N/a	N/a	N/a	N/a
								Two (2) ICT servers installed, and One (1) DR Infrastructure established by 30 June 2023	 Not Achieved	The project is still on implementation phase due to the delays in appointment, caused by non-responsive service	The project is estimated to be completed by 30 September 2023

To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT Infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	ICT governance framework and policies in place	Number of installed network monitoring solution by 30 June 2023	R200 000	One installed network monitoring solution by 30 June 2023	 Achieved	N/a	N/a	N/a	Signed terms of reference, progress report, implementation progress report, closeout report	
PORTFOLIO OF EVIDENCE													
To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT Infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	File plan and procedure manual in place	Electronic Records and Documents Management system implemented by 30 June 2023	R500 000	Electronic Records and Documents Management System implemented by 30 June 2023	 Not Achieved	N/a	The user department is not ready for implementation of electronic solution	The sectional personnel need to be trained on records management.	N/a	Signed terms of reference, inception meeting register, implementation progress report
PORTFOLIO OF EVIDENCE													
								N/a	N/a	N/a	N/a	N/a	

To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT Infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	ICT governance framework and policies in place	Number of projectors installed by 30 June 2023	R300 000	Four (4) mounted projectors by 30 June 2023	 Not Achieved	The projectors were planned for new Council chamber which is not yet fully furnished. Two projectors were installed.	The project will be considered on next financial year.	N/a
PORTFOLIO OF EVIDENCE											
To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT Infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	ICT governance framework and policies in place	Number of signed ICT Operations & Maintenance report registers by 30 June 2023	R0	Four (4) signed operations and maintenance report register	 Achieved	N/A	N/A	Four (4) Signed operations and maintenance report
PORTFOLIO OF EVIDENCE											
							Four (4) signed operations and maintenance report	N/a	N/a	N/a	N/a

To build a strong and capable municipal administration	Information and Communication Technology (ICT)	To ensure adequate availability of critical ICT infrastructure and systems aligned with municipal strategy and governance policies	Sound ICT innovations and records management	ICT governance framework and policies in place	Number of ICT Steering Committee meeting convened by 30 June 2023	R100,000	Four (4) ICT steering committee meeting convened by 30 June 2023	 Achieved	N/A	N/A	N/A	Signed minutes and attendance registers
PORTFOLIO OF EVIDENCE												
To be a financially viable and sustainable municipality	3.2 Supply Chain Management	Supply chain management is effective and efficient	Effective, efficient and economical Supply chain management	60% adherence to the procurement plan	% adherence to procurement plan	R -	80% adherence to the procurement plan by 30th June 2023	N/a	N/a	The department managed to complete 5 projects out of 9 as planned which add up to 56%	The project that are not achieved will be included in the next financial year (2023/2024)	N/A
PORTFOLIO OF EVIDENCE												
A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Strategic risk register developed	Strategic risk register	R -	1 Annual submission of strategic register to council	 Achieved	N/a	N/a	N/a	Strategic risk register
PORTFOLIO OF EVIDENCE												
							Strategic risk register	N/a	N/a	N/a	N/a	N/a

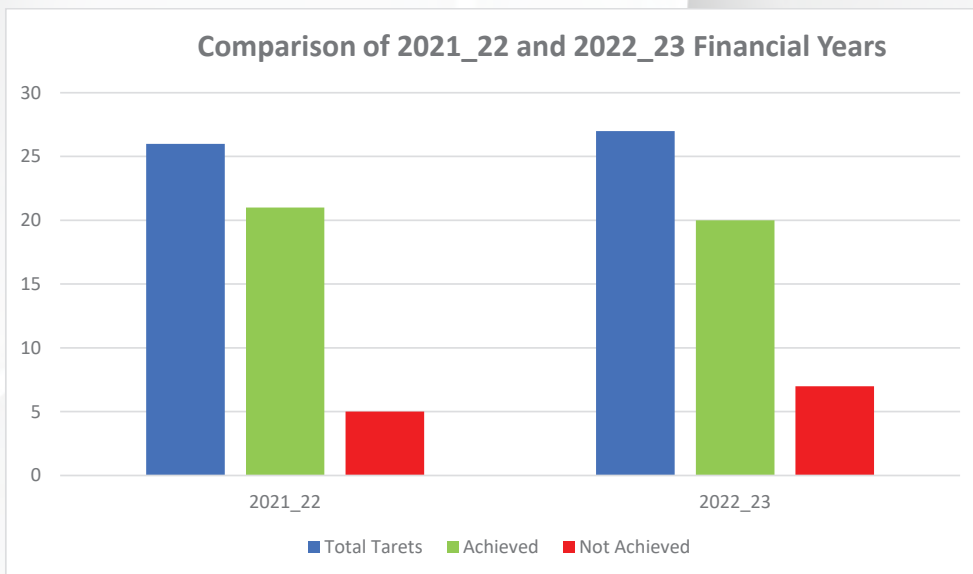
A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Operational risk register	% of risks mitigation measures implemented	R -	40% of risk mitigation measures implemented	 Achieved	N/A	N/A	N/A	Progress report on risk management.
PORTFOLIO OF EVIDENCE												
A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Contract Management	Service level agreements and contracts	Number of monthly reports produced on performance of service providers	R -	12 monthly reports on performance of service providers	 Not Achieved	Some of the service providers are not cooperative on assessment reporting.	Starting from 2023/2024 financial year all departments service providers will be monitored and assessed monthly. The assessment will be reported on a monthly departmental meeting.	N/A	N/A
PORTFOLIO OF EVIDENCE												
							4 quarterly reports on performance of service providers	N/A	N/A	N/A	N/A	N/A





A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Audit Action Plan	Management report, audit report and audit action plan	% of Auditor General findings resolved	R -	60% AG findings resolved	 Achieved	N/A	N/A	Audit action plan progress report	N/A
PORTFOLIO OF EVIDENCE												
							Audit action plan progress report	n/a	N/a	N/a	N/a	N/a





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 2022_23 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-eight (28) indicators on the scorecard. From the twenty-seven (27) indicators, the department was able to deliver positive results on twenty (20) of these, whilst seven (07) indicators were not achieved. The department's overall performance of 74% reflects a significant improvement when compared to 53% achievement of the previous financial year.











Delivery of basic services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Waste Management	To ensure full compliance with waste management laws and regulations	Effective Integrated Waste Management Planning	Personnel in place	8 clean up campaigns conducted	R262 000	Conduct 8 clean up campaigns at Qumbu and Tsolo	 Achieved	N/A	N/A	Report signed by HOD
POE													
Delivery of basic services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Waste Management	To ensure full compliance with waste management laws and regulations	Effective Integrated Waste Management Planning	Personnel in place	8 Awareness Campaigns conducted		8 waste management awareness campaigns conducted	 Achieved	N/A	N/A	Report signed by HOD and attendance registers
POE													
Delivery of basic services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Waste Management	To ensure full compliance with waste management laws and regulations	Effective Integrated Waste Management Planning	Personnel in place	Number of bins and hooked bins delivered	R1 200 000	Purchase of 40 refuse bins and 6 hooked bins	 Achieved	N/A	N/A	Report signed by HOD
POE													
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.5 Waste Management	To ensure full compliance with waste management laws and regulations	Effective Integrated Waste Management Planning	2 200 households serviced	Number of services per week	R1 000 000	Daily collection of refuse for 2200 households and purchase of 600 000 refuse bags	 Not Achieved	Delays in appointment of Service Provider	Service Provider has been appointed and is now delivering refuse bags	Delivery Notes and report signed by HOD
POE													
Delivery note and reports signed by HOD													




Delivery on Basic Services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To facilitate procurement of 40 trees and grass cutting in Tsolo and Qumbu	Procurement of 40 trees and grass cutting in Tsolo and Qumbu	Qumbu and Tsolo urban Streets	Qumbu and Tsolo Streets and Municipal offices	R200 000	Planting of 40 trees (20 in Qumbu and 20 in Tsolo) and monthly grass cutting in Qumbu and Tsolo offices	 Achieved	N/A	N/A	Delivery Note and report signed by HOD	
POE														
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.5 Waste Management	To ensure compliance with waste regulations (NEMA)	Landfill site rehabilitation	Licensed landfill site	Operational landfill site	R1 400 000	Rehabilitation and maintenance of landfill site completed	 Achieved	N/A	N/A	Report signed by HOD	
POE														
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.7 Social Services and Infrastructure	To facilitate construction of two libraries and maintain the existing libraries	Promotion of a culture of life-long learning	No promotional activities currently undertaken	Number of successfully completed services	R550 000	Three literacy programmes completed	 Not Achieved	Three programmes were conducted in one meeting	Programmes to be separated in future	Attendance register	
POE														
Delivery on Basic Services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To manage transport services in an integrated way	Transport Management Services and Traffic Management	Promotion of healthy environment	Purchased Prolazer 111	R80 000	Purchase of Prolazer 111	 Not Achieved	Prolazer 111 that was procured was outdated as per the services providers	Department has since requested the advertisement of Prolazer 1111.	N/A	
POE														





Delivery on Basic Services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To manage transport services in an integrated way	Transport Management and Traffic Management	Promotion of healthy and safe environment	Traffic section	R1 000 000	Purchase of Tow Truck	 Achieved	N/A	N/A	Delivery Note and Invoice
POE													
Delivery on Basic Services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To manage transport services in an integrated way	Transport Management Services and Traffic Management	Promotion of healthy and safe environment	Traffic Section	R1 500 000	Construction of traffic section offices	 Not Achieved	Incomplete designs	We have just requested the services of Planning and Development	N/A
POE													
Delivery on Basic Services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To manage transport services in an integrated way	Transport Management Services and Traffic Management	Traffic Section	Tools and equipment purchased	R128 000	Construction Completion report	 Not Achieved	Firearms are still in the process of authorisation for transfers	N/A	Delivery Note and Invoices
POE													
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.7 Social Services and Infrastructure	To manage transport services in an integrated way	Transport Management Services and Traffic Management	DLTC in place	Number of licensed and registered motor vehicles	R60 000	Delivery note and invoice	 Achieved	N/A	N/A	Report signed by HOD
POE													
Report signed by HOD													

1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.7 Social Services and Infrastructure	To manage transport services in an integrated way	Transport Management Services and Traffic Management	Twelve registered examiners	Number of learner driver licence tests completed	R 788 000	Testing of 600 learners license and 1200 driving licenses	 Achieved	N/A	N/A	Report signed by HOD
POE													
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.7 Social Services and Infrastructure	To manage transport services in an integrated way	Transport Management Services and Traffic Management	Existence of testing route and manoeuvres.	Number of signs and markings maintained	R200 000	8km of road marked, DLTC manoeuvres and 10 road signs installed	 Achieved	N/A	N/A	Invoices and Appointment Letter
POE													
Delivery on Basic Services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To manage pound and cemeteries adequately	To manage pound and cemeteries adequately	2 pounds existing in Gumbu and Tsolo	Number of animal feed and medicine purchased	R 354 000	Delivery of animal feed and medicine for 1000 animals	 Achieved	N/A	N/A	Delivery Note and invoices
POE													
Delivery on Basic Services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To manage pound and cemeteries adequately	To manage pound and cemeteries adequately	2 pounds existing in Gumbu and Tsolo	Number of impounded stray animals		Impounding of 1000 stray animals	 Achieved	N/A	N/A	Report signed by HOD and pound Register
POE													
									Report signed by HOD and pound register				

Delivery on Basic Services	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To manage pound and cemeteries adequately	To manage pound and cemeteries adequately	2 pounds existing in Qumbu and Tsolo	Number of pounds fenced	R400 000	Fencing of Qumbu and Tsolo Pound	 Achieved	N/A	N/A	Appointment letter and Invoices
POE													
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.7 Social Services and Infrastructure	To manage pound and cemeteries adequately	To manage pound and cemeteries adequately	2 pounds existing in Qumbu and Tsolo	Number of compliant, accessible and fully utilised pounds	R500 000	Subdivision and Rezoning, Designs, plans and relocation of Tsolo pound and cemeteries	 Not Achieved	Land claims	Council to resolve land claims	N/A
POE													
DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	Social Services and Infrastructure	To manage pound and cemeteries adequately	To manage pound and cemeteries adequately	2 cemeteries in existence	Number of complaint and fully protected cemeteries	R1 060 000	Tagging of 200 graves (100 in Qumbu and 100 Tsolo)	 Not Achieved	Service Provider did not submit the actual number	Follow up to be made with the Service Provider	N/A
POE													
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.7 Social Services and Infrastructure	To manage pound and cemeteries adequately	To manage pound and cemeteries adequately	2 cemeteries in existence.	Number of complaint and fully protected cemeteries	R200 000	Demarcation of cemetery extension fencing completed	 Not Achieved	Land claims	Council to resolve land claims	N/A
POE													
									Demarcation of cemetery report signed by HOD				

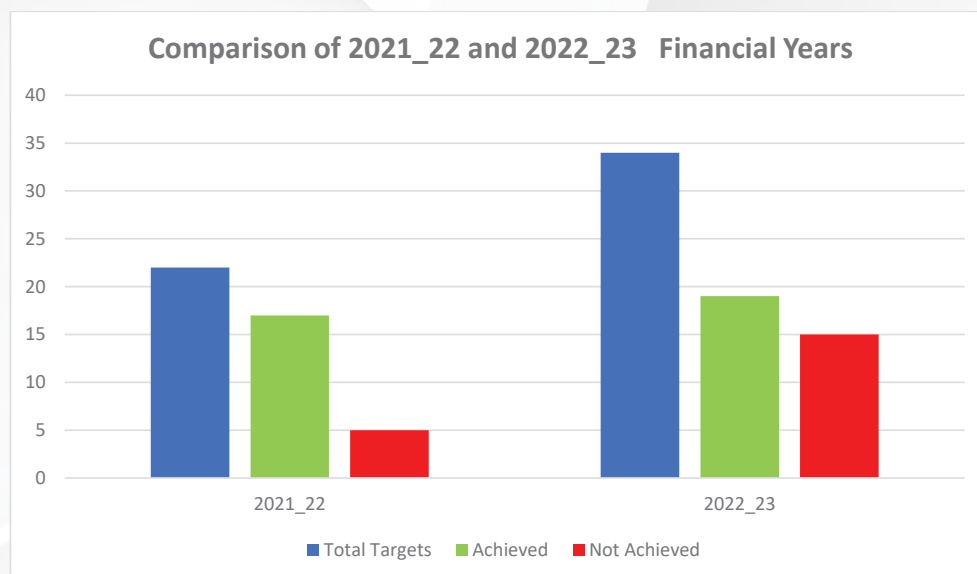
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.9 Community Safety and security	To ensure communities are safe from crime and violence in their homes	Community lead Safety and security programmes	Existence of community safety strategy.	Active participation of community in community safety programme	R120 000	2 community safety meetings and 2 community safety awareness campaigns conducted	 Achieved	N/A	N/A	Report signed by HOD and attendance Register
POE													
DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	Community Safety and security	To ensure communities are safe from crime and violence in their homes	Protecting municipal assets and facilities	No Baseline	100% reduction in cases of theft/damage to municipal properties	R500 000	Installation of surveillance cameras to the municipal premises	 Not Achieved	Delayed by the Service Provide and the department was also late.	N/A	Delivery Note and invoices
POE													
1. DELIVERY ON BASIC SERVICES	Community Services	To ensure universal access to basic socio-economic services to communities and households	1.9 Community Safety and security	To ensure communities are safe from crime and violence in their homes	Protecting municipal assets and facilities	Existence of contracted security provider.	100% reduction in cases of theft/damage to municipal properties	R12 290 000	Provision of security for municipal facilities results in 25% reduction cases and 12 monthly meetings convened	 Not Achieved	Minutes were not yet revised	Minutes to be revised and submitted to Internal Audit Unit	N/A
POE													
2: INSTITUTIONAL CAPACITY BUILDING AND TRANSFORMATION	All	A strong and capable municipal administration	2.6 Performance management	A fully cascaded municipal-wide performance management system is implemented	A fully cascaded individual performance management	PMS policy and framework in place	Number of formal performance management to general workers.	R0	Quarterly and annual performance reviews for managers across all departments completed	 Not Achieved	Minutes, Appointment letter and invoices	Training and workshop required	N/A



POE							Report signed by HOD							
3. SOUND FINANCIAL MANAGEMENT	Community Services	To be a financially viable and sustainable municipality	3.1 Maximise Municipal Financial Resources	To increase contribution of own operational revenue to municipal financial resources	Maximising Revenue collection	25% annual collection	Monthly collection rate	R2	Collection of R350 000 on traffic fines	 Not Achieved	Delays and printing error on summons book	A new order has been issued	N/A	
POE							Report signed by HOD							
SOUND FINANCIAL MANAGEMENT	Community Services	To be a financially viable and sustainable municipality	Maximise Municipal Financial Resources	To increase contribution of own operational revenue to municipal financial resources	Maximising Revenue collection	20% of traffic fines issued	Monthly traffic fines issued		Issue 1200 traffic fine tickets and 80 warrant of arrests	 Not Achieved	Traffic fine tickets had an error	Traffic fine book to be closely monitored	N/A	
POE							Report signed by HOD							
3. SOUND FINANCIAL MANAGEMENT	All	To be a financially viable and sustainable municipality	3.2 Supply Chain Management	Supply chain management is effective and efficient	Effective, efficient and economical supply chain management	60% adherence to the procurement plan	% adherence to procurement plan	R2	80% adherence to the procurement plan by 30th June 2023	 Achieved	N/A	N/A	Procurement Plan progress report	
POE							Procurement plan progress report							
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Strategic risk register developed	Strategic register	R2	1 Annual submission of strategic register to council	N/A	N/A	N/A	N/A	
POE							Strategic Risk register							


4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Operational risk register	% of risks mitigation measures implemented	40% of risk mitigation measures implemented	 Achieved	N/A	N/A	Report signed
POE												
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Contract Management	Service level agreements and contracts	Number of monthly reports produced on performance of service providers	12 monthly reports on performance of service providers	 Achieved	N/A	N/A	Report signed by HOD
POE												
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Audit Action Plan	Management report, audit report and audit action plan	% of Auditor General findings resolved	60% AG findings resolved	 Achieved	N/A	N/A	Report signed by HOD
POE												
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Community Services	A responsive, accountable, inclusive municipal governance and administrative capacity	4.7 Policies and by-laws	Stable governance based on the respect for the rule of law	Enforcement of laws	Law enforcement in place and gazetted by-laws	Compliance, order and respect the rule of law in the Municipality	Implemented and Enforced by-laws	 Not Achieved	By-laws yet to be gazetted	Waiting for by-laws to be gazetted	N/A
POE												
POE												


Community Services

The Department of Community Services set itself thirty-four (34) targets for the 2022_23 financial year. The department managed to achieve nineteen (19) of those, whilst fifteen (15) 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 **55 %** which again indicated a significant decline when compared to **73 %** of the previous financial year.







GOOD GOVERNANCE										
Priority Area	Municipal Objective	Project/ Programme	Key Performance Indicator	Baseline	Budget	Annual Target	Achieved/Not Achieved	Reason for variance	Remedial Action	POE
Good Governance	Improved municipal efficiency	Integrated Development Plan	Develop and review a 5-year IDP	2022 IDP		1 IDP reviewed	 Achieved	Final IDP 2023/24 was adopted by the council on the 31 st May 2023	N/A	Final IDP 2023/24
PORTFOLIO OF EVIDENCE										
Intergovernmental relations	Strengthened Cooperative Governance	Intergovernmental relations	Number of Integrated programmes	IGR structure in place with no assessed integrated programmes		IGR calendars develop, monitored with actions and 4 IGR meetings convened	 Achieved	Four IGR meetings were convened	N/A	Attendance registers

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)	3 Successful SPU programmes coordinated and Christmas presents purchased for 20 newborn babies	Support to designated groups	R250 000	Coordinate 3 successful SPU programmes (Children) coordinated per implementation plan and Purchase of Christmas presents for 20 babies born on Christmas day at Nessie Knight and Dr Malizo Hospitals by 30 June 2023	 Achieved	Presented for babies born on Christmas day were bought and delivered to the rightful owners at Nessie Knight and Dr Malizo Mpehle Hospitals. Child protection week was conducted Lower Tyira SPS on the 8 th June 2023 1 back to school campaign and delivery of school items for 50 children in 5 identified schools	N/A	Attendance registers and report, and delivery notes
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)	3 Successful SPU programmes coordinated and Christmas presents purchased for 20 newborn babies	Support to designated groups	R256 500	Coordinate 1 Miss Mhlontlo by 30 June 2023	Not achieved	N/A	N/A	
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)	3 Successful SPU programmes coordinated and Christmas presents purchased for 20 newborn babies	Support to designated groups	R59 000	Conduct 1 career expo to 10 Mhlontlo Senior Phase Schools by 30 June 2023	Not Achieved	Only one career expo that was conducted	Career expo in other schools will be conducted in the next financial year	Attendance registers, report and photos

Social Services and Infrastructure	To promote the interests of special and vulnerable groups	Special Programmes (HIV/Aids, Disabled, Women, Military veterans, Elderly, Youth and Children)	32 wheel chairs to be delivered	Support to designated groups		1. Convene 4 (Military Veterans) meetings and 1 military veterans 'day by 30 June 2023. 2. Identifying of Military veterans' monuments and building of 2 statues.	Not Achieved	N/A	Building of monuments be removed from the plan	N/A
Social Services and Infrastructure	To promote the interests of special and vulnerable groups	Special Programmes (HIV/Aids, Disabled, Women, Military veterans, Elderly, Youth and Children)	32 wheel chairs to be delivered	Support to designated groups		4 Successful SPU programmes completed (HIV/Aids and Inkciyo programmes) by 30 June 2023	 Achieved	<p>Launch for Local AIDS council was conducted at Qumbu Town Hall on 28th July 2022.</p> <p>World AIDS day was conducted at ward 20 on the 23rd November 2022.</p> <p>Condom week awareness was conducted at ward 14 on 24th February 2023.</p> <p>Candle light memorial was conducted at ward 26 on the 16th May 2023. Inkciyo camp was conducted at Amampondomise Great place on the 24th and 25th February 2023.</p> <p>Inkciyo camp was conducted at ward 12 on the 21st and 22nd June 2023</p>	N/A	Attendance registers, photos and report

NATIONAL KEY PERFORMANCE AREAS	LEAD DEPARTMENT	STRATEGIC GOAL	PRIORITY AREA	MUNICIPAL OBJECTIVE	MUNICIPAL PROGRAM	BASELINE 2021/2022	KEY PERFORMANCE INDICATORS	ANNUAL BUDGET	ANNUAL TARGET	Achieved or Not Achieved	Reasons for Variance	Corrective Measure	Portfolio of Evidence	
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Strategic risk register developed	Strategic register	R-	1 Annual submission of strategic register to council	Achieved The strategic risk register was submitted to council on the 31 st of August of August 2022.	N/A	N/A	Strategic risk register and council resolution	
									PORTFOLIO OF EVIDENCE					
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Risk Management	Operational risk register	% of risks mitigation measures implemented	R-	40% of risk mitigation measures implemented	Achieved The risk register for Good Governance was developed in Q1 furthermore the risk mitigated is at 50%.	N/A	N/A	Progress report on operational risk register and 40% of risks reduced.	
									PORTFOLIO OF EVIDENCE					
PORTFOLIO OF EVIDENCE											Progress report on operational risk register and 40% of risks reduced.			

4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Municipal Managers Office	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Internal audit	2021/2022 Internal audit plan, Internal Audit Charter, 12 audit reports produced	Number of internal audit reports produced	R 2 000 000	12 internal audit reports produced	 Achieved The following report have been produced, 3rd quarter performance review report, recruitment and selection report, dashboard and 3 rd quarter tracking document	N/A	N/A	Signed internal audit reports	
PORTFOLIO OF EVIDENCE														
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Contract Management	Service level agreements and contracts	Number of monthly reports produced on performance of service providers	R-	Signed internal audit reports 12 monthly monitoring reports for performance of service providers produced	Not Achieved The SP have commenced their projects in April and they have been monitored from April to June.	N/A	N/A	Monthly performance reports	

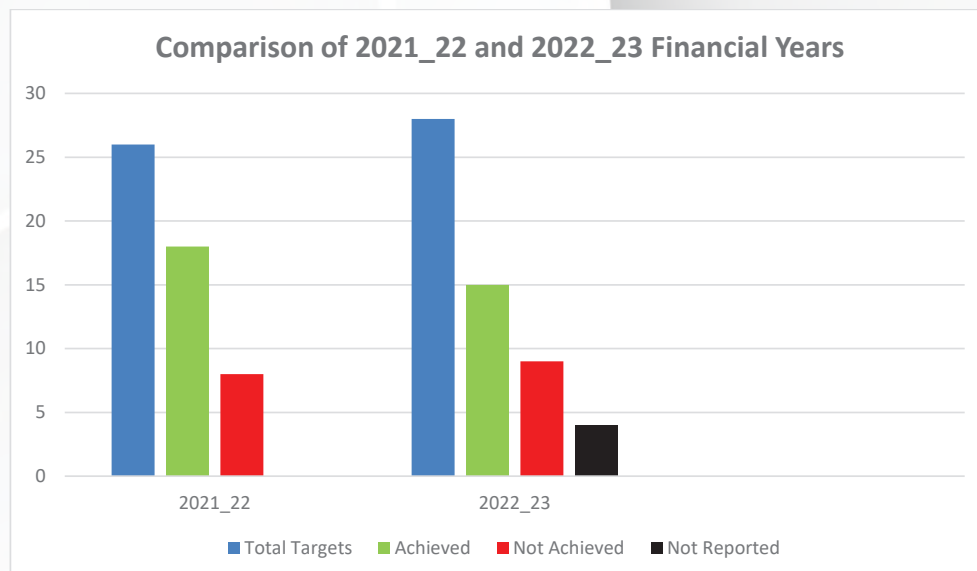
PORTFOLIO OF EVIDENCE														
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	All	A responsive, accountable, inclusive municipal governance and administrative capacity	4.1 Good Governance and Public Participation	Improved municipal efficiency	Audit Action Plan	Management report, audit and audit action plan	% of Auditor General findings resolved	R-	60% AG findings resolved	Monthly performance reports	Achieved. The implementation of AG findings is at 40% when taking into consideration on the new audit action plan.	N/A	N/A	Audit action plan progress report
				4.3 Anti-corruption and Crime Reduction	Successfully mitigated the risk of corruption through integrity promotion	Strengthen anti-corruption and crime reduction	No tracked cases	Number of reported cases		Conduct 1 awareness campaigns on fraud and anti-corruption,	Achieved  Fraud awareness workshop was conducted on the 23 rd of March 2023	n/a	n/a	Attendance register
PORTFOLIO OF EVIDENCE														
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Municipal Managers' Office	A responsive, accountable, inclusive municipal governance and administrative capacity	4.3 Anti-corruption and Crime Reduction	Successfully mitigated the risk of corruption through integrity promotion	Strengthen anti-corruption and crime reduction	No tracked cases	Number of reported cases		Conduct 1 awareness campaigns on fraud and anti-corruption,	Achieved  Fraud awareness workshop was conducted on the 23 rd of March 2023	n/a	n/a	Attendance register	
				4.3 Anti-corruption and Crime Reduction	Successfully mitigated the risk of corruption through integrity promotion	Strengthen anti-corruption and crime reduction	No tracked cases	Number of reported cases		Conduct 1 awareness campaigns on fraud and anti-corruption,	Achieved  Fraud awareness workshop was conducted on the 23 rd of March 2023	n/a	n/a	Attendance register

PRIORITY AREA	MUNICIPAL OBJECTIVE	PROJECT/PROGRAMME	KEY PERFORMANCE INDICATOR	BASELINE	BUDGET	ANNUAL TARGET	ACHIEVED/NOT ACHIEVED	REASON FOR VARIANCE	REMEDIATION ACTION	POE
2. INSTITUTIONAL CAPACITY BUILDING AND TRANSFORMATION	All	A strong and capable municipal administration	A fully cascaded municipal-wide performance management system is implemented	PMS policy and framework in place		4 Quarterly and one annual performance reviews for managers across all departments completed	NOT ACHIEVED	Performance review for managers not conducted for all managers		N/A
PORTFOLIO OF EVIDENCE										
3. SOUND FINANCIAL MANAGEMENT	All	To be a financially viable and sustainable municipality	3.2 Supply Chain Management	Supply chain management is effective and efficient	Effective, efficient and economical Supply chain management	80% adherence to the procurement plan by 30th June 2023	Achieved	N/A		Procurement plan progress report
PORTFOLIO OF EVIDENCE										
4. GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Accountable, responsive, inclusive municipal governance and administrative capacity	Improved municipal efficiency	4.1 Good Governance and Public Participation	6 organisational performance reports, one 1 Annual performance report.		6 performance reports compiled, and one annual performance report	Not Achieved	N/A		Performance information report and council resolution
PORTFOLIO OF EVIDENCE										
								Performance information report and Council resolution		Performance information report and Council resolution

Good Governance

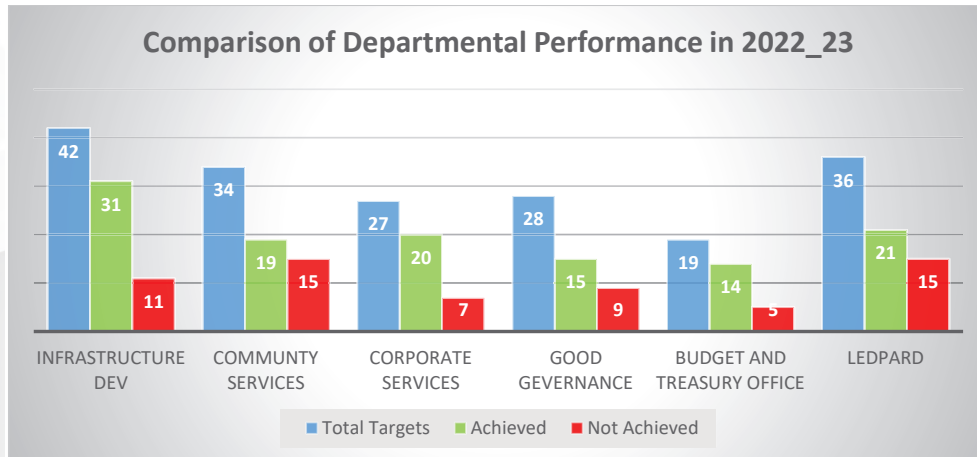
The above summary illustrates the significant decline that was displayed by the Section of Good Governance on its quest to attain the predetermined objectives set by the department for the 2022_23 financial year as encapsulated in the Service Delivery and Budget Implementation Plan (SDBIP).

For the financial year under review, this section set itself twenty-eight (28) indicators on its scorecard. However, the department reported twenty-four (24) targets and four (04) targets were not reported. Of these indicators the department has managed to deliver positive results on fifteen (15) targets, whilst nine (09) targets were not achieved. The department's overall performance showed a slight decline as it was at **53 %** achievement when compared with **69 %** achievement of the previous financial year.



Section 3

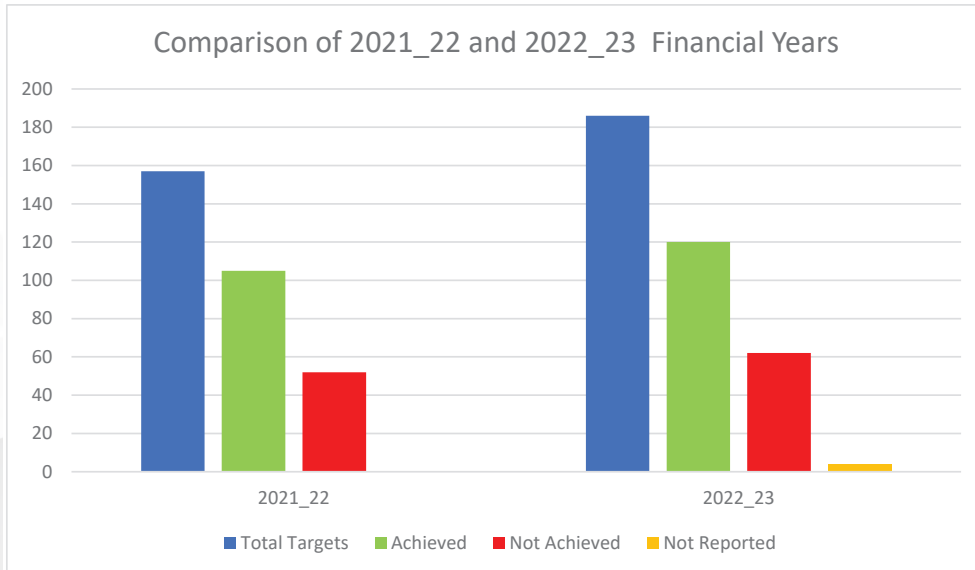
Annual performance of all departments in the 2022_23 financial year can be summarised as follows;



Reported departments overall performance was at **64,5 %**, this is a slight decline when compared to **66 %**, achievement of the previous year.

Out of One Hundred and eighty six (186) targets set, the institution managed to achieve hundred and twenty (120) and failed to meet sixty two (62). It should be noted that four (04) targets were not reported from Good Governance and the overall performance of the institution was at 64.5% and this points a slight decline when compared to **66 %** obtained in 2021_22 financial year but there

is still a room for improvement.



This document represents the Mhlontlo Local Municipality's detailed report back to citizens and stakeholders on the municipality's performance for the 2022_23 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.



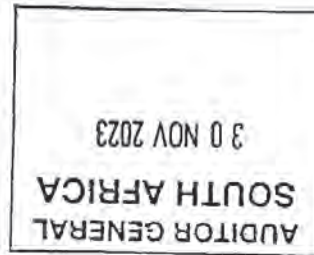
**MHLONTLO LOCAL
MUNICIPALITY**



ANNUAL FINANCIAL STATEMENTS



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



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

Local 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 M.G. Jara

Speaker

Cllr E. Pula

Chief Whip

Cllr N. Gcaba

Executive Committee

Cllr N.M Mvanyashe

Cllr L. Yalezo

Cllr L. DLova

Cllr S. Voko

Cllr N. Sayiti

Cllr S. Kahla

Cllr S. Matshoba

Cllr M. Funo

Cllr N. Zikolo

PR Councillors

Cllr M.R. Giyose

Cllr V.G Mazitshana

Cllr Z. Makinana

Cllr N. Mbujana

Cllr B. Rasimani

Cllr B. Madikida

Cllr N. Walaza

Cllr Z. Nondaka

Cllr K. Jubase

Cllr M Libazi

Cllr K. Mpula

Cllr B. Rosi (Deceased - July 2023)

Cllr L. Boyana

Cllr S. Bontsa

Cllr P. Tiwani

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

Mhiontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Councillors	Cllr S. Mngcotana (Ward 1) Cllr N. Ranga (Ward 2) Cllr S. Mbola (Ward 3) Cllr S. Sophangisa (Ward 4) Cllr M. Vunguvungu (Ward 6) Cllr T.S. Guga (Ward 7) Cllr V. Nododana (Ward 8) Cllr A. Nombewu (Ward 9) Cllr S. Mtwazi (Ward 10) Cllr S. Ntukuntezi (Ward 12) (MPAC Chairperson) Cllr T. Titshana (Ward 13) Cllr B. Gigi (Ward 14) Cllr Z. Renene (Ward 15) Cllr B. Mthitshana (Ward 16) Cllr M. P. Bontsa (Ward 17) Cllr T. Magugu (Ward 18) Cllr M. Jikijela (Ward 19) Cllr M. Mfamele (Ward 20) (Deceased - September 2022) Cllr A.M. Thembele (Ward 20) (Elected - December 2022) Cllr N. Khemtshe (Ward 21) Cllr S.M. Hlanti (Ward 22) Cllr M. Khonza (Ward 23) Cllr B. Ntamo (Ward 24) Cllr N.V. Ncaphayi (Ward 25) Cllr C. Maqebula (Ward 26)
Traditional leaders	Nkosi S. Mcelu Nkosi M. Ranuga
Grading of local authority	3
Chief Finance Officer (CFO)	N. Boti (Contract ended 28 February 2023) M. Langa (Acting CFO)
Accounting Officer	L. Ndabeni
Registered office	96 LG Mabindla Avenue Qumbu 5180
Business address	96 LG Mabindla Avenue Qumbu 5180
Postal address	5180 Qumbu 5180
Bankers	First National Bank - QUMBU
Auditors	Auditor General South Africa
Contact details	(043) 553 7000



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Index

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

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Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 12
Accounting Policies	13 - 27
Notes to the Annual Financial Statements	28 - 68

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
VAT	Value Added Tax
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
LED	Local Economic Development
EPWP	Expanded Public Works Programme
INEP	Integrated National Electrification Programme

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

I am required by the Municipal Finance Management Act 56 of 2003, to maintain adequate accounting records and I am 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 were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with (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.

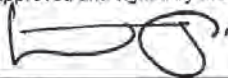
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The annual financial statements set out on pages 5 to 68, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 28 November 2023.



L. Ndabeni
Municipal Manager



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Restated	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	1 039 289	312 455
Receivables from non-exchange transactions	4	3 303 376	2 684 934
VAT receivable	5	8 701 588	13 098 643
Cash and cash equivalents	6	127 381 261	172 629 766
		<u>140 425 494</u>	<u>188 725 798</u>
Non-Current Assets			
Investment property	7	5 982 621	5 982 621
Property, plant and equipment	8	507 370 113	492 718 043
Intangible assets	9	80 985	157 238
		<u>513 433 719</u>	<u>498 857 902</u>
Total Assets		<u>653 859 213</u>	<u>687 583 700</u>
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	6 389 256	19 212 620
Employee benefit obligation	11	16 868 962	15 316 813
Unspent conditional grants and receipts	12	5 115 000	19 632 856
		<u>28 373 218</u>	<u>54 162 289</u>
Non-Current Liabilities			
Employee benefit obligation	11	6 501 967	6 465 941
Provisions	13	5 854 653	4 929 019
		<u>12 356 620</u>	<u>11 394 960</u>
Total Liabilities		<u>40 729 838</u>	<u>65 557 249</u>
Net Assets		<u>613 129 375</u>	<u>622 026 451</u>
Accumulated surplus		<u>613 129 375</u>	<u>622 026 451</u>

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* See Note 33

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Statement of Financial Performance

Restated	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	14	2 440 712	2 031 967
Rental of facilities and equipment		36 685	24 034
Agency services		1 584 703	1 248 426
Licences and permits		1 259 347	1 430 771
Other income	15	218 457	120 492
Interest earned - Investments	16	10 126 344	5 274 489
Actuarial gains		892 568	-
Total revenue from exchange transactions		16 558 816	10 130 179
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	33 875 730	33 278 036
Transfer revenue			
Government grants & subsidies	18	300 708 143	271 854 877
Recoveries		142 509	-
Fines		762 260	831 765
Commission received		312 851	272 031
Public contributions and donations		2 250 000	18
Total revenue from non-exchange transactions		338 051 493	306 236 727
Total revenue	39	354 610 309	316 366 906
Expenditure			
Employee related costs	19	(103 856 910)	(88 687 837)
Remuneration of councillors	20	(21 343 030)	(20 380 906)
Depreciation and amortisation	21	(47 575 776)	(47 307 986)
Impairments loss		(1 905 111)	(10 430 671)
Finance costs	22	(795 137)	(550 695)
Lease rentals on operating lease		(1 184 310)	(1 002 796)
Debt Impairment	23	(14 496 120)	(13 743 028)
Contracted services	24	(10 299 320)	(8 471 087)
Transfers and subsidies	25	(23 450 435)	(16 105 217)
Loss on disposal of assets		(244 080)	(1 917 749)
Actuarial losses		-	(342 938)
Movement in (interest)/change in estimate on Landfill Site		(925 634)	(715 484)
General expenses	26	(137 463 010)	(125 856 002)
Total expenditure		(363 539 873)	(335 512 396)
Deficit for the year		(8 929 564)	(19 145 490)

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* See Note 33

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Statement of Changes in Net Assets

Restated	Accumulated surplus	Total net assets
Opening balance as previously reported	662 069 062	662 069 062
Adjustments		
Correction of errors	(20 897 121)	(20 897 121)
Restated balance at 01 July 2021	641 171 941	641 171 941
Changes in net assets		
Surplus for the year	(19 145 490)	(19 145 490)
Total changes	(19 145 490)	(19 145 490)
Restated* Balance at 01 July 2022	622 026 451	622 026 451
Changes in net assets		
Surplus for the year	(8 929 564)	(8 929 564)
Total changes	(8 929 564)	(8 929 564)
Balance at 30 June 2023	613 096 887	613 096 887
Note(s)		

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* See Note 33

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Cash Flow Statement

Restated	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates taxes		21 491 587	20 871 886
Grants		286 190 287	291 472 733
Interest income		10 126 344	5 274 489
Other receipts		3 164 145	3 493 610
		<u>320 972 363</u>	<u>321 112 698</u>
Payments			
Employee costs		(123 611 765)	(108 140 141)
Suppliers		(180 013 591)	(151 050 005)
		<u>(303 625 356)</u>	<u>(259 190 146)</u>
Net cash flows from operating activities	28	<u>17 347 007</u>	<u>61 922 552</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(62 827 068)	(59 418 706)
Proceeds from sale of property, plant and equipment	8	-	1 412 615
Purchase of other intangible assets	9	(116 223)	-
Net cash flows from / (used in) investing activities		<u>(62 943 291)</u>	<u>(58 006 091)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(45 596 284)</u>	<u>3 916 461</u>
Cash and cash equivalents at the beginning of the year		172 629 766	169 332 520
Cash and cash equivalents at the end of the year	6	<u>127 033 482</u>	<u>173 248 981</u>



* See Note 33

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 897 000	(677 000)	1 220 000	1 220 712	712	41.1
Rental of facilities and equipment	15 000	8 000	23 000	36 685	13 685	41.2
Agency services	1 641 000	-	1 641 000	1 584 003	(56 997)	41.3
Licences and permits	1 498 000	63 000	1 561 000	1 259 347	(301 653)	41.4
Other income	27 000	28 000	55 000	218 457	163 457	41.5
Interest received - investment and debtors	-	(25 000)	(25 000)	-	25 000	
Interest received - investment	3 418 000	1 455 000	4 873 000	10 126 344	5 253 344	41.6
Gains on disposal of assets	-	2 287 000	2 287 000	-	(2 287 000)	
Total revenue from exchange transactions	6 496 000	3 139 000	11 635 000	15 666 248	4 031 248	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	34 437 000	(582 000)	33 855 000	33 875 730	20 730	41.7
Transfer revenue						
Government grants & subsidies	299 280 000	37 000	299 317 000	300 708 143	1 391 143	41.8
Public contributions and donations	-	-	-	2 250 000	2 250 000	41.9
Fines, Penalties and Forfeits	72 000	186 000	258 000	762 260	504 260	41.10
Commission received	-	-	-	312 851	312 851	41.11
Recoveries	-	-	-	142 509	142 509	
Total revenue from non-exchange transactions	333 789 000	(359 000)	333 430 000	338 051 493	4 621 493	
Total revenue	342 285 000	2 780 000	345 065 000	353 717 741	8 652 741	
Expenditure						
Personnel	(107 736 000)	(2 605 000)	(110 341 000)	(103 856 910)	6 484 090	41.12
Remuneration of councillors	(24 205 000)	3 053 000	(21 152 000)	(21 343 030)	(191 030)	41.13
Depreciation and amortisation	(52 187 000)	(2 168 000)	(54 355 000)	(47 575 776)	6 779 224	41.14
Impairment loss/ Reversal of impairments	-	-	-	(1 906 111)	(1 906 111)	41.15
Finance costs	-	-	-	(795 137)	(795 137)	41.16
Lease rentals on operating lease	-	-	-	(1 184 310)	(1 184 310)	41.17
Debt Impairment	(17 800 000)	8 900 000	(8 900 000)	(14 496 120)	(5 596 120)	41.18
Contracted Services	(40 275 000)	(16 191 000)	(56 466 000)	(10 299 320)	46 166 680	41.19
Transfers and Subsidies	-	-	-	(23 450 435)	(23 450 435)	
General Expenses	(95 884 000)	(45 562 000)	(141 446 000)	(137 463 010)	3 982 990	41.20
Total expenditure	(338 087 000)	(54 573 000)	(392 660 000)	(362 370 159)	30 289 841	
Operating deficit	4 198 000	(51 793 000)	(47 595 000)	(8 652 418)	38 942 582	
Loss on disposal of assets	-	-	-	(244 080)	(244 080)	41.21
Actuarial gains/losses	-	-	-	892 568	892 568	41.22

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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						
Movement in (interest)/change in estimate on Landfill Site	-	-	-	(925 634)	(925 634)	41,23
	-	-	-	(277 146)	(277 146)	
Surplus (Deficit) for the year	4 198 000	(51 793 000)	(47 595 000)	(8 929 564)	38 665 436	



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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						
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	1 039 269	1 039 269	41.25
Receivables from non-exchange transactions	3 688 000	8 283 000	11 971 000	3 303 376	(8 667 624)	41.26
VAT receivable	13 088 000	(363 000)	12 725 000	8 701 588	(4 023 412)	41.27
Cash and cash equivalents	123 833 009	(73 163 000)	50 670 009	127 381 261	76 711 252	41.28
	140 609 009	(65 243 000)	75 366 009	140 425 494	65 059 485	
Non-Current Assets						
Investment property	5 983 000	-	5 983 000	5 982 621	(379)	41.29
Property, plant and equipment	560 852 000	13 050 000	573 902 000	507 370 113	(66 531 887)	41.30
Intangible assets	(1 870 000)	(159 000)	(2 029 000)	80 985	2 109 985	41.31
Prepayments	211 000	-	211 000	-	(211 000)	
	565 176 000	12 891 000	578 067 000	513 433 719	(64 633 281)	
Total Assets	705 785 009	(52 352 000)	653 433 009	653 859 213	426 204	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(929 000)	14 845 000	13 916 000	6 389 256	(7 526 744)	41.33
Employee benefit obligation	25 068 000	-	25 068 000	16 868 962	(8 199 038)	41.34
Unspent conditional grants and receipts	-	-	-	5 115 000	5 115 000	41.35
	24 139 000	14 845 000	38 984 000	28 373 218	(10 610 782)	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	6 501 967	6 501 967	41.38
Provisions	-	-	-	5 854 653	5 854 653	41.39
	-	-	-	12 356 620	12 356 620	
Total Liabilities	24 139 000	14 845 000	38 984 000	40 729 838	1 745 838	
Net Assets	681 646 009	(67 197 000)	614 449 009	613 129 375	(1 319 634)	
Net Assets						
Accumulated surplus	681 646 009	(67 197 000)	614 449 009	613 129 375	(1 319 634)	All above

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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						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates taxes	17 563 000	(297 000)	17 266 000	21 491 587	4 225 587	41.40
Service charges	968 000	(345 000)	623 000	-	(623 000)	41.41
Grants - Capital and Operating	294 280 000	61	294 280 061	286 190 287	(8 089 774)	41.42
Interest income	3 418 000	1 430 000	4 848 000	10 126 344	5 278 344	41.44
Other receipts	3 253 000	2 572 000	5 825 000	3 103 282	(2 721 718)	41.45
	319 482 000	3 360 061	322 842 061	320 911 500	(1 930 561)	
Payments						
Employee costs and suppliers	(243 515 000)	(63 853 000)	(307 368 000)	(303 625 356)	3 742 644	41.46
Net cash flows from operating activities	75 987 000	(60 492 939)	15 474 061	17 286 144	1 812 083	
Cash flows from investing activities						
Purchase of property, plant and equipment	(94 451 000)	(17 699 000)	(112 150 000)	(62 418 416)	49 731 584	41.50
Purchase of other intangible assets	-	-	-	(116 223)	(116 223)	
Net cash flows from investing activities	(94 451 000)	(17 699 000)	(112 150 000)	(62 534 639)	49 615 361	
Net increase/(decrease) in cash and cash equivalents	(18 484 000)	(78 191 939)	(96 675 939)	(45 248 495)	51 427 444	All above
Cash and cash equivalents at the beginning of the year	169 229 000	(2 000)	169 227 000	172 629 766	3 402 766	41.52
Cash and cash equivalents at the end of the year	150 745 000	(78 193 939)	72 551 061	127 381 271	54 830 210	

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Annual Financial Statements for the year ended 30 June 2023

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 56 of 2003.

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 33 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.

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.

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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 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

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.

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.



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Accounting Policies



1.5 Property, plant and equipment (continued)

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	Not depreciated	Not depreciated
Buildings:		
Municipal offices, training centres, motor gates	Straight line	10-50 years

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.

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1.6 Intangible assets

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.

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	Amortisation method	Average useful life
Computer software	Straight line	3-6 years

1.7 Heritage assets

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.

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Accounting Policies

1.7 Heritage assets (continued)

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

Classification

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

Class	Category
Receivables from exchange transactions	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 amortised cost

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

1.9 Statutory receivables

Identification

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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.

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.

Mhlontlo Local Municipality

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Accounting Policies

1.9 Statutory receivables (continued)

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 municipality:
 - 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 municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Leases

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

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

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.

Mhlontlo Local Municipality

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Value in use

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.

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.

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.

Mhlontlo Local Municipality

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Accounting Policies

1.12 Impairment of non-cash-generating assets

Identification

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

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

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

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 a municipality 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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 Municipality to reimburse it for employee benefits already paid.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:
an Municipality'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 Municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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 municipality 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 municipality 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 municipality 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: Defined contribution plans

When an employee has rendered service to the municipality during a reporting period, the municipality 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 municipality 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.

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Accounting Policies

1.14 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when an municipality:

- 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.

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 municipality 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

Mhlontlo Local Municipality

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Accounting Policies

1.15 Commitments (continued)

Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

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

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

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

Mhlontlo Local Municipality

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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.

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.

Mhlontlo Local Municipality

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Accounting Policies

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 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary, secondary and tertiary levels.

Mhlontlo Local Municipality

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Accounting Policies

1.22 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.23 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.

1.24 Related parties

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 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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2. New standards and interpretations

2.1 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, 2025	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact
GRAP 103 (amended): Heritage assets	April 1, 2023	Unlikely there will be a material impact
GRAP 25: Employee Benefits	April 1, 2023	Unlikely there will be a material impact
IGRAP 7: Limited on a defined Benefit asset min fund requirement and interact	April 1, 2023	Unlikely there will be a material impact
IGRAP 21: The effect on past decisions on materiality	April 1, 2025	Unlikely there will be a material impact

3. Receivables from exchange transactions

Refuse Removal	15 325 628	12 834 028
Allowance for Impairment	(14 347 222)	(12 521 573)
Prepaid expenses	60 863	-
	<u>1 039 269</u>	<u>312 455</u>

Summary of debtors by customer classification: Consumers

Current (0-30 days)	393 066	192 405
31 - 60 days	129 652	94 297
61 - 90 days	129 360	94 099
91 - 120 days	129 171	93 779
121 - 365 days	10 808 241	9 126 305
	<u>11 589 490</u>	<u>9 600 885</u>

Industrial/Commercial

Current (0 - 30 days)	157 339	80 215
31 - 60 days	47 764	36 782
61 - 90 days	47 671	36 628
91 - 120 days	46 629	36 153
121 - 365 days	2 472 481	2 162 688
	<u>2 771 884</u>	<u>2 352 464</u>

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
3. Receivables from exchange transactions (continued)		
National and provincial government		
Current (0 - 30 days)	43 469	29 072
31 - 60 days	13 143	13 445
61 - 90 days	12 590	12 157
91 - 120 days	12 590	11 760
121 - 365 days	882 461	814 245
	964 253	880 679
Total		
Current (0 - 30 days)	593 873	301 693
31 - 60 days	190 558	144 524
61 - 90 days	189 621	142 881
91 - 120 days	188 390	141 693
121 - 365 days	14 165 184	12 103 237
Less: Allowance for impairment	(14 347 222)	(12 521 573)
	980 404	312 455
Reconciliation of allowance for impairment		
Opening balance	12 521 573	11 316 041
Provision for impairment	1 825 649	1 205 532
	14 347 222	12 521 573

No debtors have been pledged as a collateral.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
4. Receivables from non-exchange transactions		
Consumer debtors - Rates	74 354 717	61 549 132
Sundry Debtors	2 771 601	2 430 782
Allowance for impairment - Rates	(72 035 019)	(59 364 549)
Allowance for impairment - Sundry debtors	(1 787 923)	(1 930 431)
	3 303 376	2 684 834
Summary of debtors by customer classification: Consumers		
Current (0 - 30 days)	852 664	555 770
31 - 60 days	272 457	263 034
61 - 90 days	272 061	261 258
91 - 120 days	270 600	258 752
121 - 365 days	19 950 291	17 633 321
	21 618 073	18 972 133
Rates		
National and provincial government		
Current (0 - 30 days)	44 486	8 633
31 - 60 days	14 829	3 295
61 - 90 days	14 829	3 295
91 - 120 days	14 829	3 295
121 - 365 days	30 266 781	22 381 702
	30 355 754	22 400 220
Total		
Current (0 - 30 days)	1 460 895	917 399
31 - 60 days	452 331	429 007
61 - 90 days	451 934	426 909
91 - 120 days	449 637	422 893
121 - 365	71 639 921	59 352 824
Less: impairment	(72 035 019)	(59 364 549)
	2 319 699	2 184 583
Sundry debtors		
Traffic fines	2 538 220	2 325 541
Payroll debtors	233 381	105 242
Less: Impairment	(1 787 923)	(1 930 431)
	983 678	500 352
Reconciliation of allowance for impairment - Rates		
Opening balance	59 364 549	47 108 874
Provision for impairment	12 670 470	12 255 675
	72 035 019	59 364 549

No debtors have been pledged as a collateral.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
5. VAT receivable		
VAT	8 701 588	13 098 643

An amount of R25 494 639,22 has been received in the current year and therefore recoverability of the amount receivable from SARS is not remote.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 327	1 678
Bank balances	4 251 020	5 208 537
Short-term deposits	123 126 914	167 419 551
	127 381 261	172 629 766

There are no cash and cash equivalents pledged as collateral by the municipality.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB - Business Call account Revolving Fund - 61399068117	112 546 485	141 571 382	133 042 864	112 546 485	141 571 382	133 042 864
FNB - Business NSTD Call: Equitable share - 62027945809	118 478	717 837	23 583 420	118 478	717 837	23 582 420
FNB - Public Sector Cheque - Gqunu Lots - 62020395390	558 449	559 985	563 319	558 449	559 985	563 319
FNB - Public Sector Cheque Account - MIG: 62170844221	142 147	19 752 745	144 880	142 147	19 752 745	144 880
FNB Commercial Money Market Investment: FMG - 62280641244	14 421	14 769	9 982	14 421	14 769	9 982
FNB - Commercial Call Account: LED - 62075571713	1 197 101	1 197 449	1 197 773	1 197 101	1 197 449	1 197 773
FNB - 7 day Interest Plus: 7 day Notice - 74366814934	-	-	10 000	-	-	10 000
FNB - Commercial Call Account: Municipal IDP - 62075570137	52 699	188 414	1 014 359	52 699	188 414	1 014 359
FNB - Commercial Money Market Investment: housing Projects - 62280645345	734 183	734 531	734 855	734 183	734 531	734 855
FNB - Money Market investment: MSIG - 62280642416	5 108 276	8 624	8 948	5 108 276	8 625	8 948
FNB - Maturity Notice: Electrification program - 74638477254	139 740	427 285	-	139 740	427 285	-
FNB - Public Sector Cheque Account - 62023382526	4 135 356	5 005 175	8 801 497	4 251 020	5 200 085	8 904 353
FNB Public Sector Cheque Account - COVID-19 - 6285080162	-	-	8 654	-	-	8 654
FNB - Public Sector Cheque Account: DOT - 62689688617	2 514 934	2 243 570	107 527	2 514 934	2 243 570	107 527
Total	127 262 269	172 421 766	169 228 078	127 377 933	172 616 687	169 329 934

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated 2023 2022

7. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 982 621	-	5 982 621	5 982 621	-	5 982 621

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 2022/23. The independent valuer is DB Grobler.

Mhlontlo Local Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements

Restated

8. Property, plant and equipment

	2023		2022			
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	14 065 591	-	14 065 591	14 065 591	-	14 065 591
Buildings	71 145 405	(18 094 207)	53 051 198	66 310 925	(16 243 076)	50 067 850
Strategic asset Infrastructure	3 294 733	(204 168)	3 090 565	3 294 733	(153 161)	3 141 572
Community	1 366 054 443	1 120 922 304	245 132 139	331 408 934	1 060 524 484	250 884 450
Other property, plant and equipment	54 845 288	(26 420 263)	28 425 035	59 567 282	(29 342 931)	30 224 351
Work in progress	50 563 307	(14 226 925)	36 336 382	37 802 141	(14 451 823)	23 350 318
Landfill Site	122 565 981	-	122 565 981	116 041 554	-	116 041 554
	8 683 712	(3 980 480)	4 703 222	8 683 712	(3 741 355)	4 942 357
Total	1 691 218 460	(1 183 848 347)	507 370 113	1 637 174 872	(1 144 456 829)	492 718 043

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	50 067 850	3 047 831	(35 250)	2 022 654	(2 049 191)	(2 696)	53 051 198
Strategic asset	3 141 572	-	-	-	(51 007)	-	3 090 565
Infrastructure	250 884 450	24 383 630	(1 283 325)	13 940 830	(41 233 408)	(1 560 038)	245 132 139
Community	30 224 351	-	(337 805)	-	(1 461 392)	(118)	28 425 036
Other assets	23 350 318	15 647 132	(874 827)	905 983	(2 349 165)	(343 259)	36 336 382
Work-in-progress	116 041 554	23 393 894	-	(16 869 467)	-	-	122 565 981
Landfill site	4 942 357	-	-	-	(239 135)	-	4 703 222
	492 718 043	66 472 487	(2 531 008)	-	(47 383 298)	(1 906 111)	507 370 113

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	13 011 484	-	-	38 827 048	(1 172 414)	(598 268)	50 067 850
Strategic asset	3 192 579	-	-	-	(51 007)	-	3 141 572
Infrastructure	282 105 682	-	(576 493)	16 700 948	(42 319 503)	(5 026 134)	250 884 450
Community	31 549 949	-	(171 762)	3 713 053	(1 529 151)	(3 337 738)	30 224 351
Other assets	23 307 265	5 772 004	(2 582 109)	-	(1 831 859)	(1 314 983)	23 350 318
Work-in-progress	116 668 763	58 613 840	-	(59 241 049)	-	-	116 041 554
Landfill Site	5 207 311	-	-	-	(239 135)	(25 819)	4 942 357
	489 108 574	64 385 844	(3 330 364)	-	(47 143 069)	(10 302 942)	492 718 043

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	36 000 361	80 041 193	116 041 554
Additions/capital expenditure	37 503 975	13 437 413	50 941 388
Transferred to completed items	(38 324 271)	(6 092 692)	(44 416 963)
	<u>35 180 065</u>	<u>87 385 914</u>	<u>122 565 979</u>

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	14 433 173	102 235 590	116 668 763
Additions/capital expenditure	36 879 443	15 537 251	52 416 694
Transferred to completed items	(15 312 255)	(37 731 648)	(53 043 903)
	<u>36 000 361</u>	<u>80 041 193</u>	<u>116 041 554</u>

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance	20 693 933	22 262 964
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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.

9. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	116 223	(35 238)	80 985	2 192 215	(2 034 977)	157 238

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	157 238	116 223	(192 476)	80 985

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	322 155	(164 917)	157 238

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
10. Payables from exchange transactions		
Trade payables	2 229 420	7 042 228
Retention	8 083 483	8 688 084
Payments received in advance	1 127 055	1 420 510
Unallocated deposits	1 407 039	1 239 634
Third Parties/Payroll Debtors	(9 367 646)	(441 297)
Creditor Accruals	2 438 659	2 971 953
Department of Transport	467 751	291 528
Human settlements	5 495	-
	6 389 256	19 212 620

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 2023 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 - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 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	805 335	654 900
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

2023

2022

11. Employee benefit obligation (continued)

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

Carrying value	2023	2022
Present value of the defined benefit obligation-wholly unfunded	1 840 152	1 533 131
Present value of the defined benefit obligation-partly or wholly funded	14 393 013	12 516 686
Fair value of plan assets	7 136 764	7 732 937
	23 369 929	21 782 754
Non-current liabilities	(6 501 967)	(6 465 941)
Current liabilities	(16 868 962)	(15 316 813)
	(23 370 929)	(21 782 754)

Reconciliation of employee benefits - 2023

	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 533 131	307 022	-	1 840 153
Leave pay accrual	12 516 686	2 977 074	(1 099 748)	14 394 012
Long service awards	7 732 937	707 904	(1 304 077)	7 136 764
	21 782 754	3 992 000	(2 403 825)	23 370 929

Reconciliation of employee benefits - 2022

	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 541 223	(8 092)	-	1 533 131
Leave pay accrual	12 764 701	2 322 070	(2 570 084)	12 516 686
Long service awards	6 548 428	1 548 533	(364 024)	7 732 937
	20 854 352	3 862 511	(2 934 108)	21 782 754

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

Opening balance		
Contributions by plan participants	7 732 937	6 548 428
Net expense recognised in the statement of financial performance	(1 304 077)	(364 024)
	707 904	1 548 533
	7 136 764	7 732 937

Net expense recognised in the statement of financial performance

Current service cost	805 335	654 900
Past service cost	795 137	550 695
Interest cost	(892 568)	342 938
	707 904	1 548 533

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 3.15% 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:

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	7 136 764	7 732 937	-	6 146 196	6 148 766

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MIG	-	19 617 856
LED	15 000	15 000
Municipal Disaster Relief Grant	5 100 000	-
	5 115 000	19 632 856
Movement during the year		
Balance at the beginning of the year	19 632 856	15 000
Additions during the year	86 961 000	89 801 000
Income recognition during the year	(101 478 856)	(70 183 144)
	5 115 000	19 632 856

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.

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 929 019	925 634	5 854 653

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 213 535	715 484	4 929 019

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 12.66%. 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 2023.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
14. Service charges		
Refuse Charges -Business	769 439	628 304
Refuse charges - Households	1 502 280	1 217 547
Refuse charges - Government	168 993	186 116
	2 440 712	2 031 967
15. Other income		
Advertising fees	84 397	77 940
Sundry income	102 616	17 297
Cemetery fees	23 801	20 583
Building plan fees	7 643	4 672
	218 457	120 492
16. Interest earned - Investments		
Interest revenue		
Bank	10 126 344	5 274 489
17. Property rates		
Rates received		
Residential	4 166 095	4 204 059
Commercial	5 671 090	5 101 600
Government	24 497 121	24 407 630
Small holdings and farms	248 357	236 528
Less: Income forgone	(706 933)	(671 781)
	33 875 730	33 278 036
Valuations		
Residential	4 166 095	4 204 059
Commercial	5 671 090	5 101 600
Government	24 497 121	24 407 630
Small holdings and farms	248 357	236 528
Less: Income forgone	(706 933)	(671 781)
	33 875 730	33 278 036
<p>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.</p>		
18. Government grants and subsidies		
Operating grants		
Equitable share	217 726 856	200 860 000
Library Assistance	550 000	550 000
Financial Management Grant	2 300 000	2 300 000
EPWP casual workers	2 300 000	2 321 000
Human Settlements training grant	124 179	-
Training LG SETA	446 107	161 733
	223 447 142	206 292 733
Capital grants		

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
18. Government grants and subsidies (continued)		
Municipal Infrastructure Grant	50 293 000	47 041 144
Electrification program	26 968 001	18 521 000
	<u>77 261 001</u>	<u>65 562 144</u>
	<u>300 708 143</u>	<u>271 854 877</u>

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	82 452 051	70 894 877
Unconditional grants received	217 726 856	200 960 000
	<u>300 178 907</u>	<u>271 854 877</u>

Municipal Infrastructure Grant

Balance unspent at beginning of year	19 617 856	-
Current-year receipts	50 293 000	66 659 000
Conditions met - transferred to revenue	(50 293 000)	(47 041 144)
Withheld by National Treasury	(19 617 856)	-
	<u>-</u>	<u>19 617 856</u>

The opening balance of R19 617 856 was not approved by national treasury for a roll-over, as a result the amount was withheld from the current year equitable share.

LED

Balance unspent at beginning of year	15 000	15 000
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There was no movement during the current financial period.

Finance Management Grant

Current-year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	<u>-</u>	<u>-</u>

Expanded Public Work Program

Current-year receipts	2 300 000	2 321 000
Conditions met - transferred to revenue	(2 300 000)	(2 321 000)
	<u>-</u>	<u>-</u>

AUDITOR GENERAL
 SOUTH AFRICA
 30 NOV 2023

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

	2023	2022
18. Government grants and subsidies (continued)		
LG SETA		
Current-year receipts	446 107	161 733
Conditions met - transferred to revenue	(446 107)	(161 733)
	-	-
Integrated Electrification Program		
Current-year receipts	26 968 000	18 521 000
Conditions met - transferred to revenue	(26 968 000)	(18 521 000)
	-	-
The municipality received an additional allocation of R6m on the 31 March 2023.		
Municipal Disaster Relief Grant		
Current-year receipts	5 100 000	-
The Municipal Disaster Relief Grant was received on the 15th June 2023.		
19. Employee related costs		
Basic	61 301 193	51 453 072
Bonus	5 320 735	3 718 581
Medical aid - company contributions	5 905 137	5 749 231
UIF	494 793	458 335
SDL	1 219 456	909 675
Other payroll levies	32 051	22 567
Leave pay provision charge	2 848 935	2 074 055
Backpay	43 748	3 521
Defined contribution plans	7 634 772	6 915 155
Travel allowance	10 217 731	8 708 778
Overtime payments	1 791 564	1 142 012
Long-service awards	(304 697)	348 885
Acting allowances	319 739	9 694
Housing benefits and allowances	3 202 551	3 140 223
Allowance- standby	2 255 070	1 944 540
Temporal employees	1 088 977	1 580 001
Allowance -cellphone	485 155	509 532
	103 856 910	88 687 837
Remuneration of Chief Financial Officer (N. Boti)		
Annual Remuneration	487 307	728 229
Backpay	43 748	-
Car Allowance	170 557	254 880
Contributions to UIF, Medical and Pension Funds	-	2 125
Leave Encashment	372 588	-
Residential Allowance	37 042	55 433
	1 111 242	1 040 667
Mrs N. Boti was the Chief Financial Officer until the 28th February 2023.		

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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19. Employee related costs (continued)

Remuneration of director- Community Services (L. Ndabeni)

Acting Allowance	-	21 038
Annual Remuneration	385 505	232 734
Backpay	205 605	-
Car Allowance	129 767	82 515
Cellphone Allowance	22 568	12 695
Contributions to UIF, Medical and Pension Funds	13 130	10 733
Housing Allowance	39 494	24 684
Leave Encashment	139 503	273 546
	936 572	657 945

Mr L. Ndabeni was the Director - Community services until the 28th February 2023.

Remuneration of Director - Corporate Services (W.Zwane)

Annual Remuneration	733 691	728 229
Backpay	43 748	-
Car Allowance	256 792	254 880
Contributions to UIF, Medical and Pension Funds	-	2 125
Residential Allowance	55 692	55 433
	1 089 923	1 040 667

Remuneration of Director LEDPARD (S. Bhatyi)

Acting Allowance	9 166	66 064
Annual Bonus	52 016	68 690
Annual Remuneration	367 673	524 196
Backpay	43 748	-
Car Allowance	101 382	172 115
Contributions to UIF, Medical and Pension Funds	-	78 031
Housing Allowance	42 233	120 000
Leave Encashment	163 418	-
	779 656	1 129 096

Ms. S. Bhatyi was the Director - LEDPARD until the 31st January 2023.

Remuneration of Director- Infrastructure Services (Z. Petse)

Annual Bonus	-	62 420
Annual Remuneration	628 878	624 196
Backpay	43 745	-
Car Allowance	196 973	135 243
Contributions to UIF, Medical and Pension Funds	57 608	64 545
Housing Allowance	106 000	166 049
	1 033 204	1 042 453

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
19. Employee related costs (continued)		
Remuneration of Municipal Manager (L. Ndabeni)		
Acting Allowance	168 304	-
Annual Remuneration	257 214	-
Car Allowance	107 173	-
Contributions to UIF, Medical and Pension Funds	21 435	-
Residential Allowance	21 435	-
	<u>575 561</u>	<u>-</u>

Mr L. Ndabeni was Acting Municipal Manager from July 2023 until 28 February 2023.

Mr L. Ndabeni was appointed Municipal Manager on the 1st March 2023.

Remuneration of Municipal Manager (T.P. Mase)

Annual Remuneration	-	517 385
Car Allowance	-	129 346
Performance Bonuses	-	36 956
Contributions to UIF, Medical and Pension Funds	-	1 417
Leave encashment	-	199 990
Settlement	-	633 533
	-	<u>1 518 627</u>

The Municipal Manager was suspended on the 30th November 2021 and later terminated on the 28 January 2022.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
20. Remuneration of councillors		
Mayor	959 686	866 626
Chief Whip	729 474	688 141
Executive Committee Members	5 056 137	4 531 344
Speaker	774 800	730 148
Ordinary Councillors	13 822 933	13 564 646
	21 343 030	20 380 905
Mayor		
Basic Salary	884 533	822 226
Backpay	29 532	40 800
Cellphone allowance	41 922	-
Data Card Allowance	3 699	3 600
	959 686	866 626
Speaker		
Basic Salary	530 720	513 576
Backpay	21 552	40 800
Cellphone Allowance	41 922	-
Data Card Allowance	3 699	3 600
Car Allowance	176 907	172 172
	774 800	730 148
Chief Whip		
Basic Salary	497 551	482 329
Backpay	20 452	40 800
Cellphone Allowance	41 922	-
Data Card Allowance	3 699	3 600
Car Allowance	165 850	161 411
	729 474	688 140
Executive committee		
Basic Salary	3 378 072	3 235 530
Backpay	141 452	350 200
Cellphone Allowance	377 298	-
Data Card Allowance	33 291	30 900
Car Allowance	1 126 024	914 715
	5 056 137	4 531 345
Ordinary councillors		
Basic Salary	8 758 356	8 936 764
Backpay	469 538	1 717 000
Car Allowance	2 819 631	2 741 382
Cellphone Allowance	1 631 456	151 500
Data Card Allowance	143 952	18 000
	-	151 500
	13 822 933	13 716 146

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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 three full-time bodyguards and the Speaker 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	47 383 300	47 143 089
Intangible assets	192 476	164 917
	<u>47 575 776</u>	<u>47 307 986</u>
22. Finance costs		
Interest on long service awards	795 137	550 695
23. Debt impairment		
Consumer debtors and traffic fines	14 496 120	13 743 028
24. Contracted services		
Security Services	10 299 320	8 471 087
25. Transfers and subsidies		
Electrification Program	23 450 435	16 105 217

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
26. General expenses		
Advertising	805 185	406 052
Animal Feed	122 455	121 091
Audit committee expenses	537 974	388 399
Audit fees (Refer to note 27)	4 789 872	3 667 123
Bank Charges	325 824	212 618
Cleaning	765 560	29 158
Conferences and seminars	-	24 000
Consulting and professional fees	4 242 389	6 843 514
Consumables/Cemetery tagging	915 801	808 139
Contribution for legal fees	7 118 181	11 818 890
EPWP stipends	4 170 646	4 703 582
Electricity purchases	2 724 941	2 228 725
Entertainment	3 382 797	2 182 562
Fines and penalties	23 222	6 760
Fuel and oil	3 312 746	1 756 339
Hiring charges	37 188 191	31 357 923
Indigent subsidy	4 846 765	2 880 795
Insurance	2 361 693	1 150 786
Medical expenses	432 194	160 983
Motor vehicle expenses	267 726	298 814
Office expenses	37 865	38 441
Pound claims	36 090	5 745
Printing and stationery	1 204 758	2 360 739
Protective clothing	1 912 844	99 969
Repairs and maintenance	20 693 833	22 262 964
Software expenses	1 018 328	536 699
Special Projects	9 024 046	8 664 691
Staff welfare/COVID-19 related expenses	-	83 168
Subscriptions and membership fees	1 170 011	1 102 565
Survey and Planning	582 416	205 955
Telephone and fax	6 953 152	5 973 350
Tourism development	338 000	138 050
Training	1 698 671	1 016 687
Travel - local	7 675 713	7 959 165
Venue expenses	285 680	46 358
Ward committee stipend	6 494 341	4 315 203
	137 463 010	125 856 002
27. Auditors' remuneration		
Fees	4 789 872	3 667 123

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
28. Cash generated from operations		
Deficit	(8 929 584)	(19 145 490)
Adjustments for:		
Depreciation and amortisation	47 575 776	47 307 986
Gain on sale of assets and liabilities	244 080	1 917 749
Impairment loss on assets	1 906 111	10 430 671
Debt impairment	14 496 120	13 743 028
Movements in employee benefit obligations	1 588 175	928 402
Movements in provisions	925 634	715 484
Increase in provisions relating to employee cost	(795 137)	-
Actuarial loss	(892 568)	342 938
Other non-cash items	(312 849)	100 716
Changes in working capital:		
Receivables from exchange transactions	(2 552 463)	(1 362 080)
Receivables from exchange transactions	(13 023 006)	(13 237 936)
Payables from exchange transactions	(12 762 501)	5 737 763
VAT	4 397 055	(5 174 535)
Unspent conditional grants and receipts	(14 517 856)	19 617 856
	17 347 007	61 922 552

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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29. 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	2023	2022
Cash and Cash Equivalents	127 381 281	172 629 766
Receivables from exchange transactions	1 039 269	312 455
Receivables from non-exchange transactions	3 303 377	2 684 934

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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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30. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	1 039 269	1 039 269
Receivables from non-exchange transactions	-	3 303 377	3 303 377
Cash and Cash equivalents	127 381 261	-	127 381 261
	<u>127 381 261</u>	<u>4 342 646</u>	<u>131 723 907</u>

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6 389 256	6 389 256

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	312 455	312 455
Other receivables from non-exchange transactions	-	2 684 934	2 684 934
Cash and cash equivalents	172 629 766	-	172 629 766
	<u>172 629 766</u>	<u>2 997 389</u>	<u>175 627 155</u>

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	19 212 620	19 212 620

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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31. Contingencies

Contingencies	72 844 710	50 035 854
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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 Siqholo: 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.

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.

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 litigation relates to a contract that was terminated by the municipality on the grounds that it was awarded irregular. The municipality is being sued for amount of 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. 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 R750 000.

11. 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.

12. 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.

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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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31. Contingencies (continued)

13. 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.

14. 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.

15. 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.

16. Zukisani 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.

17. 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.

18. Nandipha Delihlazo//Mhlontlo Local Municipality Case No. 2177/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties.

19. Mhlontlo Local Municipality//Zwellixolile 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.

20. 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 R500 000

21. Mhlontlo Local Municipality// Other, Case No.3561

The respondents unlawfully manufacturing building blocks and building materials at ERF 641. The amount is R200 000.

22. Nandipha Delihlazo//Mhlontlo Local Municipality Case No. 2177/202

The plaintiff is suing the Municipality for unlawfully demolishing their property. The amount is R428 430,70

23. Mhlontlo Local Municipality//Bongithemba Props Pty Ltd ERF 159

The amount is R300 000.

24. Mhlontlo Local Municipality//Bongithemba Props Pty Ltd ERF 116

The amount is R300 000.

25. Mhlontlo Local Municipality//An & AT Poteiwa Family Trust ERF 129.

The amount is R300 000.

26. Mhlontlo Local Municipality//James Kobi ERF 193.

The amount is R300 000.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
31. Contingencies (continued)		
27. Mhlontlo Local Municipality//ERF 627. The amount is R300 000.		
28. Mhlontlo Local Municipality//ERF 629. The amount is R300 000.		
29. Mhlontlo Local Municipality//ERF 625. The amount is R300 000.		
30. Mhlontlo Local Municipality//ERF 631. The amount is R300 000.		
31. Mhlontlo Local Municipality//ERF 628. The amount is R300 000.		
32. Mhlontlo Local Municipality//ERF 638. The amount is R300 000.		
33. Mhlontlo Local Municipality//ERF 333. The amount is R300 000.		
34. Florence Jojo/Mhlontlo Local Municipality, Case No2178/2020-Mthatha High Court The plaintiff is suing the Municipality for the demolishing of her house. She's demanding payment being the value of her house. The amount is R 2000 000.		
35. Mzuvukile Ngeke & others/Mhlontlo Local Municipality, Case No.11/2019-Mthatha High Court This is an interdict and restraining from demarcating, sub dividing, developing any structure of any nature on the land. The amount is R1 000 000.		
36. SALGBC obolMATU & SAMWU//Mhlontlo Local Municipality This is a review application for an arbitration award dated 15 January 2021. The judgement was delivered on 16 August 2022 in favour of the Municipality. The contingency relates to estimates legal costs of R1000 000.		
37. Mhlontlo Local Municipality//F.N. Themba & others This is an application for unlawful occupiers on the Municipality's land. The amount is R500 000.		
38. Mhlontlo Local Municipality//Spar/Shoprite/Usave & Others This was a complaint that was laid by the numerous residents and business owners about sewerage and spillages around the town of Qumbu. The amount is R500 000.		
39. V. Maqhutyana VS Mhlontlo LM The Municipal vehicle was accidentally damaged whilst being driven by Mr Maqhutyana; however he lodged a claim for unpaid overtime, and we advised the Municipality to pay him whilst we are attending to the issue of damaged vehicle. The vehicle is presently with the panel beaters. The contingency relates to estimated legal costs of R180 000.		
40. Upper Ndwana community and others VS Mhlontlo LM Case Number 978/2022 This matter with many others that follow emanate from the people who have no houses. They claim that the Municipality must build houses for them. The matter is being processed on the basis that the Municipality is not responsible for building houses, this the terrain of the Department of Housing and Human Settlements. The amount is R 1350 000.		
41. Mhlontlo Local Municipality//ERF 626. The amount is R300 000.		
42. Mteto Justice Ndabeni//Mhlontlo Local Municipality This is a review application wherein the applicant seeks to review the appointment of the 4th respondent (Municipal manager). This case relates to Mhlontlo residents who were opposing the appointment of a Municipal manager. The contingency relates to the estimated legal cost of R500 000.		
43. Nqeketho//Mhlontlo Local Municipality (Case No. 1466/21)		



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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31. Contingencies (continued)

Notice of motion. The contingency relates to the estimated legal cost of R500 000.

44. Enye Makapatwana & Ors//Mhlontlo Local Municipality (Case No. 2917/2023)

Notice of motion. The contingency relates to the estimated legal cost of R500 000.

45. Khubalo Mtshangala & Others//Mhlontlo Local Municipality (Case No. 2629/2020)

Notice of motion. The contingency relates to the estimated legal cost of R300 000.

46. Imatu Judgement & Ngcangula Judgement//Mhlontlo Local Municipality

Notice of motion. The contingency relates to the estimated legal cost of R300 000.

47. Zwelixelile Matinise & ntlangano Project CC//Mhlontlo Local Municipality (Case No. 96/21)

Notice of motion. The contingency relates to the estimated legal cost of R300 000

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated 2023 2022

32. Related parties (continued)

Municipal Manager	Mr L. Ndabeni
Chief Financial Officer	Mrs N. Boti (Contract ended 28 February 2023)
	M. Langa (Acting)
Senior manager: Infrastructure Services	Ms. Z. Pelse
Senior manager: Corporate Services	Mr W. Zwane
Senior manager: Local Economic Development	Ms. S Batyi (Contract ended 31 January 2023)
Acting Senior manager: Community Services	Mr. G.P. Ngcangula

There were no related party transactions. Apart from the remuneration, no further transactions occurred with councillors and section 56 managers. Refer to Note 20 & 21.

33. Prior period errors

The current year comparatives have been adjusted as follows

	Previously stated	Adjustment	
Property, plant and equipment	528 263 798	(35 545 755)	492 718 043
VAT Receivable	13 475 233	(376 590)	13 098 643
Payables from exchange transaction	(18 534 023)	(678 600)	(19 212 623)
Transfers and subsidies	-	(16 105 216)	(16 105 216)
Opening Balance (accumulated surplus)	(659 806 367)	37 779 916	(622 026 451)
	<u>(136 601 359)</u>	<u>(14 826 245)</u>	<u>(151 527 604)</u>

Property, plant and Equipment

The prior year Trial Balance and FAR were correct, however they did not agree to the AFS hence the adjustment and that was never tested during the adjustment period.

A VAT journal between WIP and VAT receivables was incorrectly passed, that error was corrected in the current year

INEP expenditure was included under work in progress for the electrification programme, due to revised guideline issued by national treasury in the current financial year, the accounting has subsequently changed for non-licensed municipalities resulting in the reclassification to General expenditure.

VAT receivable

A VAT journal between WIP and VAT receivables was incorrectly passed, that error was corrected in the current year

Payables from exchange transactions

Prior year expenditure in work in progress was recorded in the current year. This has now been corrected by increasing work in progress and prior year accruals.

The comparative balances for 2022 have been restated as follows:

Cash Flow Statement	Previously Stated	Adjustments	Restated 2022
Cash flows from operating activities			
Property rates taxes	20 117 963	753 905	20 871 868
Services Charges	782 705	(782 705)	-
Other receipts	3 096 772	396 838	3 493 610
Employee costs	(106 645 604)	(1 494 537)	(108 140 141)
Suppliers	(138 576 581)	(12 473 424)	(151 050 005)
Cash flows from investing activities			
Purchase of property, plant and equipment	(73 847 658)	14 426 950	(59 420 706)
Proceeds from sale of property, plant and equipment	1 623 425	(210 810)	1 412 615
	<u>(293 448 976)</u>	<u>616 217</u>	<u>(292 832 759)</u>

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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33. Prior period errors (continued)

The comparative figures for 2022 have been restated as a result of:

Cash Flow Statement

The restatement is due to incorrect workings for movement in the above line items. That error has now been corrected

34. Unauthorised expenditure

Opening balance as previously reported	68 266 670	56 861 188
Opening balance restated	-	-
Add: Expenditure identified - current	-	11 405 482
Add: Expenditure identified - During audit	10 554 476	-
Less: Approved/condoned/authorised by council	(68 266 670)	-
Closing balance	10 554 476	68 266 670

Unauthorised expenditure of R10 554 476 identified during the audit.

35. Fruitless and wasteful expenditure

Opening balance as previously reported	1 157 596	1 150 836
Opening balance	1 157 596	1 150 836
Add: Expenditure identified - current	17 842	6 760
Less: Amount written off - current	(1 157 596)	-
Closing balance	17 842	1 157 596

Fruitless and wasteful expenditure incurred relates to interest charged on overdue accounts telkom accounts. The expenditure is under investigation.

Prior year Fruitless and wasteful expenditure balance was investigated by MPAC and written off by the council on the 28 June 2023.

36. Irregular expenditure

Opening balance as previously reported	58 683 685	105 103 711
Opening balance as restated	58 683 685	105 103 711
Add: Irregular Expenditure - current	-	4 545 359
Add: Irregular Expenditure - Discovered during 2022/23 audit	145 946	269 839
Less: Amount written off - current	(29 882 342)	(51 235 324)
Closing balance	28 947 289	58 683 685

Incidents/cases identified in the current year include those listed below:

Municipal managers' salary was not according to government gazette 47538, volume 689, dated 18 November 2022.	75 953
Three written quotations not invited	69 993
	<u>145 946</u>

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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37. Deviation from supply chain management regulations

Goods and services to the value of R2 650 070 (2022:R18 900) 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 accounting officer 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.

Supplier name	Number	Description	Amount	Reason for deviation
Makangela Ntungani Incorporated	9947	Legal services	1 336 007	The supplier was appointed as part of panel of legal services. The contract had initial expired and was extended by 3 months, which expired on the 14 March 2023. However, the appointment of a new panel had not been concluded at the time of case. Therefore, circumstance dictated that the current lawyer on the case must continue seating on the case. Hence the deviation is off exceptional circumstance.
Microsoft		Payment of microsoft office license	1 314 063	Microsoft office is a sole provider of microsoft office software.
			<u>2 650 070</u>	

38. Commitments

Already contracted for but not provided for

Already contracted for but not provided for

Property, plant and equipment

23 937 899 32 437 714

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. Revenue

Service charges	2 440 712	2 031 967
Rental of facilities and equipment	36 685	24 034
Agency services	1 584 703	1 248 426
Licences and permits	1 259 347	1 430 771
Actuarial gain/loss	892 568	-
Other income	218 457	120 492
Interest received - investment	10 126 344	5 274 489
Property rates	33 875 730	33 278 036
Government grants & subsidies	300 708 143	271 854 877
Public contributions and donations	2 250 000	18
Fines, Penalties and Forfeits	762 280	831 765
Commission on payroll	312 851	272 031
Recoveries	142 509	-
		<u>354 610 309</u> <u>316 366 906</u>

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
39. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2 440 712	2 031 967
Rental of facilities and equipment	36 685	24 034
Agency services	1 584 703	1 248 428
Licences and permits	1 259 347	1 430 771
Actuarial gain/loss	892 568	-
Other income	218 457	120 492
Interest received - Investment	10 126 344	5 274 489
	16 558 816	10 130 179
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	33 875 730	33 278 036
Transfer revenue		
Government grants & subsidies	300 708 143	271 854 877
Public contributions and donations	2 250 000	18
Fines, Penalties and Forfeits	762 260	831 765
Commission on payroll	312 851	272 031
Recoveries	142 509	-
	338 051 493	306 236 727
40. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 069 369	1 082 946
Amount paid - current year	(1 069 369)	(1 082 946)
	-	-
Audit fees		
Current year subscription / fee	4 789 872	3 667 123
Amount paid - current year	(4 789 872)	(3 667 123)
	-	-
PAYE, SDL and UIF		
Current year subscription / fee	23 941 143	18 562 260
Amount paid - current year	(23 941 143)	(18 562 260)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	22 171 149	21 970 456
Amount paid - current year	(22 171 149)	(21 970 456)
	-	-

**AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023**

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
40. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	8 701 588	13 098 643

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 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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41. 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 Variance is trivial and immaterial.

41.3 Variance is trivial and immaterial.

41.4 Variance is trivial and immaterial.

41.5 Variance is trivial and immaterial.

41.6 Interest received on investments increased due to the increased cash investments by the municipality..

41.7 Variance is trivial and immaterial.

41.8 Variance is trivial and immaterial.

41.10 Fines, penalties and forfeits were underbudgeted.

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 due to salary increment for councillors not been implemented in 2022/2023.

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. The floods that took place in November and December 2022 damaged a lot of infrastructure assets that had to be impaired. Also in the budget document, impairment and Depreciation are budgeted for under 1 line item.

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. Some of the items budgeted for under contracted services were general expenditure items.

41.20 Underbudgeting on general expenditure.

41.21 The municipality budgeted for a Gain on disposal of assets instead it made a loss hence the variance.

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 receivables from exchange transactions and receivables from non-exchange transactions being budgeted together as consumer debtors on the budget document.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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41. Budget differences (continued)

41.26 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.

41.27 Variance is Trivial and Immaterial.

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. The municipality also received a R6 000 000 INEP additional allocation in March 2023 which was unspent as year-end.

41.29 Variance is Trivial and Immaterial.

41.30 Variance is Trivial and immateria.

41.31 Intangible assets cost was not budgeted for.

41.33 The variance is due to an increase in Retentions and accruals at year end.

41.34 Employee benefit obligation not budgeted for.

41.35 Unspent conditional grant and subsidies not budgeted for.

41.38 Employee benefit obligation not budgeted for.

41.39 Provisions were overbudgeted for since in the past the municipality use to account for legal costs as provisions.

CASH FLOW STATEMENT

41.40 The variance is due to additional schools that were valued and billed.

41.41 Low collection on refuse removal due to rural nature of the municipality.

41.42 Variance is due to overbudgeting.

41.43 Interest received on investment increased to the saving on equitable share that was generating increase.

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.

41.50 Purchase of Property, Plant and Equipment was overbudgeted.

41.52 Variance is due to the saving on equitable share expenditure and additional MIG funding that was received by the municipality.

42. Events after the reporting date

No significant events have occurred after reporting date.

43. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 613 096 887 and that the municipality's total assets exceed its liabilities by R 613 129 375.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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43. Going concern (continued)

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.

44. 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.

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.

These reportable segments as well as the goods and/or services for each segment are set out below:

- Trading services (Refuse removal and property rates) (Primary segment)
- Public safety and Community services (Secondary segment)
- Technical services, roads and transport (Tertiary segment)

Mhlontlo Local Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements

Restated

44. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Revenue	2 440 712	-	-	2 440 712	-	2 440 712
Revenue from exchange transactions	-	-	-	-	-	-
Service charges	-	17 348	-	17 348	19 337	36 685
Rental of facilities and equipment	-	1 584 703	-	1 584 703	-	1 584 703
Agency services	-	1 176 532	-	1 176 532	82 815	1 259 347
Licences and permits	-	23 801	-	23 801	194 658	218 457
Other income	-	-	-	-	10 126 344	10 126 344
Interest earned - Investments	-	-	-	-	892 588	892 588
Actuarial gains	-	-	-	-	-	-
Revenue from non-exchange transactions	33 875 731	-	-	33 875 731	-	33 875 730
Property rates	17 334 538	23 372 157	136 617 283	179 323 987	121 384 155	300 708 143
Government grants & subsidies	-	762 260	-	762 260	-	762 260
Fines	-	-	-	-	-	-
Recoveries	-	-	-	-	142 509	142 509
Commission received	-	-	-	-	312 851	312 851
Public contributions and donations	-	-	-	-	2 250 000	2 250 000
Total municipal revenue	53 650 981	26 936 801	138 617 283	219 205 074	135 405 235	354 610 309
Municipality's revenue						354 610 309

Mhlontlo Local Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements

Restated

44. Segment information (continued)

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Expenditure						
Employee related costs	(19 107 933)	(20 141 725)	(12 396 893)	(51 646 550)	(52 210 360)	(103 856 910)
Remuneration of councillors	-	-	-	-	(21 343 030)	(21 343 030)
Depreciation and amortisation	-	(1 461 393)	(41 472 543)	(42 933 936)	(4 641 840)	(47 575 776)
Impairments loss	-	-	(1 906 111)	(1 906 111)	-	(1 906 111)
Finance costs	-	-	-	-	(795 137)	(795 137)
Lease rentals on operating lease	-	-	-	-	(1 184 310)	(1 184 310)
Debt Impairment	(14 496 120)	-	-	(14 496 120)	-	(14 496 120)
Contracted services	-	(10 299 320)	-	(10 299 320)	-	(10 299 320)
Transfers and subsidies	-	-	-	-	(23 450 435)	(23 450 435)
Loss on disposal of assets	-	-	-	-	(244 080)	(244 080)
Movement in (interest)/change in estimate on Landfill Site	-	(925 634)	-	(925 634)	-	(925 634)
General expenses	(4 764 628)	(3 618 809)	(58 119 696)	(66 503 133)	(70 979 713)	(137 482 846)
Total segment expenditure	(38 368 661)	(36 446 681)	(113 895 243)	(188 710 804)	(174 848 905)	(363 559 873)
Total municipality's surplus/(deficit)						(8 929 564)
Total segment revenue	-	-	-	-	-	219 205 074
Total segment expenditure	-	-	-	-	-	(188 710 804)
Segment surplus (deficit) for the year						30 494 270
Municipality's surplus (deficit) for the period						(8 929 564)

Mhlontlo Local Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements

Restated

44. Segment information (continued)

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Assets						
Receivables from exchange transactions	978 405	-	-	978 406	60 853	1 039 269
Receivables from non-exchange transactions	2 319 698	750 297	-	3 069 995	233 381	3 303 376
VAT Receivables	-	-	-	-	8 701 588	8 701 588
Cash and cash equivalents	-	-	-	-	127 381 261	127 381 261
Investment property	-	-	-	-	5 982 621	5 982 621
Property, plant and equipment	4 703 222	28 425 035	245 132 139	278 260 398	229 109 717	507 370 113
Intangible assets	-	-	-	-	80 985	80 985
Total assets	8 001 326	29 175 332	245 132 139	282 308 797	371 560 416	653 859 213
Total assets as per Statement of financial Position						653 859 213
Liabilities						
Payables from exchange transactions	-	-	(8 083 483)	(8 083 483)	1 694 227	(6 389 256)
Employee benefits	-	-	-	-	(23 370 929)	(23 370 929)
Unspent conditional grants	-	-	(5 100 000)	(5 100 000)	(15 000)	(5 115 000)
Provisions	(5 854 653)	-	-	(5 854 653)	-	(5 854 653)
Total liabilities	(5 854 653)	-	(13 183 483)	(19 038 136)	(21 691 702)	(40 729 838)
Total segment assets						282 308 797
Total segment liabilities						(19 038 136)
Net segment assets						263 270 661
Municipalities' net assets						613 129 375

2022

Total

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

44. Segment information (continued)

Revenue	2 031 968	-	2 031 968	-	2 031 968
Service charges	-	13 912	-	10 122	24 034
Rental of facilities and equipment	-	1 248 426	-	-	1 248 426
Agency services	-	1 279 253	-	151 518	1 430 771
Licences and permits	-	20 584	-	99 926	120 510
Other income	-	-	-	5 274 489	5 274 489
Interest earned - investments	33 278 036	-	33 278 036	-	33 278 036
Property rates	27 971 539	27 165 924	87 525 339	129 192 075	271 854 877
Government grants and subsidies	-	831 765	-	831 765	831 765
Fines	-	-	-	272 031	272 031
Commission received	-	-	-	-	-
Total municipalities revenue	63 281 543	30 559 864	87 525 339	135 000 161	316 366 906
Municipality's revenue					316 366 906
Expenditure					
Employee related costs	(14 933 837)	(23 119 484)	(10 669 018)	(48 722 339)	(88 687 637)
Remunerations of councillors	(238 135)	(1 529 151)	(42 319 503)	(44 087 789)	(20 380 905)
Depreciation and amortisation	(25 819)	(3 337 738)	(5 026 134)	(8 389 680)	(3 220 197)
Impairment of assets	-	-	-	-	(2 040 980)
Finance costs	-	-	-	-	(550 695)
Lease rentals on operating lease	(13 461 207)	(281 821)	-	(1 002 795)	(1 002 795)
Debt impairment	-	(8 471 086)	-	(13 743 028)	(13 743 028)
Contracted services	-	-	-	(8 471 086)	(8 471 086)
Transfers and subsidies	-	-	-	-	(16 105 217)
Loss on disposal of assets	-	-	-	-	(1 917 749)
Actual losses	-	-	-	-	(342 938)
Movement in (interest)/change in estimate on Landfill site	-	(715 484)	-	(715 484)	(715 484)
General expenses	(2 123 546)	(2 614 948)	(53 690 651)	(58 429 145)	(67 426 857)
Total expenditure	(30 783 544)	(40 069 712)	(111 705 306)	(182 558 551)	(125 856 002)
Total municipality's surplus/(deficit)				(152 953 631)	(335 512 396)
					(19 145 490)

Mhlontlo Local Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements

Restated

					Total
44. Segment information (continued)					
Total segment revenue					(181 366 746)
Total segment expenditure					182 558 951
Segment surplus (deficit) for the year					(1 191 805)
Municipality's surplus (deficit) for the period					(19 145 490)
Assets					
Receivables from exchange transactions	312 455	-	-	312 455	312 455
Receivables from non-exchange transactions	2 184 583	395 110	-	2 579 692	2 684 934
VAT Receivables	-	-	-	105 242	13 088 643
Cash and cash equivalents	-	-	-	13 088 643	172 629 796
Investment property	-	-	-	172 629 766	5 982 621
Property, plant and equipment	4 942 357	30 224 351	214 338 884	249 505 592	492 718 043
Intangible assets	-	-	-	243 212 451	157 238
Total assets	7 439 395	30 619 461	214 338 884	252 397 739	687 583 700
Total assets as per Statement of financial Position					687 583 700
Liabilities					
Payables from exchange transactions	-	-	-	-	(19 212 620)
Employee benefit obligation	-	-	-	(21 782 754)	(21 782 754)
Unspent conditional grants and receipts	-	-	(19 617 856)	(19 617 856)	(19 632 856)
Provisions	(4 929 019)	-	-	(4 929 019)	(4 929 019)
Total liabilities	(4 929 019)	-	(19 617 856)	(24 546 875)	(65 557 249)
Total segment assets					252 397 739
Total segment liabilities					(24 546 875)
Total segments net assets					227 850 864
Total liabilities as per Statement of financial Position					622 026 451

Notes to the Annual Financial Statements

Restated

44. Segment information (continued)

Reporting on Segments Assets and Liabilities

Assets and liabilities are utilised by management to assess key financial indicators and financial ratios such as solvency ratio, liquidity ratio, Debt to equity ratio etc. 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.

The municipality's has aggregated some of its reportable segment (Secondary and Tertiary segments) as they share similar economic activity.

Measurement of segment surplus or deficit, assets and liabilities



**MHLONTLO LOCAL
MUNICIPALITY**



AUDIT REPORT



MHLONTLO LOCAL MUNICIPALITY

Audit Report

For the year ended 30 June 2023



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 xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the 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 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for qualified opinion

Payables from exchange transactions

3. I was unable to obtain sufficient appropriate evidence that payables from exchange transactions relating to third parties/payroll debtors had been appropriately accounted for in accordance with GRAP 104 – *Financial Instruments*, due to the status of the accounting records. I was unable to confirm payables from exchange transactions relating to third parties/payroll debtors by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to third parties/ payroll debtors stated at R 9, 3 million in note 10 of the financial statements.

Context for opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
5. 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.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Prior period errors

8. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2023.

Allowance 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 R14,3 million (2021-22: R12,5 million) and R 73,8 million ((2021-22: R 61,3 million) respectively, due to the slow recovery of old consumer debts.

Other matter

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

Unaudited disclosure note

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and for such internal control as the accounting officer determines is necessary to enable the preparation financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected development priority presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
17. I selected the following development priority presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected a development priority that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Development priority	Page numbers	Purpose
Basic services and infrastructure	XX	<ul style="list-style-type: none"> The provision of basic services for roads infrastructure, electricity and refuse

18. I evaluated the reported performance information for the selected development priority against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.
19. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets/measures taken to improve performance.

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

21. The material findings on the reported performance information for the selected development priority are as follows:

Basic services and infrastructure

Various indicators

22. The following reported achievements were not consistent with the planned and reported indicators and targets. Furthermore, the indicator is not well defined and thus, the indicator (with its related target) is not measurable.

Performance indicator	Planned target
3270 km of sub-soil drainage and 12 138 m ² bulk stormwater with related manholes and other works completed.	Complete construction of 3,27 km bulk stormwater with related manhole facilities in Tsolo town by June 2023
Report of maintained street and high mastlights	Maintain 55 of high mast and 106 streetlights as and when required
Rehabilitation of one sports field at Qumbu completed	Rehabilitation of Qumbu sports field by June 2022
Rehabilitation of one sports field at Mvumelwano (Phase2) completed	Rehabilitation of sports field – Mvumelwano sport field (Phase 2) in ward 14 By June 2022

Various indicators

The following reported achievements were not consistent with the planned and reported indicators and targets.

Performance indicator	Planned target	Reported achievement
Construction of 10.43 km of gravel access road completed at T123 to Cameron Ngudle	Complete construction of 10.2 km of T123 – Cameron Ngudle gravel access road in ward 5 by June 2023	Not achieved
Completed construction of 1 km V drains and laying of 2 km storm water culverts	Complete construction of Tsolo storm water phase 2	Not achieved

100 km of patch re-gravelled and 100 km of blading completed	Patch re-gravelling of 100 km and 100 km blading of the gravel access roads in line with the roads intervention plan by June 2023	Not achieved
Site handover and site establishment completed for Tsolo sports field	Rehabilitation of Tsolo sports field by June 2023	Not achieved

160 Km of blading and 40 km of patch re-gravelling completed in line with the maintenance plan

23. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicator.

Performance indicator	Reported achievement	Actual achievement
160 km of blading and 40 km of patch re-gravelling completed in line with the maintenance plan	During the year of reporting 163,3 km of blading and 45,11 km of patch re-gravelling were achieved as a result there was an overachievement of 3,3 km on blading and 5,11 km on patch re-gravelling.	234,26 km

Other matters

Achievements of planned targets

24. 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 the paragraphs... to ... of this report.

Material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic services and infrastructure development priority. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

26. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

27. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
28. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Human resource management

30. I was unable to obtain sufficient appropriate audit evidence that senior managers signed performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Annual financial statements, annual performance report and annual report

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 liabilities, and expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the supporting records that could not be provided resulted in the annual financial statements receiving a qualified audit opinion.
32. The oversight report adopted by the council on the 2021-22 annual report was not made public, as required by section 129(3) of the MFMA.

Expenditure management

33. An adequate management, accounting and information system was not in place, which accounted for creditors, as required by section 65(2)(b) of the MFMA.
34. Reasonable steps were not taken to prevent irregular expenditure of R0,145 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.
35. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R10,6 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 underbudgeting for the depreciation and impairment losses.

Strategic planning and performance

36. 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).
37. 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.

Procurement and contract management

38. Awards were made to persons in the service of other state institutions, which is prohibited in terms of section 112((1)(j)) of the MFMA and SCM regulation 44.
39. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).

Asset management

40. Capital assets were disposed of without the municipal council having decided on whether the assets were still needed to provide the minimum level of basic municipal services, as required by section 14(2)(a) of the MFMA.

Other information in the annual report

41. The accounting officer is responsible for the other information included in the annual report, the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.
42. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
43. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Internal control deficiencies

44. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

45. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
46. The municipality did not have an effective system in place to collate and report on performance information and this resulted in material misstatements in the performance report submitted for auditing. Furthermore, the audit action plan that had been created was not effectively implemented as repeat findings were identified in the performance reporting processes.
47. Management did not implement adequate financial management disciplines throughout the year, which include the timely reconciliation of accounting records to achieve accurate and reliable reporting.
48. Management did not implement adequate monitoring of compliance with laws and regulations to ensure the compliance with legislative requirements.

AUDITOR - GENERAL

East London

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	<p>Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure,</p> <p>Section 1 - Definition: service delivery and budget implementation plan,</p> <p>Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1),</p> <p>Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b),</p> <p>Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i),</p> <p>Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b),</p> <p>Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e),</p> <p>Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1),</p> <p>Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii),</p> <p>Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170,</p> <p>Sections 171(4)(a), 171(4)(b)</p>
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	<p>Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a),</p> <p>Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a),</p> <p>Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b),</p> <p>Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c),</p> <p>Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43,</p> <p>Regulations 44, 46(2)(e), 46(2)(f)</p>

Legislation	Sections or regulations
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J (1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)



**MHLONTLO LOCAL
MUNICIPALITY**



AUDIT ACTION PLAN 2023

No	Component	Finding	Impact	Type of impact	Auditor's recommendation	Management response	Root cause	Auditor's conclusion	Action Plan	Municipal Department	Municipal Sub-Department	Municipal Official	Deadline	Completion Stage
1	Compliance	COMF 2 (Finding 1): Through inspection of the 2022/23 financial statements, it was noted that there is a monthly reporting process in place for the audit report. However, expenditure is not reported for each month.	The findings for compliance with MFMA 1 (definition and audit report) are reported in the management report and the audit report.	Compliance	Management should review and monitor compliance with applicable regulations and ensure that all expenditure is reported by month.	Management agrees with the finding. The register will be updated.	The finding is caused by management's failure to monitor and report expenditure. The 2022/23 audit report was not adequately reviewed to ensure compliance.	Management will ensure the Adjusted Register is updated and reported for each month for the audit report for the year.		All Departments	Budget and Reporting	M. Langa	29-Mar-24	In progress
2	Compliance	COMF 2 (Finding 2): It was noted on the contract that the project was incorrectly calculated as per below: Bulk Storm Water Project was incorrectly calculated as per below:	The finding resulted in an understatement of commitments by an amount of R15 079 360.57.	Financial	Management to ensure to review and monitor compliance with applicable regulations and ensure that all expenditure is reported by month.	Management agrees with the finding. The register will be updated.	The contract register was not adequately reviewed for management to ensure that all amounts are correctly calculated.	Post inspection of the updated commitments register noted that management has updated the register and the finding is resolved.	The finding was resolved during the audit. However, management did not receive a report finding in the 2022/23 audit. Management will ensure the register is submitted to internal audit for review.	Budget and Treasury	Budget and Reporting	M. Langa	30-Jul-24	Not started
3	Compliance	During the audit of commitments, it was noted that commitments amount for the year.	The finding resulted in an understatement of commitments amount of R8 802 497.00.	Financial	Management should ensure to review and monitor compliance with applicable regulations and ensure that all expenditure is reported by month.	Management agrees with the finding. The register will be updated.	The contract register was not adequately reviewed for management to ensure that all amounts are correctly calculated.	Management register was updated and the finding resolved.	The finding was resolved during the audit. However, management did not receive a report finding in the 2022/23 audit. Management will ensure the register is submitted to internal audit for review.	Budget and Treasury	Budget and Reporting	M. Langa	30-Jul-24	In progress
4	Compliance	During the audit of commitments, it was noted that commitments amount for the year.	The finding resulted in an understatement of commitments amount of R8 802 497.00.	Financial	Management should ensure to review and monitor compliance with applicable regulations and ensure that all expenditure is reported by month.	Management agrees with the finding. The register will be updated.	The contract register was not adequately reviewed for management to ensure that all amounts are correctly calculated.	Management register was updated and the finding resolved.	The finding was resolved during the audit. However, management did not receive a report finding in the 2022/23 audit. Management will ensure the register is submitted to internal audit for review.	Budget and Treasury	Budget and Reporting	M. Langa	30-Jul-24	Not started
5	Compliance	During the audit of commitments, it was noted that commitments amount for the year.	The finding resulted in an understatement of commitments amount of R8 802 497.00.	Financial	Management should ensure to review and monitor compliance with applicable regulations and ensure that all expenditure is reported by month.	Management agrees with the finding. The register will be updated.	The contract register was not adequately reviewed for management to ensure that all amounts are correctly calculated.	Management register was updated and the finding resolved.	The finding was resolved during the audit. However, management did not receive a report finding in the 2022/23 audit. Management will ensure the register is submitted to internal audit for review.	Budget and Treasury	Budget and Reporting	M. Langa	30-Jul-24	Not started
6	Procurement and Management	COMF 5: During the compliance test of the following transactions selected from payment included in the registers, therefore, the question submitted for audit are not complete.	This results in an internal control deficiency as not all transactions included in the registers, therefore, the question submitted for audit are not complete.	Internal	Management should ensure to review and monitor compliance with applicable regulations and ensure that all expenditure is reported by month.	Management agrees with the finding. The register will be updated.	This is due to a lack of controls in place to ensure that all amounts are correctly calculated.	Management register was updated and the finding resolved.	The finding was resolved during the audit. However, management did not receive a report finding in the 2022/23 audit. Management will ensure the register is submitted to internal audit for review.	Budget and Treasury	SCM Unit	N. Mkhize	30-Jul-24	Not started
7	Disclosure	COMF 20 - Unauthorised expenditure disclosed: During the audit of unauthorised expenditure, an unauthorised expenditure was not disclosed in the annual financial statement.	The impact of this is that unauthorised expenditure was not disclosed in the annual financial statement.	Financial	Management should ensure to review and monitor compliance with applicable regulations and ensure that all expenditure is reported by month.	Management agrees with the finding. The register will be updated.	This is due to a lack of controls in place to ensure that all amounts are correctly calculated.	Management register was updated and the finding resolved.	The finding was resolved during the audit. However, management did not receive a report finding in the 2022/23 audit. Management will ensure the register is submitted to internal audit for review.	Budget and Treasury	Budget and Reporting	M. Langa	29-Mar-24	In progress
8	Compliance	During the audit of commitments, it was noted that commitments amount for the year.	The impact of this is that it is a non-compliance with MFMA 12(3) and 12(4) as the register was not updated and audit report as such.	Compliance	Management should ensure to review and monitor compliance with applicable regulations and ensure that all expenditure is reported by month.	Management agrees with the finding. The register will be updated.	This is due to a lack of controls in place to ensure that all amounts are correctly calculated.	Management register was updated and the finding resolved.	The finding was resolved during the audit. However, management did not receive a report finding in the 2022/23 audit. Management will ensure the register is submitted to internal audit for review.	All Departments	All Departments	All Heads of Department and Municipal Manager	29-Mar-24	In progress

13	Payable from exchange transactions	COAF 7 - Payable from exchange transactions (understatement of Payables) During audit of payables, a difference was noted disclosed in note 10 of payables from exchange transactions, and General Ledger amounting to R9 387 666,73.	The finding results to payable from exchange transaction being understated by R9 387 666,73. The finding is due to lack of management controls to ensure that position is allocated to the relevant account to zero at the end of the financial year. Payroll reconciliations not being prepared on time.	Management acknowledges the finding. However, disagrees with the amount. The amount stated in the GL is R9 387 666,73. The amount stated in the IB is R9 387 666,73. However, there is a system error noted due to the fact that the salary control system with the system communicated with the system incorrectly and will be corrected.	Municipality may consider reviewing the financial statements after preparation for each quarter to ensure that the correct account to avoid understatement of or overstatement of payables in the financial statements.	Management acknowledges the finding. However, disagrees with the amount. The amount stated in the GL is R9 387 666,73. The amount stated in the IB is R9 387 666,73. However, there is a system error noted due to the fact that the salary control system with the system communicated with the system incorrectly and will be corrected.	Upon discussion with management, it was noted that the finding was not on the part of management.	Management will ensure that all annual financial statements are submitted to the relevant supporting documents.	Infrastructure	PMU	Budget and Treasury payroll management	M. Langa M. Ntombi	29-May-24 in progress	
14	Performance of predetermined objectives	COAF 5 - APFO Planned targets per annual planning document are not consistent to the performance report for year 2023, the following issues were noted that related to consistency, accuracy, and reliability of the data used to be inconsistent with planned targets. Reported achievements is NOT consistent with planned and reported indicator and targets.	Management should disclose performance in the annual performance report in accordance with the performance reporting framework (PRMF). Reviews of the APR and the performance report should ensure that targets are consistent between the two documents.	The management disagrees with the finding. The APR is in line with the disclosed annual planning document.	Management should disclose performance in the annual performance report in accordance with the performance reporting framework (PRMF). Reviews of the APR and the performance report should ensure that targets are consistent between the two documents.	Management's response has been noted and we agree with the reported achievement(s) is NOT consistent with planned and reported indicator and targets.	Management will ensure all targets are supported by the relevant supporting documents.	Infrastructure	PMU	Z. Piese		31-May-24	Not started	
15	Performance of predetermined objectives	COAF 3 - APFO Measurability issues identified in the overall testing of the annual performance report for year 2023, issues were noted that related to measurability, reliability, and consistency of the indicators (with its related targets) and/or measurability.	Management should disclose performance in the annual performance report in accordance with the performance reporting framework (PRMF). Reviews of the APR and the performance report should ensure that targets are consistent between the two documents.	We disagree with the findings. Indicators of leading that are intended to be achieved and the related targets are not measurable. The maintenance of the AS&A production of further details.	Management should disclose performance in the annual performance report in accordance with the performance reporting framework (PRMF). Reviews of the APR and the performance report should ensure that targets are consistent between the two documents.	Management's response has been noted and we agree with the reported achievement(s) is NOT consistent with planned and reported indicator and targets.	Management will ensure all targets are supported by the relevant supporting documents.	Infrastructure	PMU	Z. Piese		31-May-24	Not started	
16	Performance of predetermined objectives	COAF 5 - APFO Reliability issues identified in the overall testing of the annual performance report for year 2023, issues were noted that related to reliability of the indicators (with its related targets) and/or reliability.	Management should disclose performance in the annual performance report in accordance with the performance reporting framework (PRMF). Reviews of the APR and the performance report should ensure that targets are consistent between the two documents.	Management disagrees with the findings. The APR is in line with the disclosed annual planning document.	Management should disclose performance in the annual performance report in accordance with the performance reporting framework (PRMF). Reviews of the APR and the performance report should ensure that targets are consistent between the two documents.	Management's response has been noted and we agree with the reported achievement(s) is NOT consistent with planned and reported indicator and targets.	Management will ensure all targets are supported by the relevant supporting documents.	Infrastructure	PMU	Z. Piese		31-May-24	Not started	
17	Performance of predetermined objectives	COAF 16 - PFO Accuracy findings and non-compliance with the performance reporting framework (PRMF). During the testing of material indicators, it was noted that some indicators were not reported accurately in the APR.	Management should accurately report the achievement of the target congruent to the planned target.	Management agrees with the findings. The APR is in line with the disclosed annual planning document.	Management should accurately report the achievement of the target congruent to the planned target.	Management's response has been noted and we agree with the reported achievement(s) is NOT consistent with planned and reported indicator and targets.	Management will ensure all targets are supported by the relevant supporting documents.	Infrastructure	PMU	Z. Piese		31-May-24	Not started	
18	Procurement and Contract Management	COAF 9 - Procurement contracts management. Officials did not declare interest in the suppliers involved in the procurement process (in compliance and possible lead).	Management should investigate the identified employee and apply municipality's consequence. Management should investigate the identified suppliers to get an understanding of the results of the investigation should be reported in the register of restricted suppliers.	Management agrees with the findings. The APR is in line with the disclosed annual planning document.	Management should investigate the identified employee and apply municipality's consequence. Management should investigate the identified suppliers to get an understanding of the results of the investigation should be reported in the register of restricted suppliers.	Management's response has been noted and we agree with the reported achievement(s) is NOT consistent with planned and reported indicator and targets.	Management will ensure all targets are supported by the relevant supporting documents.	Infrastructure	PMU	Z. Piese		31-May-24	Not started	
											Budget and Treasury SCM unit	N. Mthlwa	30-Jul-24 Not started	

19	Annual Financial Statements	<p>COAF 1 - Annual Financial Statements: Variance of R1 586 89 between the annual financial statements and the review of annual financial statements during the performance of the high level review of performance report in the following misstatements were identified from exchange: There is a variance of R1 586 89 between the AFS amount and the total balance.</p> <p>COAF 2 - Annual Financial Statements: Variance of R 238 815, 08 between the AFS amount and the total balance. There is a variance of R1 000 000,00 between the corresponding figures in the 2023 financial statements and the 2022 financial statements.</p> <p>COAF 3 - Depreciation and amortisation: There is a variance of R1 390 997,65 between the financial statements and the AFS amount.</p> <p>COAF 4 - Commitments: There is a variance of R2 266 911,28 between commitments disclosed on the financial statements and the AFS amount.</p>	Financial	<p>The financial statements are prepared and reviewed in accordance with the AFS plan. The financial statements are submitted with accurate supporting schedules.</p> <p>Management should prepare and review the financial statements to ensure that they are valid, accurate and complete financial statements are submitted with accurate supporting schedules.</p> <p>Management agrees with the finding.</p>	<p>The financial statements were not reviewed by the audit firm. The financial statements agree to the trial balance. The variance was caused by management not adhering to the AFS plan deadlines as documented.</p>	<p>Management comments are noted and findings 1,2,3 and 4 remain. The management adjustments will be audited on submission of the annual financial statements.</p>	<p>Finding was resolved during the audit. Management was reviewed and annual financial statements are prepared and submitted to internal audit for review. Internal audit will report on findings in order to prevent repeat findings.</p>	Budget and Treasury	Budget and Treasury SCM unit	N. Mthembu	29-Mar-24	Not named
20	Procurement and Management	<p>COAF 13 of 2023 SCM Deviation: Deviation contract value not disclosed in the annual financial statements. Microsoft contract value of R1 314 062,57 is not disclosed on note 38 of the annual financial statements as required by Accounting standards.</p>	Compliance and Financial	<p>Management must ensure that deviations are disclosed in the annual financial statements after taking them to control.</p> <p>Management agrees with the finding. The AFS will be adjusted accordingly.</p>	<p>The deviation was presented to council and the council has approved the finding. The finding should be disclosed in the 2023/24 financial statements. The finding was caused by management not adhering to the AFS plan deadlines as documented.</p>	<p>Management reports are noted. Management has confirmed the disclosure was made in the AFS. The disclosure is correct.</p>	<p>The finding was resolved during audit. However, management was reviewed and annual financial statements are prepared and submitted to the council as properly included in the AFS. In order to prevent repeat findings.</p>	Budget and Treasury	SCM unit	N. Mthembu	30-Jul-24	Not named

ISO	Component	Finding	Impact	Area of Recommendation	Management Response	Root cause	Auditor's conclusion	Action Plan	Municipal Requirement	Municipal Official	Deadline	Completion Status	Management Response	Management Response Date
1	Property, plant and equipment	During the audit, the auditor noted that the depreciation policy for the property, plant and equipment was not reviewed and approved by the Board of Directors. The depreciation policy was approved by the Board of Directors in 2021 and is still in effect.	Financial	Management should ensure that the depreciation policy is reviewed and approved by the Board of Directors on an annual basis. The depreciation policy should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the depreciation policy was reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the depreciation policy review.	The finding was reviewed and management responded to the finding by reviewing the depreciation policy and ensuring it was approved by the Board of Directors in 2022.	Management will ensure that the depreciation policy is reviewed and approved by the Board of Directors on an annual basis.	Budget and Treasury Office/ Budget and Reporting	M. Langa	31-Jul-2022	Not stated	Not stated	Not stated
1	Compliance, SOA	During the audit, the auditor noted that the SOA was not reviewed and approved by the Board of Directors. The SOA was approved by the Board of Directors in 2021 and is still in effect.	Compliance	Management should ensure that the SOA is reviewed and approved by the Board of Directors on an annual basis. The SOA should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the SOA was reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the SOA review.	The finding was reviewed and management responded to the finding by reviewing the SOA and ensuring it was approved by the Board of Directors in 2022.	Management will ensure that the SOA is reviewed and approved by the Board of Directors on an annual basis.	Budget and Treasury Office/ Budget and Reporting	M. Mphahlele	28-Mar-2022	Not stated	Not stated	Not stated
1	Procurement and Contract Management	During the audit, the auditor noted that the procurement process was not followed. The procurement process was approved by the Board of Directors in 2021 and is still in effect.	Compliance	Management should ensure that the procurement process is followed. The procurement process should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the procurement process was reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the procurement process review.	The finding was reviewed and management responded to the finding by reviewing the procurement process and ensuring it was approved by the Board of Directors in 2022.	Management will ensure that the procurement process is followed.	All Departments	All Heads of Department and District Manager	28-Mar-2022	Not stated	Not stated	Not stated
1	Revenue and Receivables	During the audit, the auditor noted that the revenue recognition was not followed. The revenue recognition was approved by the Board of Directors in 2021 and is still in effect.	Financial	Management should ensure that the revenue recognition is followed. The revenue recognition should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the revenue recognition was reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the revenue recognition review.	The finding was reviewed and management responded to the finding by reviewing the revenue recognition and ensuring it was approved by the Board of Directors in 2022.	Management will ensure that the revenue recognition is followed.	Budget and Treasury Office/ Budget and Reporting	L. Bonyongo and M. Langa	31-Jul-2022	Not stated	Not stated	Not stated
1	Disclosure, Employee Benefits	During the audit, the auditor noted that the employee benefits were not disclosed. The employee benefits were approved by the Board of Directors in 2021 and is still in effect.	Financial	Management should ensure that the employee benefits are disclosed. The employee benefits should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the employee benefits were reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the employee benefits review.	The finding was reviewed and management responded to the finding by reviewing the employee benefits and ensuring they were disclosed.	Management will ensure that the employee benefits are disclosed.	Budget and Treasury Office/ Budget and Reporting	M. Langa	28-Mar-2022	Not stated	Not stated	Not stated
1	Disclosure, Cash flow statement	During the audit, the auditor noted that the cash flow statement was not disclosed. The cash flow statement was approved by the Board of Directors in 2021 and is still in effect.	Financial	Management should ensure that the cash flow statement is disclosed. The cash flow statement should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the cash flow statement was reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the cash flow statement review.	The finding was reviewed and management responded to the finding by reviewing the cash flow statement and ensuring it was disclosed.	Management will ensure that the cash flow statement is disclosed.	Budget and Treasury Office/ Budget and Reporting	M. Langa	28-Mar-2022	Not stated	Not stated	Not stated
1	Disclosure, Cash flow statement	During the audit, the auditor noted that the cash flow statement was not disclosed. The cash flow statement was approved by the Board of Directors in 2021 and is still in effect.	Financial	Management should ensure that the cash flow statement is disclosed. The cash flow statement should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the cash flow statement was reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the cash flow statement review.	The finding was reviewed and management responded to the finding by reviewing the cash flow statement and ensuring it was disclosed.	Management will ensure that the cash flow statement is disclosed.	Budget and Treasury Office/ Budget and Reporting	M. Langa	28-Mar-2022	Not stated	Not stated	Not stated
1	Disclosure, Accounting	During the audit, the auditor noted that the accounting policy was not disclosed. The accounting policy was approved by the Board of Directors in 2021 and is still in effect.	Financial	Management should ensure that the accounting policy is disclosed. The accounting policy should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the accounting policy was reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the accounting policy review.	The finding was reviewed and management responded to the finding by reviewing the accounting policy and ensuring it was disclosed.	Management will ensure that the accounting policy is disclosed.	Budget and Treasury Office/ Budget and Reporting	M. Langa	28-Mar-2022	Not stated	Not stated	Not stated
1	Employee related costs	During the audit, the auditor noted that the employee related costs were not disclosed. The employee related costs were approved by the Board of Directors in 2021 and is still in effect.	Financial	Management should ensure that the employee related costs are disclosed. The employee related costs should be reviewed and approved by the Board of Directors in 2022.	Management designed with the finding the employee related costs were reviewed and approved by the Board of Directors in 2022.	There was a breakdown in communication between the management and the Board of Directors. The management did not inform the Board of Directors of the employee related costs review.	The finding was reviewed and management responded to the finding by reviewing the employee related costs and ensuring they were disclosed.	Management will ensure that the employee related costs are disclosed.	Human Resources Section	Human Resources Section	28-Mar-2022	Not stated	Not stated	Not stated

NO	Component	Finding	Impact	Type of Impact	Auditors Recommendation	Management response	Root Cause	Auditor's conclusion	Action Plan	Municipal Department	Municipal Sub Department	Municipal Official	Deadline	Completion Stage	Information to be submitted to JG	Progress as at January 2024
1	Cash and cash equivalents	COAF 4 - Cash and cash equivalents note disclosure inaccurate. Note 6 erroneously narrated that the municipality had disclosed R 135 000. Upon discussion with management, it was noted that the R 135 000 is a deposit that had been paid into the various bank accounts and therefore, the narration is inaccurate.	The impact of this is that the note disclosure of cash and cash equivalents is overstated by the inaccurate disclosure.	Internal control deficiency	Management should ensure that the AFS disclosure information on the note disclosure of cash and cash equivalents is accurate.	Management agrees with the finding. The AFS disclosure note will be adjusted accordingly. Management agrees with the finding and will ensure that the necessary adjustments are made to the AFS.	Management did not give enough regard to the AFS and did not ensure that management reviews are prepared and submitted to internal audit for review.	Management did not give enough regard to the AFS and did not ensure that management reviews are prepared and submitted to internal audit for review.	The finding was resolved during audit. However, management will ensure that the AFS is updated and presented to the CFO for review before being submitted to the AFS.	Budget and Treasury Office	Budget and Reporting	M. Langa	29-Mar-24	Not started	Not started	Not started
2	Procurement and contract management	WIP projects not recorded in the contract register. During the audit of commitments it was noted that the following project were not recorded on the contract register even though they are still in progress.	The finding resulted to an incomplete contract register.	Internal control deficiency	Management should ensure that all transactions are properly reviewed and approved before they happen.	Management agrees with the finding. The entire population of the commitments register will be reviewed and adjusted accordingly to ensure that the AFS is accurate.	This is due to lack of controls in place to ensure that all transactions are complete and accurate.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	Budget and Treasury Office	SCM Unit	N. Mshwhe	30-Jul-24	Not started	Not started	Not started
3	Disclosure: Contingencies	COAF 20 - Contingencies: Differences between amounts per listing to amounts per legal confirmation. Differences between the amount per listing (AFS) and amounts per legal confirmations have been noted.	Contingencies are overstated by a financial misstatement amounting to R 152 250 000.	Financial	Management should ensure that adequate review of financial statements against supporting schedules is performed to ensure that any errors and/or omissions identified should be corrected in a timely manner.	Management agrees with the finding and will ensure that the supporting schedule is updated accordingly to ensure that the AFS is accurate.	This is due to lack of controls in place to ensure that all financial records are complete and accurate.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	Strategic Services	Chief Operations Officer	P. Mhlo	30-Jul-24	Not started	Not started	Not started
4	Disclosure: Contingencies	COAF 29 - Contingencies: No brief description of nature of contingent liabilities. The municipality did not include a brief description of the contingent liabilities disclosed on note 30 of the Annual Financial Statements.	The finding results to control deficiency.	Internal control deficiency	Management should ensure that adequate review of financial statements against supporting schedules is performed to ensure that any errors and/or omissions identified should be corrected in a timely manner.	Management agrees with the finding and will ensure that the supporting schedule is updated accordingly to ensure that the AFS is accurate.	This is due to lack of controls in place to ensure that all financial records are complete and accurate.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	Strategic Services	Chief Operations Officer	P. Mhlo	30-Jul-24	Not started	Not started	Not started
5	Disclosure: Contingencies	COAF 29 - Contingencies: Accuracy and validity of narratives could not be confirmed. Differences between the narration per legal confirmation and narrations disclosed in note 30 of the financial statements have been noted.	The finding results to internal control deficiency and will be corrected in the management report.	Internal control deficiency	Management should ensure that adequate review of financial statements against supporting schedules is performed to ensure that any errors and/or omissions identified should be corrected in a timely manner.	Management agrees with the finding and will ensure that the supporting schedule is updated accordingly to ensure that the AFS is accurate.	This is due to lack of controls in place to ensure that all financial records are complete and accurate.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	Strategic Services	Chief Operations Officer	P. Mhlo	30-Jul-24	Not started	Not started	Not started
6	Disclosure: Contingencies	COAF 29 - Contingencies: Incomplete contingencies disclosed. There were litigations per the legal confirmations that were not included on the disclosure for contingencies.	Contingencies are understated by a financial misstatement amounting to R 800 000.	Financial	Management should ensure that adequate review of financial statements against supporting schedules is performed to ensure that any errors and/or omissions identified should be corrected in a timely manner.	Management agrees with the finding and will ensure that the supporting schedule is updated accordingly to ensure that the AFS is accurate.	This is due to lack of controls in place to ensure that all financial records are complete and accurate.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	The finding was resolved during audit. However, management will ensure that the commitments register is updated and presented to the CFO for review before being submitted to the AFS.	Strategic Services	Chief Operations Officer	P. Mhlo	30-Jul-24	Not started	Not started	Not started

Item No.	Category	Description	Internal Control Deficiency	Management's Response	Management's Action Plan	Responsible Officer	Completion Date	Status
7	Employee related costs	COAF 2 - Payroll - The finding requires to control deficiency as the management did not ensure that the HR Plan is reviewed and updated in line with the strategic plan of the municipality. Further, the HR Plan does not align with the municipality's organizational structure for 2022/23.	Internal control deficiency	Management agrees with the finding. The HR plan has been updated for 2022/23. Management will ensure that the HR plan is reviewed and updated in line with the strategic plan of the municipality.	Management will ensure that the HR plan is reviewed and updated in line with the strategic plan of the municipality.	M. Mxatawe	31-May-24	Not started
8	Employee related costs	The finding results to control deficiency as the management did not ensure that the HR Plan is reviewed and updated in line with the strategic plan of the municipality.	Internal control deficiency	Management agrees with the finding. The HR plan has been updated for 2022/23. Management will ensure that the HR plan is reviewed and updated in line with the strategic plan of the municipality.	Management will ensure that the HR plan is reviewed and updated in line with the strategic plan of the municipality.	M. Long	31-May-24	Not started
9	Internal audit	The assurance process in place is not effective. The assurance process is not effective. The assurance process is not effective. The assurance process is not effective.	Internal control deficiency	Management agrees with the finding. The assurance process is not effective. The assurance process is not effective. The assurance process is not effective. The assurance process is not effective.	Management will ensure that the assurance process is effective. The assurance process is not effective. The assurance process is not effective. The assurance process is not effective.	M. Mxatawe	28-Jun-24	Not started
10	Consequence management	During the walkthrough of the system description of the system, it was noted that the system description is not accurate. The system description is not accurate. The system description is not accurate. The system description is not accurate.	Compliance	Management agrees with the finding. The system description is not accurate. The system description is not accurate. The system description is not accurate. The system description is not accurate.	Management will ensure that the system description is accurate. The system description is not accurate. The system description is not accurate. The system description is not accurate.	P. Mthod	30-Jul-24	Not started
11	Procurement and contract management	During the audit of deviation from procurement and contract management, it was noted that the procurement process is not effective. The procurement process is not effective. The procurement process is not effective. The procurement process is not effective.	Compliance	Management agrees with the finding. The procurement process is not effective. The procurement process is not effective. The procurement process is not effective. The procurement process is not effective.	Management will ensure that the procurement process is effective. The procurement process is not effective. The procurement process is not effective. The procurement process is not effective.	N. Mabhwa	30-Jul-24	Not started
12	General expenditure	COAF 9 - Non-compliance - Payment to supplier made after 30 days. (Control deficiency) During testing of contribution to Local Travel, it was noted that a supplier was paid after more than 30 days receipt of Invoiced and Good Receipts. The finding requires to control deficiency as the management did not ensure that the HR Plan is reviewed and updated in line with the strategic plan of the municipality.	Compliance	Management agrees with the finding. The payment to supplier was made after 30 days. The payment to supplier was made after 30 days. The payment to supplier was made after 30 days. The payment to supplier was made after 30 days.	Management will ensure that the payment to supplier is made within 30 days. The payment to supplier was made after 30 days. The payment to supplier was made after 30 days. The payment to supplier was made after 30 days.	M. Mxatawe	29-Mar-24	Not started
13	Performance	Reporting in the quarter 4 report is not accurate, resulting in factual misstatements on reported performance. The finding requires to control deficiency as the management did not ensure that the HR Plan is reviewed and updated in line with the strategic plan of the municipality.	Internal control deficiency	Management agrees with the finding. The reporting in the quarter 4 report is not accurate. The reporting in the quarter 4 report is not accurate. The reporting in the quarter 4 report is not accurate. The reporting in the quarter 4 report is not accurate.	Management will ensure that the reporting in the quarter 4 report is accurate. The reporting in the quarter 4 report is not accurate. The reporting in the quarter 4 report is not accurate. The reporting in the quarter 4 report is not accurate.	Z. Peto	31-May-24	Completed
14	Procurement and contract management	During the audit of deviation from procurement and contract management, it was noted that the procurement process is not effective. The procurement process is not effective. The procurement process is not effective. The procurement process is not effective.	Internal control deficiency	Management agrees with the finding. The procurement process is not effective. The procurement process is not effective. The procurement process is not effective. The procurement process is not effective.	Management will ensure that the procurement process is effective. The procurement process is not effective. The procurement process is not effective. The procurement process is not effective.	N. Mabhwa	31-May-24	Not started



**MHLONTLO LOCAL
MUNICIPALITY**



AUDIT COMMITTEE ANNUAL REPORT

Mhlontlo Local Municipality – AUDIT COMMITTEE ANNUAL REPORT FOR THE 2022/2023 FINANCIAL YEAR

1. LEGISLATIVE REQUIREMENTS

The Audit Committee is pleased to present its annual report for the year ended 30 June 2023. The purpose of this report is to communicate the Audit Committee's activities for the 2022/2023 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 four members (one vacant position during the year) 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	Skills and Experience	Designation	Number of Meetings Attended.
A M Langa	Masters' candidate enrolled for a Masters Degree in Public Admin with UNISA and enrolled for an MBA with Regent University, BCom (Municipal Accounting) and BCom Honours. Sits on	Chairperson	5

		various audit, risk and performance committee with 40 years of professional experience.		
Ms A Magwentshu		BA (social work) BA (Honours in Psychology) Masters in Public and development management, Diploma in Labour law and Certificate program in management development for municipal finance	Member	5
B Mbewu (Resigned during the year)		BCom Honours, CIA, CCSA, sits on various audit, risk and performance committee	Member	5

A total of four ordinary meetings and one special meeting 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 2021/2022 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;
- Review of Internal Audit Charter, Audit Committee Charter, Internal Audit Manual and the development of Internal Audit three-year rolling plan and annual plan;
- Supply Chain Management review;
- Recruitment and Selection Management review;
- Fraud & Corruption Awareness;
- Receivables & Revenue Management;
- Dashboard Review;
- Audit Action Plan & Internal Audit Action Plan;
- Risk Register Monitoring;
- Payroll Management;

- Payables and Expenditure Management;
- SDBIP Review.

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 2022/2023 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 2022/2023 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 2022/2023 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

24/01/2024




**MHLONTLO LOCAL
MUNICIPALITY**



MHLONTO LM ORGANOGRAM

MHLONTLO LOCAL MUNICIPALITY 2022/2023 REVIEWED ORGANOGRAM

MHLONTLO MUNICIPALITY
MUNICIPAL MANAGER
2022-05-10
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CLAUDE S. PSINA

ORGANOGRAM LEGEND 2022/23

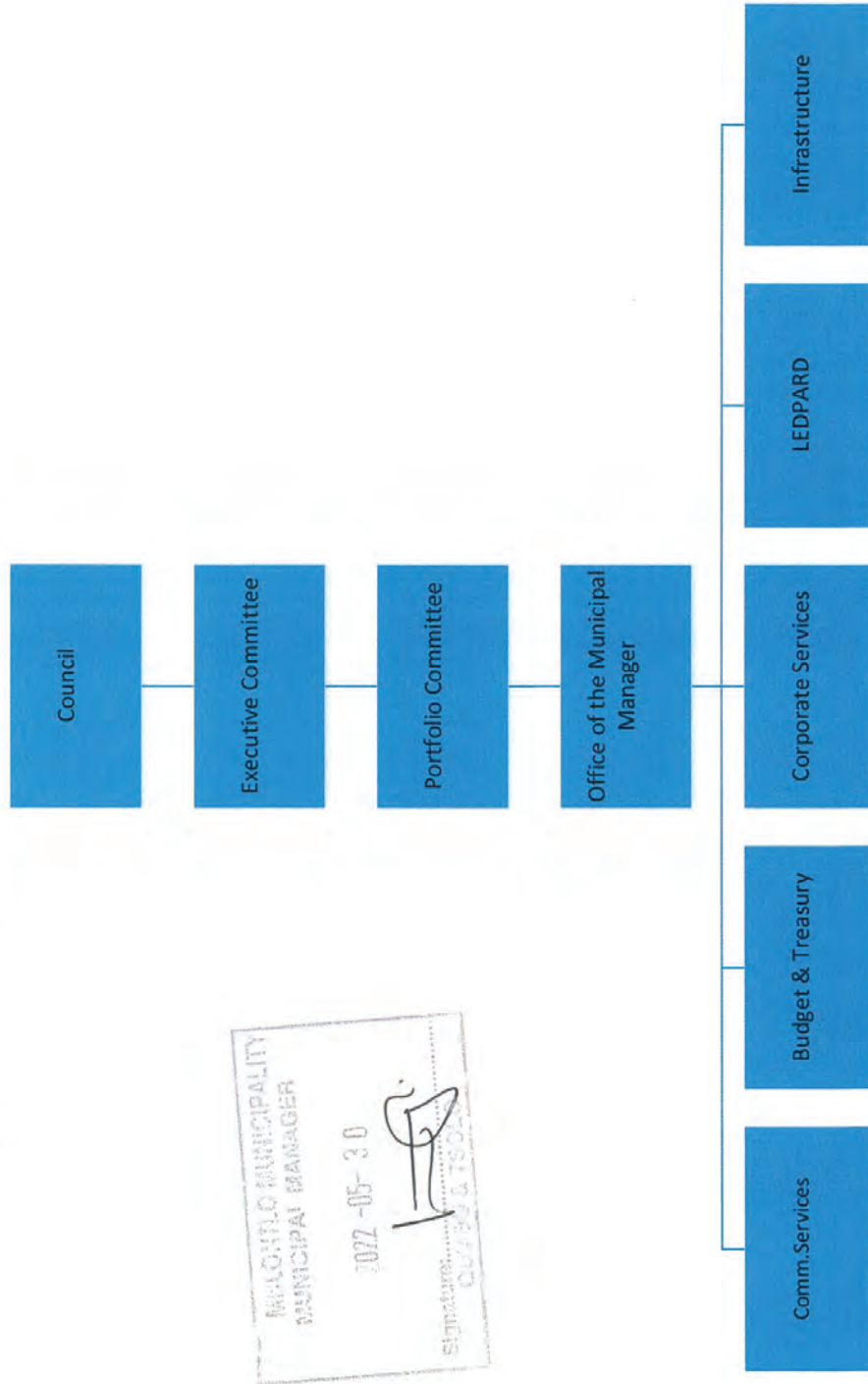
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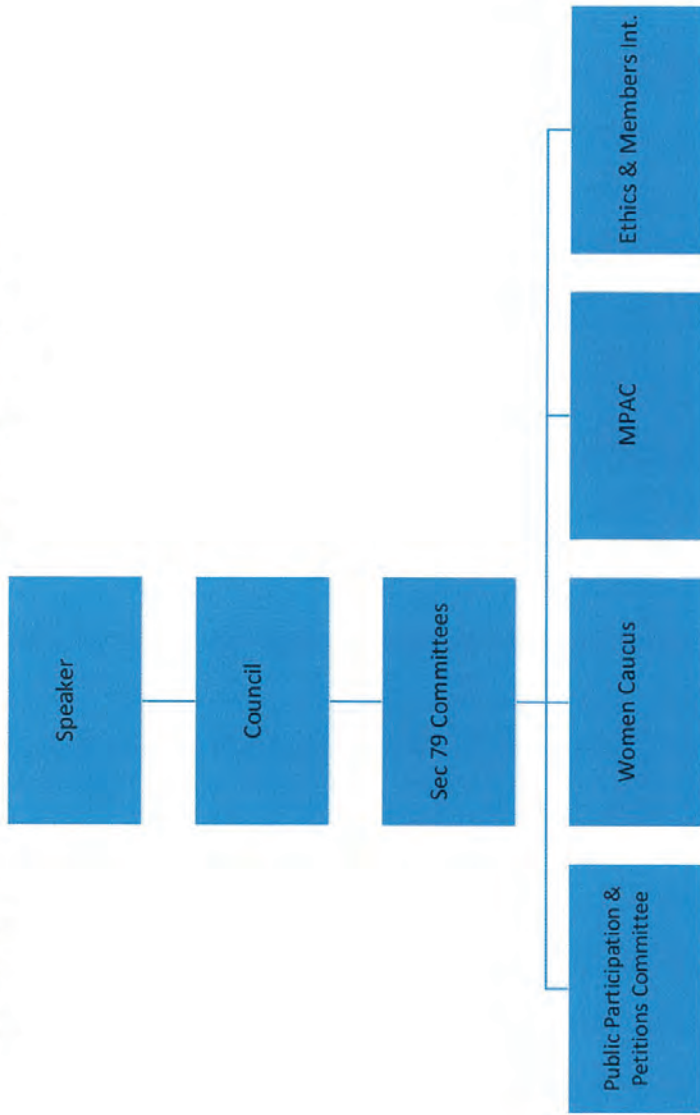
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COUNCIL STRUCTURE 22/23



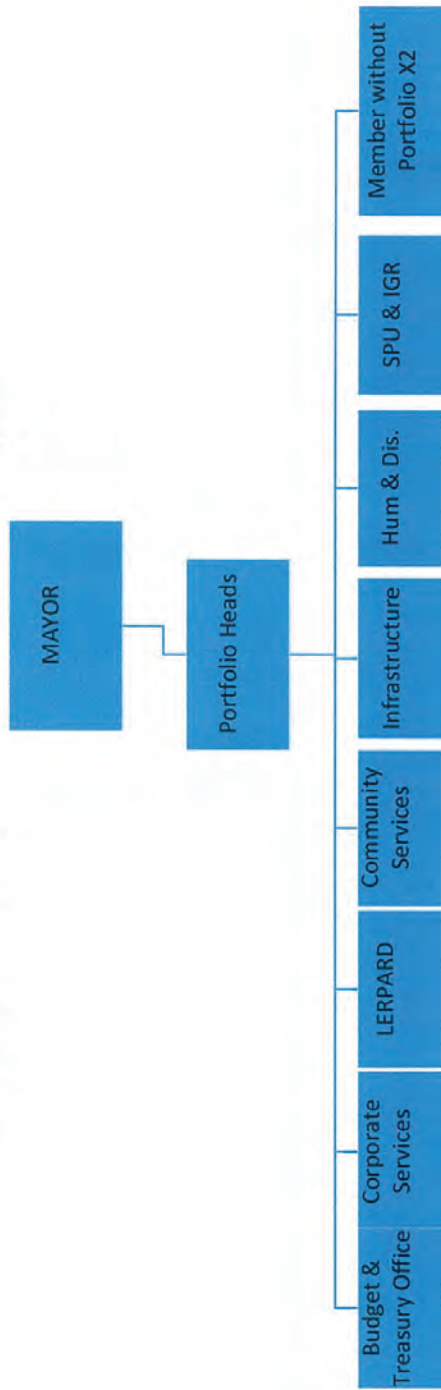
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OFFICE OF THE SPEAKER 22/23



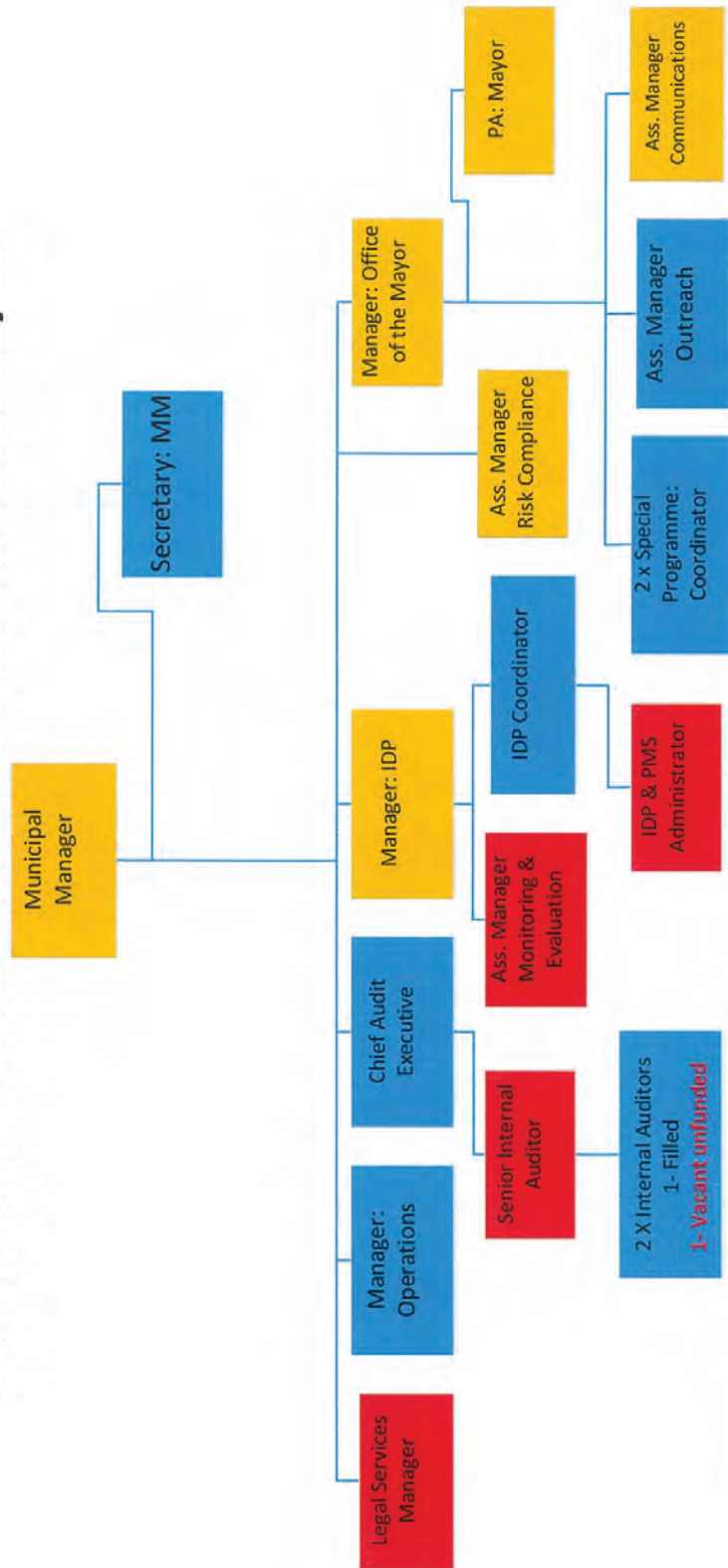
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OFFICE OF THE MAYOR 22/23



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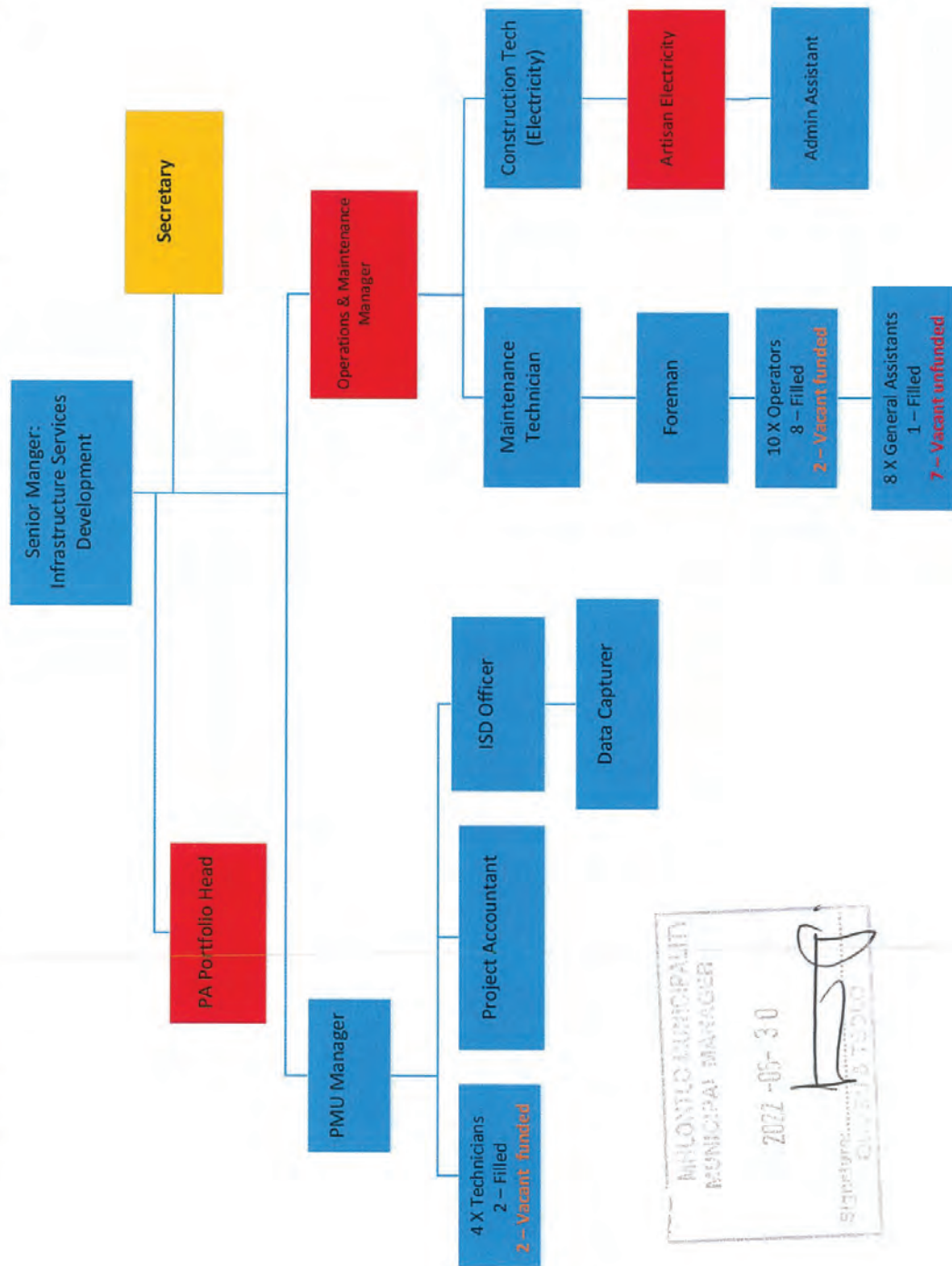
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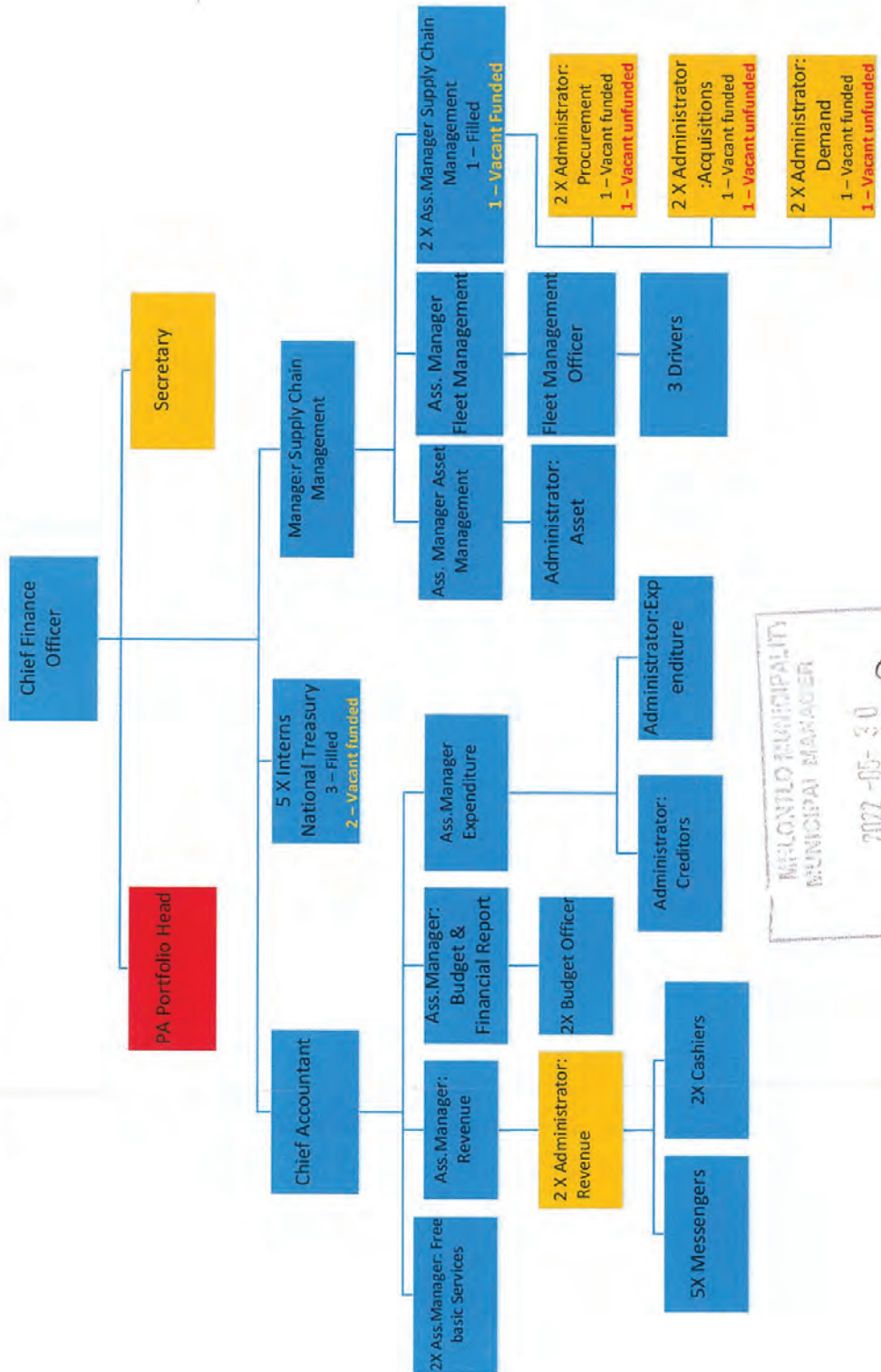
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INFRASTRUCTURE SERVICES DEVELOPMENT 22/23



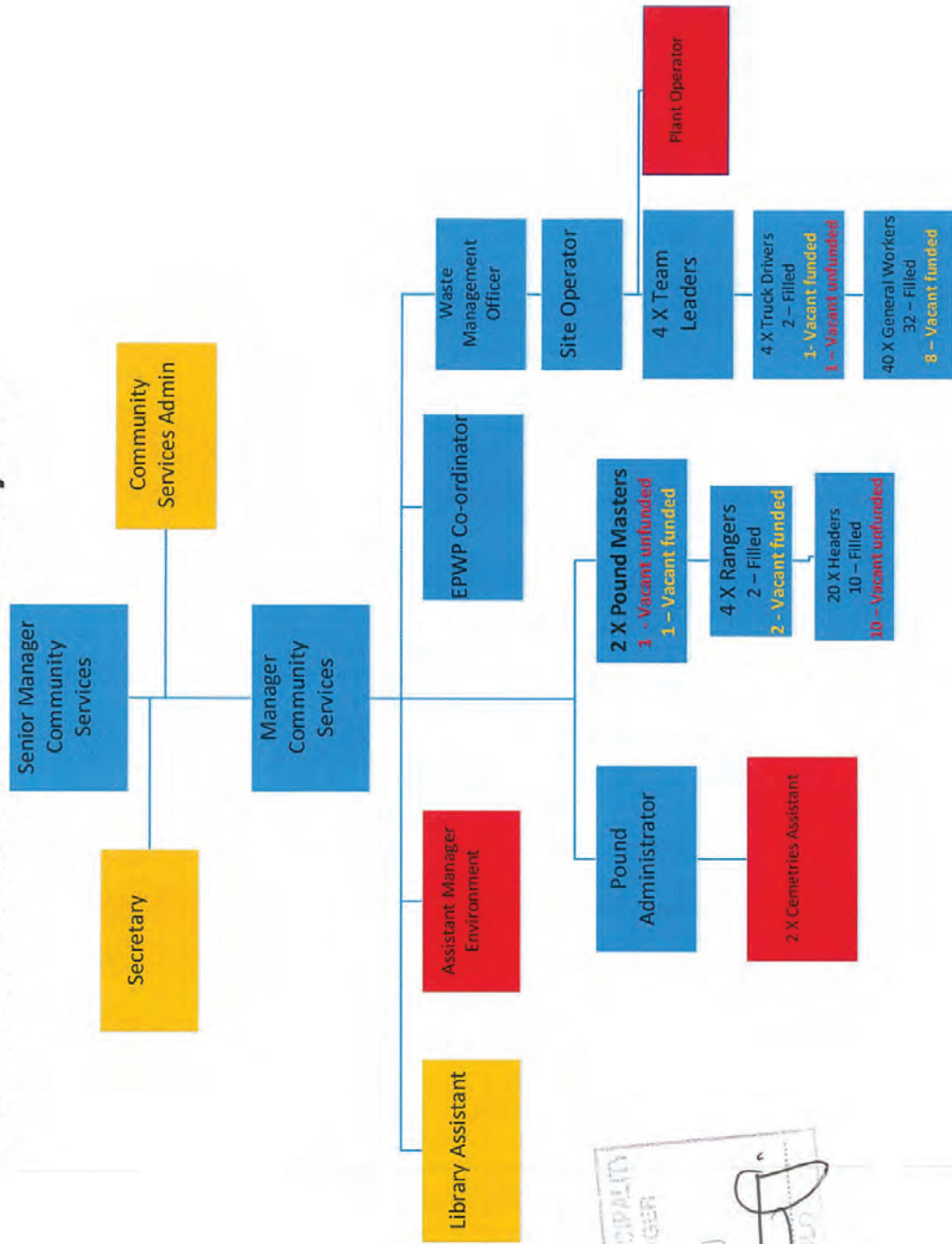
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BUDGET AND TREASURY OFFICE 22/23



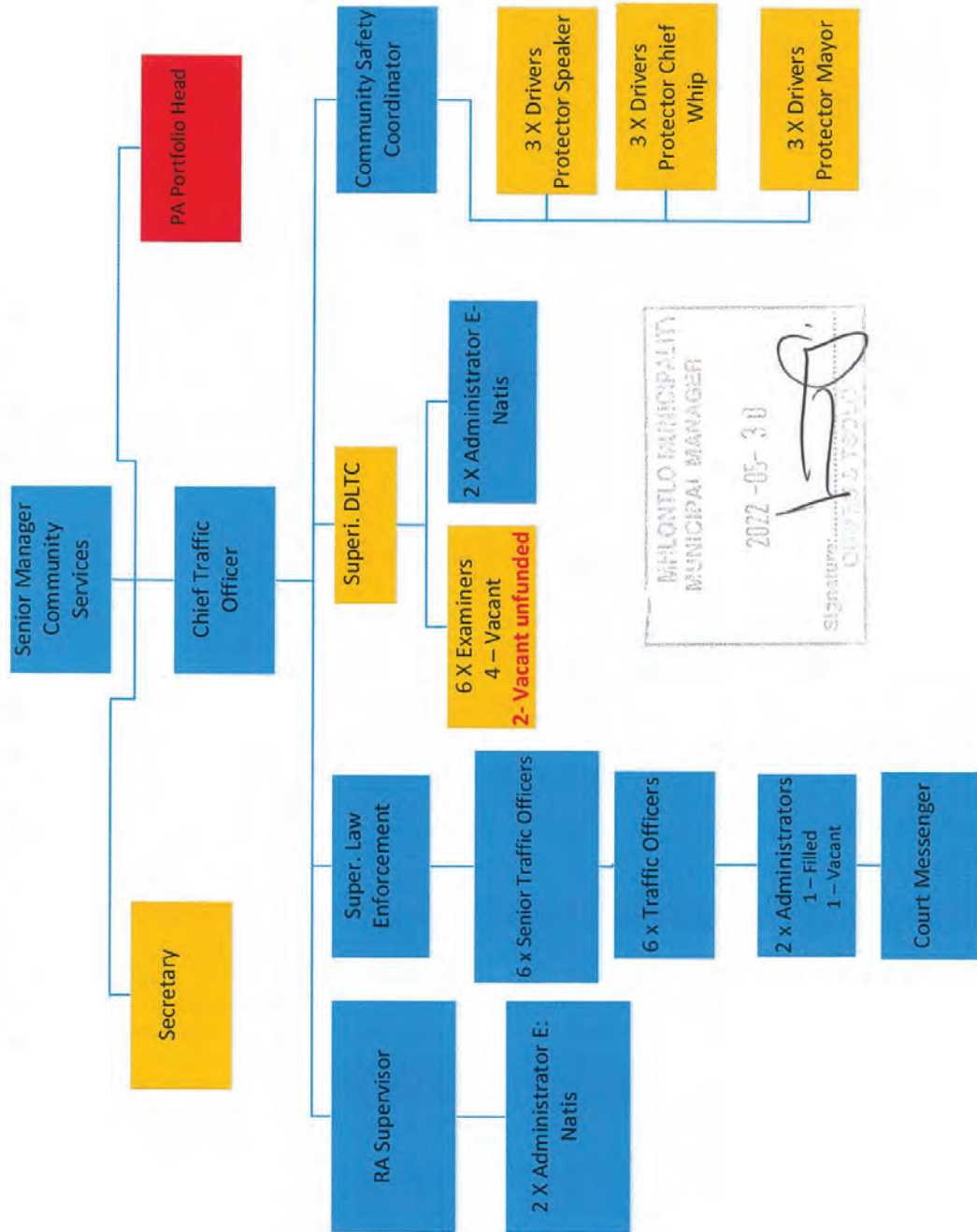
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COMMUNITY SERVICES 22/23

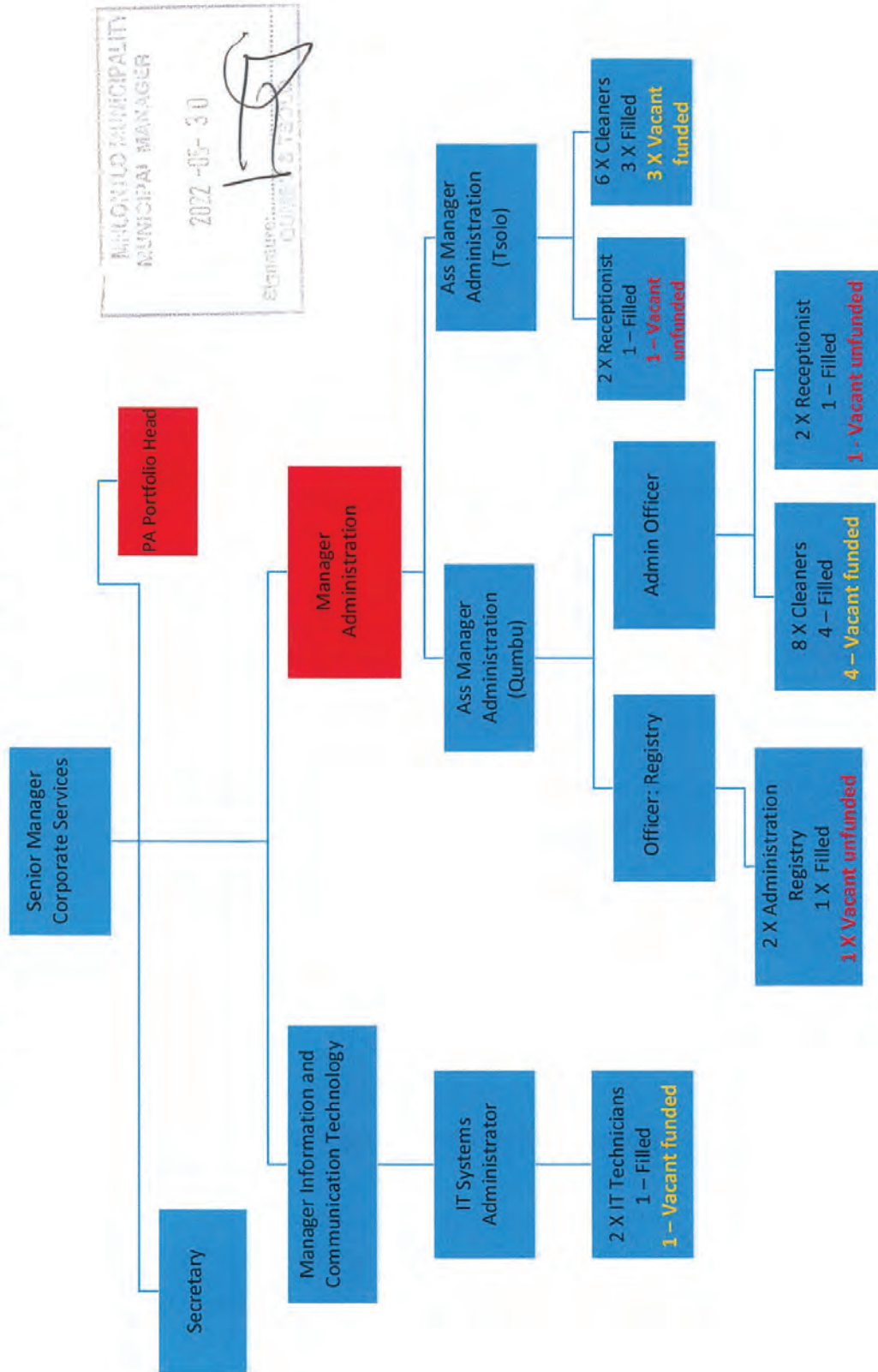


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COMMUNITY SERVICES 22/23

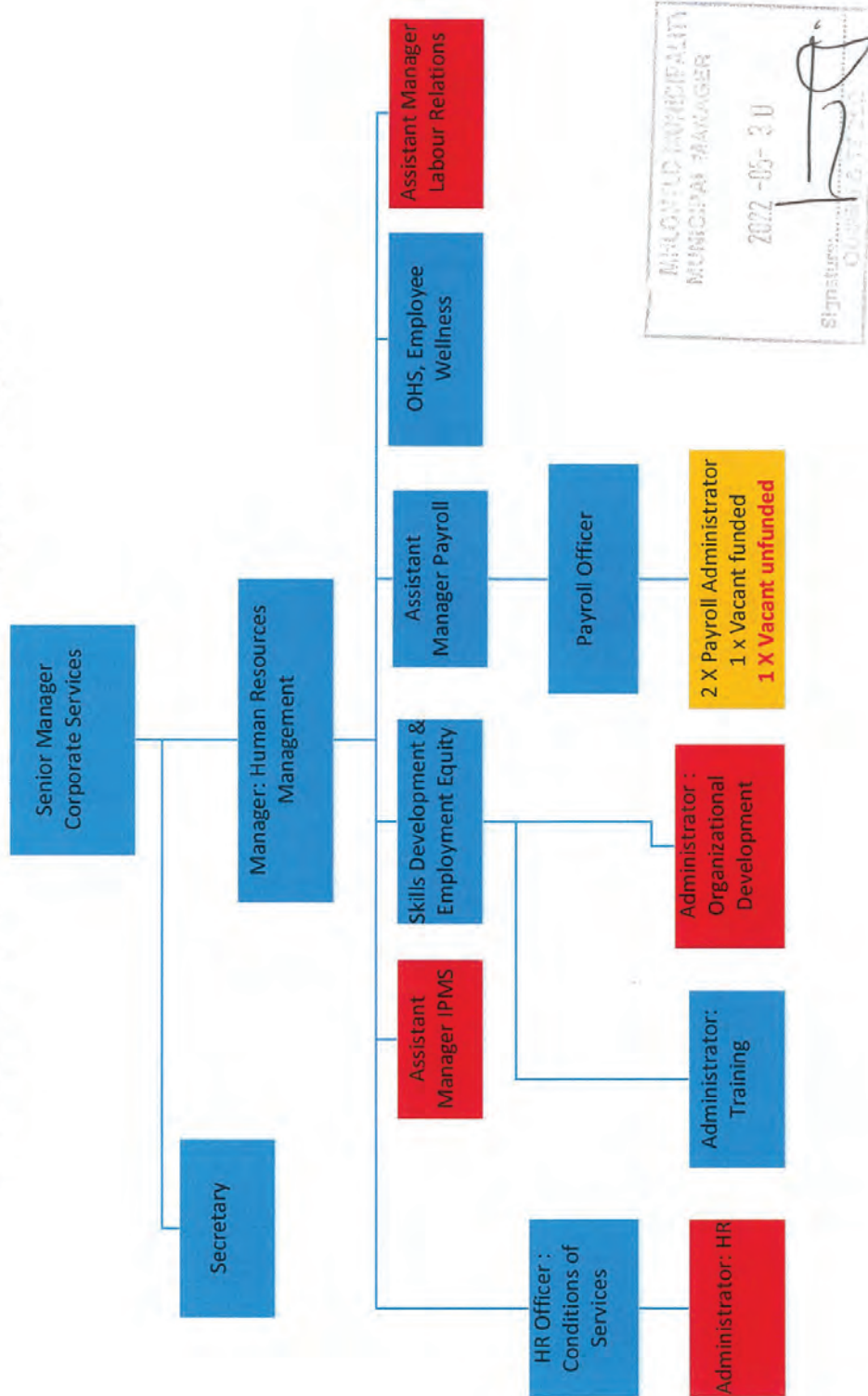


CORPORATE SERVICES 22/23



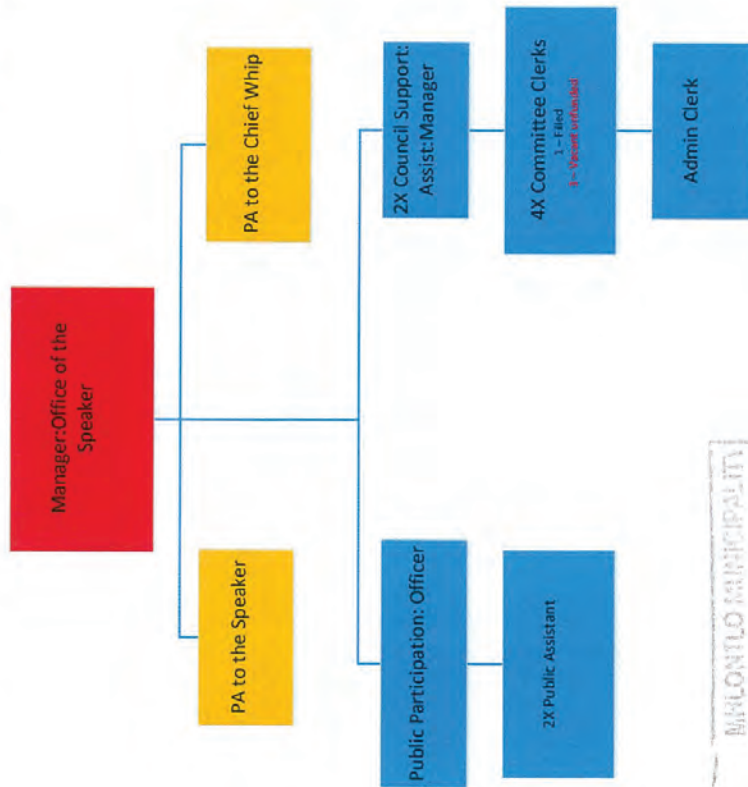
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CORPORATE SERVICES- HRM 22/23



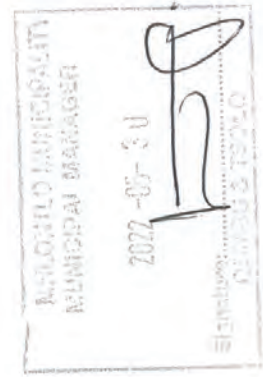
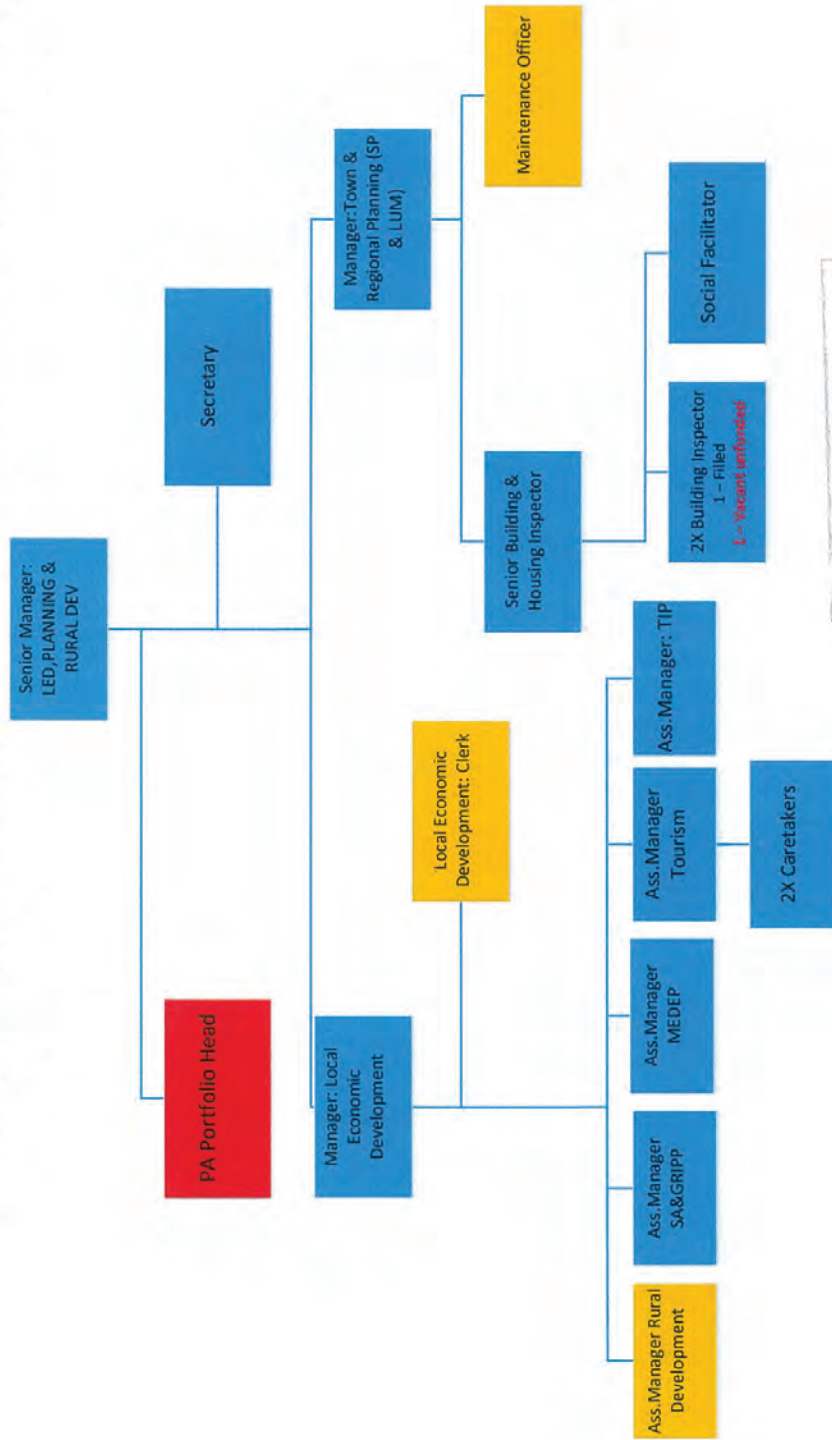
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CPS- SPEAKERS OFFICE 22/23



MHLONTLO MUNICIPALITY
MUNICIPAL MANAGER
2022-05-30
Signature: 

LED, PLANNING & RURAL DEVELOPMENT 22/23



MUNICIPAL ORGANOGRAM



Acting Municipal Manager



**MHLONTLO LOCAL
MUNICIPALITY**



RESOLUTION



Ifoeni/Tel: 047-5537000
email: mstemela@mhlontlo.m.gov.za
Imibuzo/Enquiries: *Mr M Stemela*

Date: 26 March 2024

OFFICE OF THE SPEAKER

Amended Notice: Is hereby given in terms of Section 29(1) of the Local Government; Municipal Structures Act, (Act 117 of 1998 as amended) in conjunction with section 19&20 of the Local Government Municipal Systems Act (32 of 2000 as amended) that, the Speaker hereby convenes a Special Council Meeting of Mhlontlo Municipal Council to be held on Thursday 28th March 2024 at 09:00 in the Council Chamber Mhlontlo Local Municipality to discuss the Agenda underneath:

1. Oversight Report on Annual Report 2022/2023

Resolution No.- 01-2023/2024

The council resolved to adopt the Oversight report on Annual Report 2022/2023 with reservations and its recommendations:

- that Council adopt the Annual Report with reservations, submit the final version to relevant authorities, and publish it on the municipal website.
- The monitoring and management of service providers/ suppliers/ contractors be intensified by departments, to ensure that they perform according to Service Level Agreements.
- Debt management be intensified, and continuous efforts be made to improve revenue collection.
- The Accounting Officer and Senior Management pay more attention on improvement of internal controls and compliance to legislation and regulations.

- The Municipal Manager investigates why it's not yet been established of a customer care desk in both Tsolo and Qumbu to assist with customer care and customer services.
- The committee recommends further investigations must be conducted and there is no value for money, viz. Construction of road from Shawbury to Mcetyana access road ward 09, and report back to MPAC not later than 15 May 2024.
- Tar to Suthwini road is completed but the committee recommends that the municipality must consider to budget for dish drains, Nomhala to St Cuthbert's access road committee is not satisfied about the quality of the material used and Qumbu sport field the committee requires to be furnished with the detailed information not later than 15 May 2024.

Signature: 
Cllr. E. Pula
Council Speaker
Mhlontlo L.M.

MHLONTLO LOCAL MUNICIPALITY
SPEAKER'S OFFICE
28 MAR 2024
Signature:.....
QUMBU-TSOLO

