

UMSOBOMVU LOCAL MUNICIPALITY

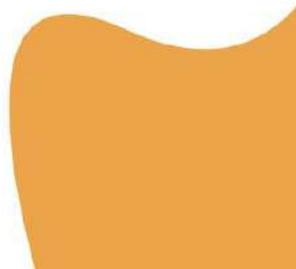
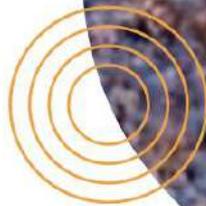
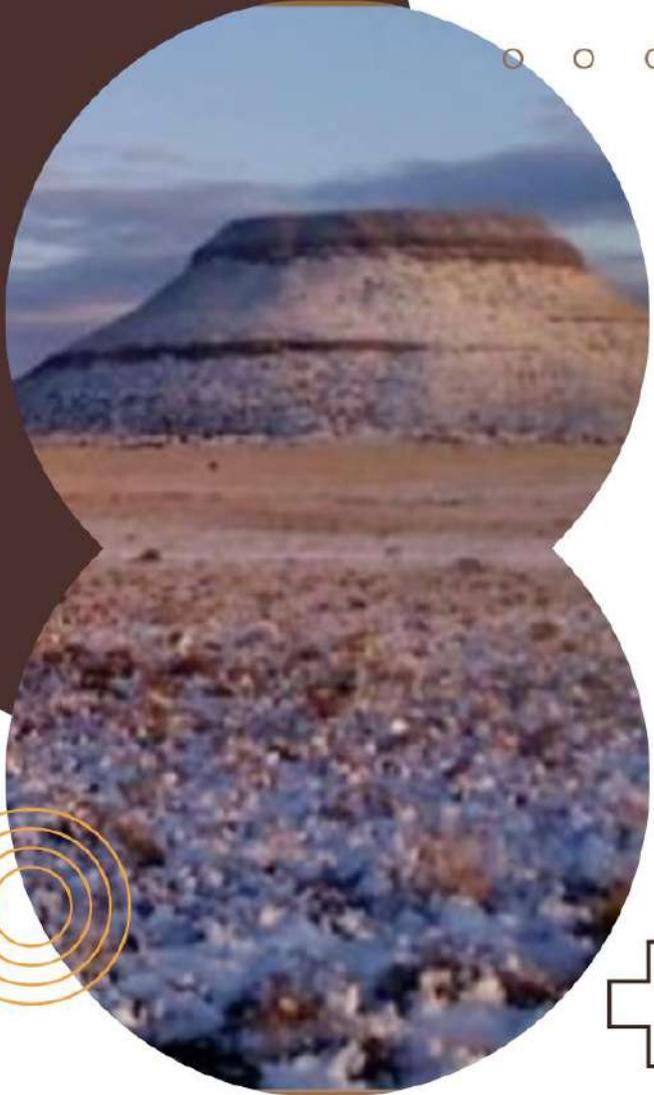


2022/23

ANNUAL REPORT

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CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD



Greetings to all and again wishing you a prosperous new year, remembering this year we might have more challenges and that this year is also National Elections that would keep all political parties busy. It now gives me great pleasure to present on behalf of the Council of Umsobomvu Municipality the 2022/23 Annual Report.

In compliance with Section 127 of MFMA Act no 56 of 2003 and as an expression of commitment to public participation, service delivery and clean accountable government, Council presents this Annual Report to its stakeholders. During a tough year of load shedding, which affected the regular provision of water and electricity in our towns, but with a good, effective unified Council we tried our level best. During this period, we managed to still implement service delivery, follow good governance by having all our ordinary council meetings and also special council meetings.

During this oversight period (2022/23) the Municipality addressed the issues as in the Integrated Development Plan (IDP) by implementing the Municipal Infrastructure Grant (MIG), Water Service Infrastructure Grant (WSIG), Extended Public Works Program (EPWP) and INEP funded projects.

Public participation was affected and we still managed to have ward committee meetings and implemented training for the wards.

"Council meets the People" engagements were implemented as scheduled but the implementation of the service delivery WhatsApp groups in each ward has ensured that service delivery turnaround time has improved to less than 24 hours. We need to applaud our committed staff that ensure the effectiveness of this programme. This groups also assisted with Public Participation by sharing policies and other important communication to our communities but we could still improve more on regular communication.

During this period the paving in Noupoort has been completed up to 95%. The Sports field in Colesberg could not start, but the problems have now been cleared and the project started again. The Norvalspont storm water channel stage 2 project has been completed up to 90%. We also need to thank SANRAL for bringing regular projects to Umsobomvu and adhering to their social responsibilities towards the Municipality. We also welcomed the Renewable Energy Projects to our Municipality.

We still need to do more on the provision of houses, youth skills development and employment matters but plans are in place to improve in this financial year.

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Currently, we are facing a water problem which the management are working on and we need to look at upgrading or maintaining our infrastructure to deliver better services to our communities.

Working together as one can ensure that we build a better Municipality that can deliver better services to our communities.

My appreciation goes to all Councillors for ensuring that we continuously strive for excellence in delivering services to the masses to still keep to the promise of a better future. We did improve on matters in our audit Report but our goal together with the Administration should be to achieve a clean audit and we can do it if we all work together.

Thank you to the Administration led by the Municipal Manager, for their hard work to ensure that our communities are uplifted by delivering quality services and customer care.

We can also not forget the role played by Provincial and National Government, their interventions in addressing number of challenges affecting the communities, though we are still struggling to resolve fully implementation of bulk services projects because of some areas of the policy.

We still need to work towards achieving "A Developmental Municipality in South Africa"

M S TOTO

MAYOR

COMPONENT B: EXECUTIVE SUMMARY

1.1 Municipal Manager's Overview



According to section 121 (1) of the Local Government: Municipal Financial Management Act (MFMA), No. 56 of 2003, every municipality must for each financial year prepare an annual report. The Umsobomvu Local Municipality has prepared an Annual Report for the 2022/23 financial year to record the work done and shortfall of Council in implementing the institution's service delivery priority areas as outlined in the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) in line with MFMA's directive.

The Municipality had a vacancy rate of seventy five percent at Senior Management level. However, Council managed to reduce this situation to fifty percent. As we present this Report all the recruitment and selection processes has been finalised by Council. For the current year, we received grant allocation from the Municipal Infrastructure Grant, Financial Management Grant and Water Services Infrastructure Grant. Unfortunately, we could not spend all the allocated funds due to vacancies at Senior Management level and as a result only one infrastructure project was completed during this year.

The Auditor-General's (AG) report for the 2022/23 financial year has reported a qualified overall audit outcome for the Municipality with findings and this is the same as the previous year's audit outcome. Although this year we managed to reduce findings from the AG's report, yet the prior year matters remain a stumbling block in our attempts to obtain an unqualified report. It should be reported that Management has tabled a detailed Audit Action Plan (AAP) to resolve these matters and improve audit comes for the coming financial year.

The following are the key focus areas to improve the lives of our people:

- 🍷 Filling of the key critical vacancies
- 🍷 Implementation of revenue enhancement strategies at ESKOM electricity supply areas
- 🍷 Spending of conditional grants by delivering quality projects within the allocated period
- 🍷 Availing residential and commercial sites
- 🍷 Developing of the Local Economic Development Strategy

Chapter 1: Mayor's Foreword and Summary Executive

I extend my appreciation to the Councillors, Managers, employees and the entire community as well as strategic partners of the Municipality, for striving together with our institution in improving the lives of the people within our governing area. Notwithstanding the challenges experienced by the Municipality, I present the Annual Report as reflecting below to account on all activities of the Municipality for the 2022/23 Financial Year.

T MSENGANA

MUNICIPAL MANAGER

Chapter 1: Mayor's Foreword and Summary Executive

1.2 Municipal Overview

This report addresses the performance of the Umsobomvu Municipality in the Northern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the Council of the Municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2022/23 Annual Report reflects on the performance of the Umsobomvu Municipality for the period 1 July 2022 to 30 June 2023. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA) in terms of which the Municipality must prepare an Annual Report for each financial year.

1.2.1 Vision and Mission

The Umsobomvu Municipality committed itself to the following vision and mission:

Vision:

"A Developmental Municipality in South Africa"

Mission:

"To serve our community by delivering quality services and customer care through dedicated staff for the upliftment of our community socially and economically".

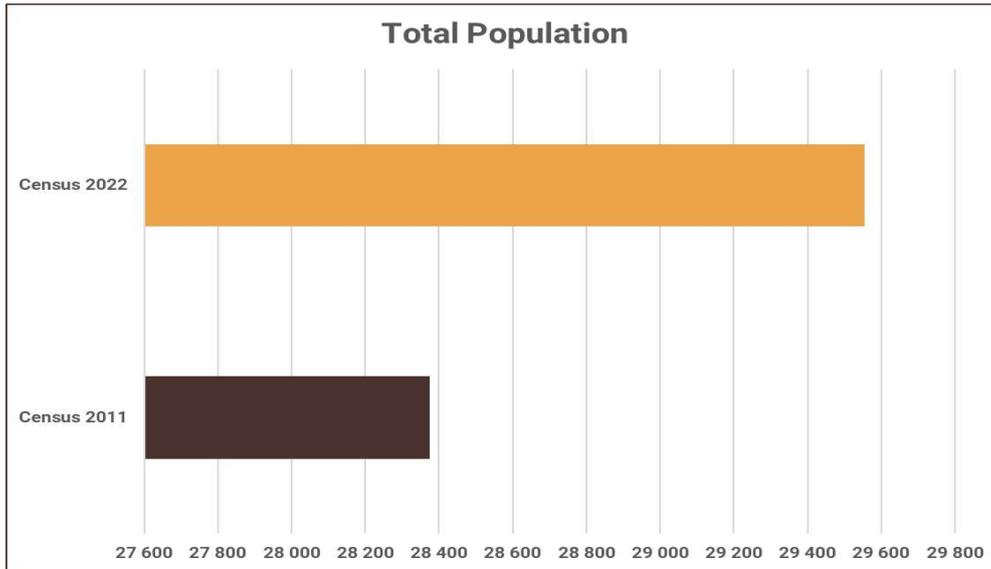
1.3 Municipal Functions Population and Environmental Overview

1.3.1 Population

a) Total Population

As per Census 2011 and Census 2022, Umsobomvu Municipality's population has risen from 28 376 in 2011 to 29 555 in 2022.

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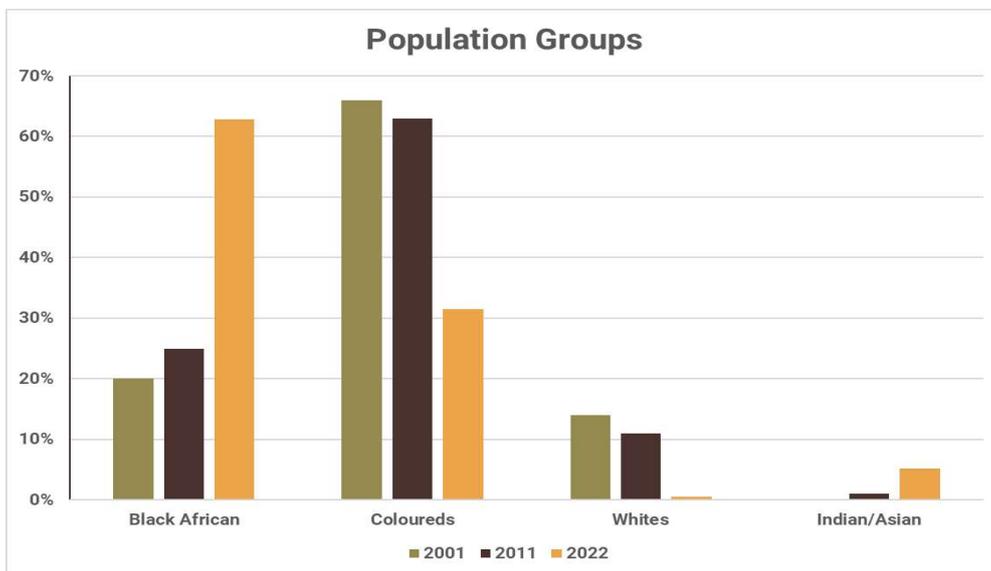
Graph 1: Total Population

The table below indicates the total population by race within the municipal area:

Year	African	Coloured	Indian/Asian	White
2001	13 877	8 095	18	1 650
2011	17 752	8 675	156	1 606
2022	18 549	9 307	162	1 523

Source: Census 2001, 2011 & 2022

Table 1: Population



Graph 2: Population by Race

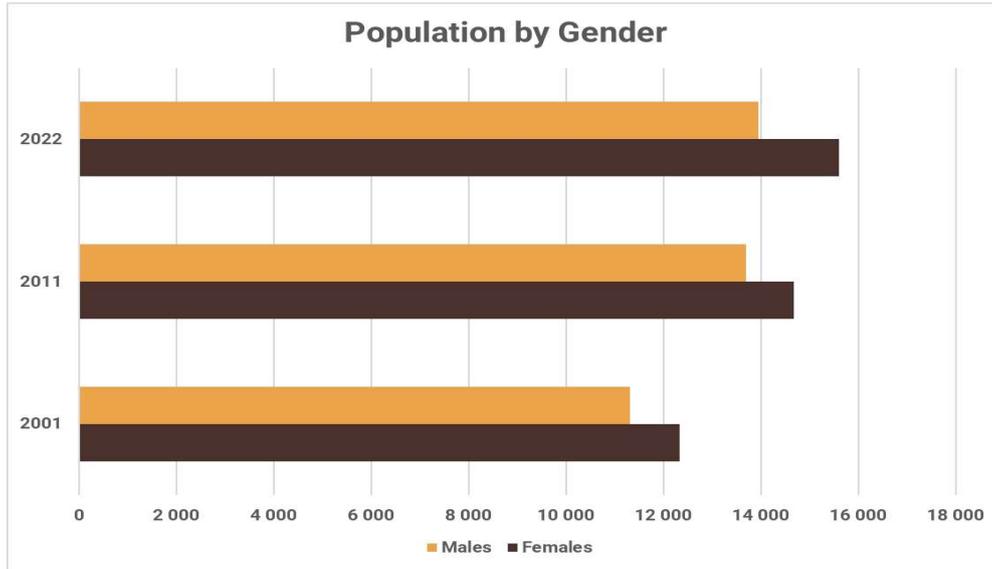
Chapter 1: Mayor's Foreword and Summary Executive

In 2011 the population showed that females represent 52% and males 48% of the total population of Umsobomvu.

Population - Gender	2001	2011	2022
Females	12 329	14 687	15 602
Males	11 312	13 689	13 953
Total	23 641	28 376	29 555

Source: Census 200, 2011 & 2022

Table 2: Gender Statistics



Graph 3: Gender Statistics

b) Population Profile

Age	2001			2011			2022		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0-4	1 234	1 171	2 405	1 451	1 573	3 024	1 432	1 339	2 771
Age: 5-9	1 359	1 363	2 722	1 474	1 542	3 016	1 356	1 315	2 671
Age: 10-14	1 415	1 415	2 829	1 482	1 392	2 874	1 474	1 597	3 071
Age: 15-19	1 352	1 328	2 681	1 395	1 294	2 689	1 435	1 523	2 958
Age: 20-24	1 034	1 035	2 069	1 179	1 225	2 404	1 239	1 204	2 443
Age: 25-29	857	814	1 671	1 280	1 228	2 508	1 142	1 157	2 299
Age: 30-34	787	881	1 667	1 065	1 060	2 125	1 023	1 147	2 170
Age: 35-39	686	769	1 455	839	807	1 646	978	1 110	2 088
Age: 40-44	548	723	1 271	766	833	1 599	811	1 010	1 821
Age: 45-59	513	687	1 201	699	838	1 537	702	814	1 516
Age: 50-54	436	548	984	540	735	1 275	601	736	1 337

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Age	2001			2011			2022		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 55-59	363	415	778	483	654	1 137	563	807	1 370
Age: 60-64	261	395	657	397	499	896	384	666	1 050
Age: 65-69	184	262	446	279	338	617	338	488	826
Age: 70-74	117	194	311	155	293	448	240	313	553
Age: 75-79	88	134	222	113	142	255	134	185	319
Age: 80-84	54	107	161	50	105	155	51	122	173
Age: 85+	25	89	114	43	127	170	50	69	119
Total	11 312	12 329	23 641	13 689	14 687	28 376	13 953	15 602	29 555

Census 2001, 2011 & 2022

Table 3: Population Profile

1.3.2 Demographic Information

a) Municipal Geographical Information

Umsobomvu Municipality was established to manage and provide services to the local management area NC 072 which is 6 819 square km in size. The Municipality forms part of the Pixley Ka Seme District Municipality which is located in the south-eastern part of the Northern Cape Province and is a Category B Municipality. It consists of three main entities namely Colesberg, Noupoort and Norvalspont which is also known as Kwa-Masizakhe.

Farming in the area is dedicated almost entirely to horses and merino sheep, which spreads over half-a-million hectares. The greater Colesberg breeds many of the country's top merinos and it is also renowned for producing high-quality racehorses. Many stud farms, including one owned by legendary golfer Gary Player, are nearby. The ostrich-feather boom of the early 1900's which left many farmers rich is forgotten.

The District Municipality is neighboured by 3 provinces namely Free State on the northern side, Eastern Cape on the eastern side and the Western Cape on the southern side. Within the Northern Cape the district is neighboured by Frances Baard Siyanda and the Namakwa Districts. Umsobomvu Local Municipality's economical activities are dominated by agricultural services and tourism. The locality of the Municipality in relation to other municipalities and provinces in the region is depicted in Figure 1. Major road transport corridors are within the boundaries of the Municipality for example the N1 that links Cape Town in the south with Johannesburg/Pretoria in the north the N9 which links Port Elizabeth and the Eastern Cape with Johannesburg/Pretoria in the north.

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Below is a map that indicates the Municipal Area in the Pixley Ka Seme District Area:

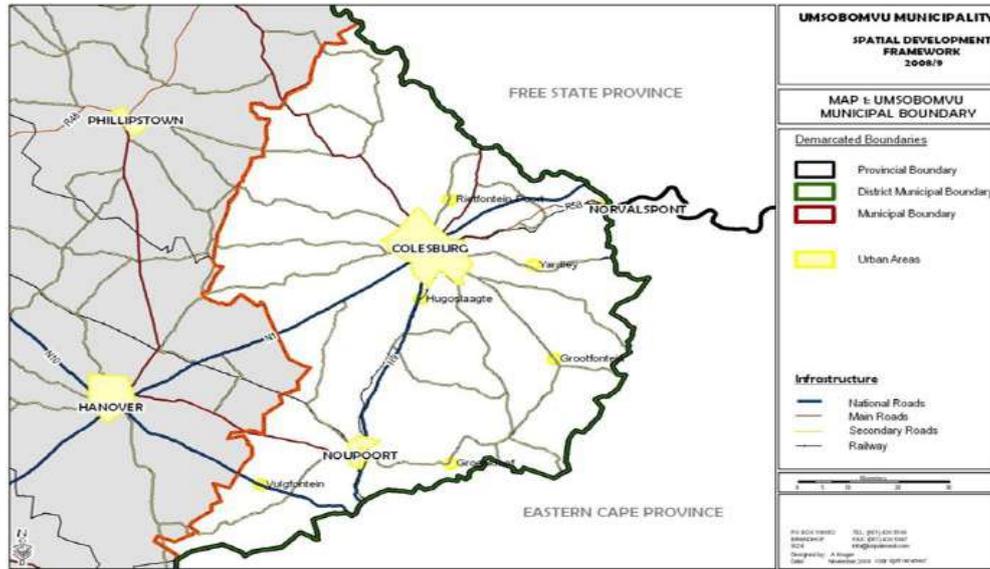


Figure 1: Umsobomvu Area Map

a) Wards

The Municipality is structured into the following 7 wards:

Ward	Areas
1	Kwazamuxolo, Eurekaville and Noupoot
2	Portion of Eurekaville and Tjoksville
3	Zwelithsha, Towervallei and Operation Vula
4	New Ouboks, Lowryville, Phillipstown Informal Area
5	Draai Location, Colesberg, New Brighton, Squatter Camp, Thuthwini and Hukwini
6	Khayelitsha, Masipahkame, Chris Hani, Norvalspont and Farming Area
7	Norvalspont, Louwryville and Farming Area

Table 4: Municipal Wards

Colesberg

Colesberg is the "capital" of the Municipality and was named after Sir Lowry Cole - Governor of the Cape of Good Hope, 1828 - 1833. The town of Colesberg is situated in the Great Karoo in the Northern Cape. It is located at the junction of the national roads from Johannesburg to Cape Town and Port Elizabeth in the south. It is approximately 25 kilometres south of the Orange River and 284 kilometres southeast of Kimberley the provincial capital.



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Noupoort

Noupoort is situated along the N9 route from Colesberg to Middelburg on the way to Cradock and Port Elizabeth. It is 56 kilometres south of Colesberg. Noupoort experienced dramatic economic decline after the closure of the Spoornet station.

Norvalspont

The smallest of the three entities Norvalspont is a settlement situated 40 kilometres east of Colesberg on the way to the Gariep Dam. It rests on the banks of the Orange River and is a small black settlement also called Kwa-Masizakhe.

b) Natural Resources

The following table shows the natural resources within the Umsobomvu Local Municipality

Major Natural Resource	Relevance to Community
Orange River	Water source for human consumption, agriculture recreation, climate compatible industries, businesses and renewable electricity generation
Abundance of land	Housing, industry and business development
Major transport routes	Business opportunities, transport & logistics hub, marketing of area for tourism
Unpolluted areas	Healthy population attractive to metropolitan residents
Doornkloof Nature Reserve	Recreation and tourist attraction

Table 5: Natural Resources

1.4 Service Delivery Overview

1.4.1 Basic Service Delivery Highlights

The table below indicates the highlights for basic service delivery during the year:

Highlights	Description
Ongoing repairs of water leakages in all three towns of the Municipality to reduce water losses	Completed repairs of major water leakages in Colesberg rising main pipeline from abstraction point to Colesberg water treatment plant. This improved the supply of water. Norvalspont water abstraction pump stations, as well as boreholes in Noupoort was also repaired
Upgrade of VIP toilets and connecting septic tanks to full waterborne sanitation system in Kuyasa	Through the Water Services Infrastructure Grant (WSIG), the Municipality has upgraded and completed VIP toilets to full waterborne sanitation phase 1 in Kuyasa. Phase 2 of the project is practically completed

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Highlights	Description
Electrified Ezimbacweni in Norvalspont	The Ezimbacweni in Norvalspont have been electrified and provided with new infrastructure. However, to date the power supply cannot be energized until Eskom has installed bulk connection point. Eskom has planned to provide bulk connection point by latest September 2023
Waste collection is done as per schedule, weekly	Refuse collection trucks is operating without major problems in Colesberg, Noupoort and Norvalspont

Table 6: Basic Service Delivery Highlights

1.4.2 Basic Service Delivery Challenges

The table below indicates the challenges for basic service delivery during the year:

Challenges	Actions to address
Valve chambers	Pressure relief valve (PRV) chambers have no working space to clean the strainer after repair of a pipe break. The valve chambers need to be reconstructed to make provision for working space
Continuous sewer blockages, due to flushing of foreign objects down to sewer drainage system	Community awareness will to be done in the next financial year
Bypassing of electricity meters by customers	Installation of split meters in Colesberg and in Noupoort, where the Municipality is licenced to supply electricity, and continue with spot checks in the municipal areas
The landfill sites do not have weigh bridges	Install a weigh bridge

Table 7: Basic Services Delivery Challenges

1.4.3 Households with Access to Basic Services

Description	2021/22	2022/23
Electricity - service connections	8 153	8 153
Water - available within 200 m from dwelling	8 819	8 819
Sanitation - Households with at least VIP service	7 906	7 906
Waste collection - kerbside collection once a week	7 454	7 454

Table 8: Households with Minimum Level of Basic Services

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1.5 Financial Health Overview

1.5.1 National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the Municipal Systems Act (MSA). These key performance indicators are linked to the National Key Performance Area (KPA) namely Municipal Financial Viability and Management.

KPA & Indicator	2021/22	2022/23
Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2023 ((Total operating revenue-operating grants received)/debt service payments due within the year))	214.13%	20%
Financial viability measured in terms of the outstanding service debtors as at 30 June 2023 ((Total outstanding service debtors/ revenue received for services) X100)	313.52%	71%
Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2023 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)) Number of months it takes to cover fix operating expenditure with available cash at 30 June 2022	0.09	1

Table 9: National KPI's for Financial Viability and Management

1.5.2 Financial Overview

Details	Original budget	Adjustment Budget	Actual
R'000			
Income	199 714	210 721	225 417
Less Expenditure	(224 804)	(231 948)	(220 843)
Net surplus/(deficit)	(25 090)	(21 227)	4 575

Table 10: Financial Overview

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1.5.3 Total Capital Expenditure

Detail	2022/23
	R'000
Original Budget	37 796
Adjustment Budget	29 944
Actual	26 646
% Spent	89%

Table 11: Total Capital Expenditure

1.6 Organisational Development Overview

1.6.1 Municipal Transformation and Organisational Development Highlights

The highlights for municipal transformation and organisational development during the year are the following:

Highlight	Description
Appointment of the Municipal Manager	Filling of vacancies

Table 12: Highlights: Municipal Transformation and Organisational Development

1.6.2 Municipal Transformation and Organisational Development Challenges

The challenges that are experienced is as follow:

Description	Actions to address
Recruitment processes took longer than expected for junior positions due to MIE verification of candidates	Started to opt for new companies to assist with verification (Risk Diversion Company)

Table 13: Challenges: Municipal Transformation and Organisational Development

1.7 Auditor General Report

1.7.1 Audited Outcomes

Year	2019/20	2021/22	2022/23	2022/23
Opinion received	Qualified	Qualified	Qualified	Qualified

Table 14: Audit Outcomes

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1.8 2022/23 IDP/Budget Process

The table below provides details of the key deadlines for the 2022/23 IDP/Budget process:

Activity	Responsible person	Date
IDP Process Plan	BJ Kapp	31 August 2022
Budget, IDP and Performance Management Timetable	BJ Kapp and N Thiso	31 August 2022
Approved Draft 2022/23 IDP	BJ Kapp	31 March 2022
Approved Draft Budget 2022/23	N Thiso	31 March 2022
21 Days Public Comments on IDP and Budget	BJ Kapp	31 March to 21 May 2022
IDP & Budget Roadshow	Cllr M Toto (Mayor)	19 May 2022
		23 May 2022
		24 May 2022
Approved Final 2022/23 IDP	BJ Kapp	31 May 2022
Approved Final Budget 2022/23	N Thiso	31 May 2022
Approved SDBIP 2022/23	N Thiso	20 June 22

Table 15: 2022/23 IDP/Budget Process

CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

2.1 National Key Performance Indicators - Good Governance and Public Participation

The following table indicates the municipality's performance in terms of the National Key Performance Indicator required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and Section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

Indicator	Municipal Achievement	Municipal Achievement
	2021/22	2022/23
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	78%	88.98%

Table 16: National KPIs - Good Governance and Public Participation Performance

2.2 Introduction to Good Governance

The political leadership of the Municipality comprises of elected Councillors through both the ward system and proportional representation and is led by the Mayor through a collective executive system since after the elections in November 2021 and a Speaker as head of the Council. On the other side the administration of the Municipality is composed of executive management appointed in terms of Sections 54A and 56 of the MSA as amended. The Municipal Manager is the head of administration. In order to realise the constitutional mandate of the Municipality these two components, including the community, have to work together.

2.3 Governance Structure

2.3.1 Political Governance Structure

The Council performs both legislative and executive functions. They focus on legislative oversight and participatory roles and have delegated their executive function to the Mayor. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision-makers Councillors are also actively involved in community work and the various social programmes in the municipal area.

Chapter 2: Governance

a) Council

Below is a table that categorized the Councillors within their specific political parties and wards as at 30 June 2023:

Council Members	Capacity	Political Party	Ward representing or proportional
M Toto	Mayor	African National Congress	Proportional Representative
N Stafa	Speaker	African National Congress	Proportional Representative
B Mangaliso	Council Whip	African National Congress	Ward Councillor
W Minnie	Councillor	African National Congress	Ward Councillor
V Harmse	Councillor	African National Congress	Ward Councillor
S Yabo	Councillor	African National Congress	Ward Councillor
L Zakhe	Member Executive Committee	African National Congress	Ward Councillor
L Tyindyi	Member Executive Committee	Umsobomvu Residents Association	Ward Councillor
N Mlungwana	Councillor	Umsobomvu Residents Association	Ward Councillor
A Poyo	Councillor	Umsobomvu Residents Association	Proportional Representative
T Matebese	Councillor	Umsobomvu Residents Association	Proportional Representative
J Mathee	Councillor	Democratic Alliance	Proportional Representative
G Douw	Councillor	Democratic Alliance	Proportional Representative

Table 17: Council 2022/23

Below is a table which indicates the Council meeting attendance for the 2022/23 financial year:

Meeting dates	Council Meeting Attendance	Apologies for non-attendance
27 January 2022	13	N/A
31 March 2022	13	N/A
05 April 2022	11	Submitted
26 April 2022	13	N/A
31 May 2022	13	N/A
27 July 2022	10	Submitted
11 August 2022	11	Submitted
31 August 2022	13	N/A
02 November 2022	13	N/A
14 November 2022	13	N/A
22 November 2022	10	Submitted
12 December 2022	13	N/A
31 January 2023	13	N/A
07 February 2023	13	N/A
28 February 2023	13	N/A

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Meeting dates	Council Meeting Attendance	Apologies for non-attendance
31 March 2023	7	Submitted
30 May 2023	12	Submitted
19 July 2023	12	Submitted
26 July 2023	9	Submitted
18 August 2023	12	Submitted
31 August 2023	12	Submitted
13 October 2023	13	N/A
16 November 2023	13	N/A
12 December 2023	12	Submitted

Table 18: Council Meetings

b) Portfolio Committees

The Council of the Umsobomvu Local Municipality has established Portfolio Committees. Each of these committees is chaired by a member of Council and the allocation is as follows:

Name of committee	Name of member and capacity
Finance Portfolio Committee	M Toto (Chairperson), V Harmse (Member) and G Douw (Member)
Technical Services Portfolio Committee	L Zakhe (Chairperson), W Minnie (Member) and T Matebese (Member)
Corporate Services Portfolio Committee	B Mangaliso (Chairperson), B Mangaliso (Member) and S Yabo (Member)

Table 19: Portfolio Committee

c) Municipal Public Accounts Committee (MPAC)

Name of member	Capacity
W Minnie	Chairperson
S Yabo	Member
G Douw	Member

Table 20: Municipal Public Accounts Committee

2.3.2 Administrative Governance Structure

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reporters, which constitutes the management team whose structure is outlined in the table below:

Name of Official	Department	Performance agreement signed
		Yes/No
T Msengana	Office of the Municipal Manager	Yes
Vacant	Financial Services	N/A
Vacant	Corporate Services	N/A
S Nkcithiso	Technical Services	Yes

Table 21: Administrative Governance Structure

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.4 Intergovernmental Relations

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another, inform and consult one another on matters of common interest; coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

2.4.1 Intergovernmental Structures

To adhere to the principles of the Constitution as mentioned above the municipality participates in the following intergovernmental structure:

Name of Structure	Outcomes of Engagements/Topics Discussed
Umsobomvu Intergovernmental Relations Steering Committee	Committee dormant

Table 22: Intergovernmental Structures

a) Intergovernmental Relations Forum

Department Name	Member
Pixley Ka Seme Intergovernmental Relations Committee	M Toto and A Mpela

Table 23: Members of the IGR Forum

b) Intergovernmental Relations Steering Committee

The committee is dormant at present.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.5 Public Accountability and Participation

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- The preparation implementation and review of the IDP
- Establishment implementation and review of the performance management system
- Monitoring and review of the performance including the outcomes and impact of such performance
- Preparation of the municipal budget

2.5.1 Ward Committees

The ward committees support the ward councillor who receives reports on development, participate in development planning processes and facilitate wider community participation. To this end the municipality constantly strives to ensure that all ward committees' function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

Ward 1: Kwazamuxolo, EurekaVille and Noupoot

Name of representative	Capacity representing	Number of meetings
V Douw	Women	12
D May	Safety	
Z Zicina	Education	
L Thibani	Social Development	
Z Sporo	Service Delivery	
N Siko (5 meetings attended)	Business	
I Lukas	Sport	
M Sestile	Church	
N Malan	Youth	

Table 24: Ward 1 Committee Meetings

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Ward 2: Portion of EurekaVille and Tjoksville

Name of representative	Capacity representing	Number of meetings
U Feni	Youth	12
K Siko	Women	
P Haas	Social Services	
M Xhentsa	Education	
V Daweti	Business	
T Sakathi	Sport	
B Matyeka	Social Services	
A Pretorius	Health	
Y Keyzer	Education	
C Grobelaar	Women in Business	

Table 25: Ward 2 Committee Meetings

Ward 3: Zwelithsha, Towervallei and Operation Vula

Name of representative	Capacity representing	Number of meetings
N Masumpa	Sport	12
T Mxhamli	Sport	
B Manzi	Health	
S Ntozini	Social Development	
S Mbalula	Agriculture	
T Mboxela	Youth	

Table 26: Ward 3 Committee Meetings

Ward 4: New Ouboks, Lowryville, Phillipstown Informal Area

Name of representative	Capacity representing	Number of meetings
R Meyers	Education	12
N Stuurman	Women	
N Belikwa Mpemba	Community	
V Boko May	Disability	
T Yalezo	Safety	
N Stuurman	Youth	
T Mpemba	Agriculture	
M Madikane	Elderly	
M Pietersen	Sport	
N Kaptein	Health	

Table 27: Ward 4 Committee Meetings

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Ward 5: Draai Location, Colesberg, New Brighton, Squatter Camp, Thuthwini and Hukwini

Name of representative	Capacity representing	Number of meetings
M Nkunzi	Youth	12
L Letsolo	Health	
S Khasibe	Environment	
B James	Fraternal	
X Mbathiwe	Education	
N Mankayi	Social Development	
T Ntsie	Technical Service	
S Kuse	Unemployment	
N Pitso	Service Delivery	
L Limba	Women	

Table 28: Ward 5 Committee Meetings

Ward 6: Khayelitsha, Masipahkame, Chris Hani, Norvalspont and Farming Area

Name of representative	Capacity representing	Number of meetings
A Matlala	Sport	12
K Martiens	Farmers	
N Mpemba	Traditional Leaders	
B Mpemba	Agriculture	
N Mke	Community	
S Botha	Unemployment	
Z Joja	Fraternal	
B Sakathi	Women Empowerment	
M Situko	Health	

Table 29: Ward 6 Committee Meetings

Ward 7: Norvalspont, Louwryville and Farming Area

Name of representative	Capacity representing	Number of meetings
M Batties	Women	12
K Swartz	Disability	
J Reed	Women in Business	
C Hendriks	Social Development	
S Dyonkile	Safety	
R Soyers	Sport	
K Molia	Fraternal	
N Saul	Farmers	
N Jacobs	Education	

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Name of representative	Capacity representing	Number of meetings
A Gama	Youth	

Table 30: Ward 7 Committee Meetings

2.5.2 Functionality of Ward Committee

The purpose of a ward committee is:

- to get better participation from the community to inform council decisions
- to make sure that there is more effective communication between the Council and the community
- to assist the ward councillor with consultation and report-backs to the community

Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they advise the ward councillor who makes specific submissions directly to the administration. These committees play a very important role in the development and annual revision of the integrated development plan of the area.

The table below provides information on the establishment of ward committees and their functionality:

Ward Number	Committee established Yes / No	Number meetings held during the year	Committee functioning effectively (Yes / No)
1	Yes	12	Yes
2	Yes	12	Yes
3	Yes	12	Yes
4	Yes	12	Yes
5	Yes	12	Yes
6	Yes	12	Yes
7	Yes	12	Yes

Table 31: Functioning of Ward Committees

2.5.3 Public Meetings

The table below provides information on the public meetings held during the financial year:

Nature and purpose of meeting	Date of events	Number of Community members attending
Council Meets the People	23 to 25 November 2022 (all three towns)	Colesberg 184, Norvalspont 82, Noupoort 162
Council Meets the People	9 to 11 May 2023	Norvalspont 58, Noupoort 117, Colesberg 70

Table 32: Functioning of Ward Committees

2.5.4 Representative Forums

a) Labour Forum

The table below specifies the members of the Labour Forum for the 2022/23 financial year:

Name of representative	Capacity	Meeting dates
B Managaliso	Employer Representative (Councillor)	28 April 2022 03 May 2022 03 June 2022 27 May 2022 03 March 2023 15 August 2023 08 September 2023 22 August 2023
V Harmse	Employer Representative (Councillor)	
J Matthee	Employer Representative (Councillor)	
A Mpela	Employer Representative (Employee)	
B Kapp	Employer Representative (Employee)	
N Ntozini	SAMWU – Union Representative	
P Gwebityala	SAMWU – Union Representative	
N Ntoni	SAMWU – Union Representative	
E Fredericks	IMATU – Union Representative	
Z Ngalimani	IMATU – Union Representative	

Table 33: Labour Forum

b) IDP Forum

The table below specifies the members of the IDP Forum for the 2022/23 financial year:

Name of representative	Capacity
A Mpela	Municipal Manager
B Kapp	Senior Manager Corporate Services
T Tshikundu	Chief Financial Services
S Nkcithiso	Senior Manager Technical Services
N Thiso	Deputy Chief Financial Services
A Khalankomo	Section Head Corporate Services

Table 34: IDP Forum

COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

2.6 Risk Management

In terms of Section 62 (1)(c)(i) “the accounting officer of a 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 – of financial and risk management and internal control;”...

The table below include the top risks of the Municipality:

Risk	Department
Electricity and water losses	Technical Services
Under spending of conditional grants	Technical Services
Unauthorised expenditure.	Financial Services
Irregular expenditure	Financial Services
Wasteless and fruitless expenditure	Financial Services
Litigations	Corporate Services
Nonadherence to payment of service providers within the 30-day timeframe	Financial Services
Low collection debtors	Financial Services
Ageing infrastructure	Technical Services
High vacancy rate	Corporate Services

Table 35: Top Risks

2.7 Anti-Corruption and Anti-Fraud

Section 83(1)(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption. The MFMA, Section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

Umsobomvu Municipality has the following strategies in place to prevent corruption, fraud and theft:

-  Presidential Hotline on fraud prevention and corruption, and service delivery matters
-  Risk Management Policy
-  Fraud Prevention and Whistle Blowing Policy
-  Internal Audit reviews the effectiveness of the systems of internal control, governance and risk management on a continuous basis
-  Disciplinary procedures to discipline employees who transgress the stipulations of the Act, procedures and policies
-  Disciplinary Board as envisaged by the MFMA: Municipal Regulations on Financial Misconduct

A Risk Management Committee is also in place to assist the Accounting Officer in addressing oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to risk management, fraud prevention and corruption.

2.8 Audit Committee

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must –

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –

- internal financial control
- risk management
- performance management
- effective governance

The Audit Committee have the following main functions as prescribed in Section 166 (2)(a-e) of the MFMA and the Local Government Municipal and Performance Management Regulation:

2.8.1 Functions of the Audit Committee

- To advise the Council on all matters related to compliance and effective governance
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation
- Respond to the council on any issues raised by the Auditor-General in the audit report
- To review the quarterly reports submitted to it by the internal audit
- To evaluate audit reports pertaining to financial, administrative and technical systems
- The compilation of reports to Council, at least twice during a financial year
- To review the performance management system and make recommendations in this regard to Council
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimised
- To review the annual report of the municipality
- Review the plans of the internal audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available
- Provide support to the internal audit function
- Ensure that no restrictions or limitations are placed on the Internal Audit section
- Evaluate the activities of the internal audit function in terms of their role as prescribed by legislation

2.8.2 Members of the Audit Committee

The table below indicates the members of the audit committee:

Name of representative	Capacity	Meeting dates
Mr Smouse	Chairperson	25 August 2022
Mr Hendricks	Member	29 November 2022
Mr Mtubu	Member	29 March 2023

Table 36: Members of the Audit Committee

2.9 Performance Audit Committee

The Municipal Planning and Performance Management Regulation, GNR796, require that the performance audit committee is comprised of a minimum of three members, the majority of whom are external (neither a councillor nor an employee) of the municipality. Section 14(2)(b) of the R Municipal Planning and Performance Management Regulation further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is also a requirement of the Municipal Planning and Performance Management Regulation in Section 14(2)(d) that the Council of a municipality designate neither a member of the performance audit committee who is neither a councillor nor an employee of the municipality as the chairperson of the committee.

Section 14(3)(a) of the Municipal Planning and Performance Management Regulation requires that the performance audit committee of a municipality must meet at least twice during each financial year. However, additional special meetings of the performance audit committee may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3)(b) of the Regulations.

2.9.1 Functions of the Performance Audit Committee

In terms of Section 14(4)(a) of the Municipal Planning and Performance Management Regulation the performance audit committee has the responsibility to -

-  review the quarterly reports produced and submitted by the internal audit process
-  review the municipality's performance management system and make recommendations in this regard to the council of the municipality
-  at least twice during each financial year submit a performance audit report to the council of the municipality

2.9.2 Members of the Performance Audit Committee

The table below indicates the members of the performance audit committee:

Name of representative	Capacity
Mr Smouse	Chairperson
Mr Hendricks	Member
Mr Mtubu	Member

Table 37: Members of the Performance Audit Committee

2.10 Internal Auditing

Section 165 (2)(a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must –

- 👤 prepare a risk-based audit plan and an internal audit program for each financial year
- 👤 advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
 - internal audit
 - internal controls
 - accounting procedures and practices
 - risk and risk management
 - performance management
 - loss control
 - compliance with this Act, the annual DoRA and any other applicable legislation
- 👤 perform other duties as may be assigned to it by the accounting officer

The Municipality concluded a shared service agreement with the Pixley ka Seme District Municipality to render legal, planning and internal audit services.

2.11 By-Laws and Policies

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies. No by-laws were developed and/or reviewed during the year under review. Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted	Public Participation Conducted Prior to Adoption of Policy Yes/No
Spatial Planning: Land Use Scheme and Regulations	26 April 2022	Yes
Rules of Order	26 April 2022	N/A
Delegation of Powers	26 April 2022	N/A
Cascading of Performance Management System	26 April 2022	N/A
Contract Management Policy	31 May 2022	N/A
Cost Containment Policy	31 May 2022	N/A
HR Policies	22 November 2022	N/A
Disaster Management Plan	22 November 2022	N/A
Car Wash By-Law	22 November 2022	N/A

Table 38: Policies Developed and Reviewed

2.12 Communication

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year.

Below is a communication checklist of the compliance with the communication requirements:

Communication activities	Yes/No
Communication Strategy	Yes
Communication Policy	Yes
Functional complaint management systems	Yes
Customer satisfaction surveys	Yes

Table 39: Communication Activities

Newsletters

Newsletters distributed are as follows:

Type of Newsletter	Distributed
Internal	Notice Boards (Municipality Notice Boards, Colesberg PL, Mongezi Juda PL, Noupoot PL, Norvalspont Office), Municipal Website and Facebook Page.
External	City Press

Table 40: Newsletter

2.13 Website

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and S21A and B of the MSA as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality's communication strategy.

The table below indicates the information and documents that are published on our website:

Description of information and/or document	Yes/No and/or Date Published
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)	
Draft Budget 2022/23	Yes
Adjusted Budget 2022/23	Yes
Asset Management Policy	Yes
Customer Care Credit Control & Debt Collection Policy	Yes
Indigent Policy	Yes
Unauthorised Irregular Fruitless and Wasteful Expenditure Policy	Yes
Cash and Investment Policy	Yes
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes

Description of information and/or document	Yes/No and/or Date Published
Travel and Subsistence Policy	Yes
SDBIP 2021/22	Yes
Budget and Treasury Office Structure	No
MFMA Delegations	Yes
Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)	
Reviewed IDP for 2022/23	Yes
IDP Process Plan for 2022/23	Yes
Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e) & (f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation)	
List of capital assets that have been disposed of – No disposals	No
Long-term borrowing contracts	None
SCM contracts above R200 000	Yes
Section 37 of the MFMA, No 56 of 2003 (Unsolicited Bids/Contracts)	None
Public invitations for formal price quotations	Yes
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the Municipal Finance Management Act)	
Annual Report of 2021/22	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly Reports	Yes
Monthly Budget Statement	Yes
Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)	
Performance Agreements for employees appointed as per S57 of the Municipal Systems Act	Yes

Table 41: Website Checklist

2.14 Supply Chain Management

The supply chain management policy of the Umsobomvu Local Municipality is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution.

2.14.1 Competitive Bids in Excess of R200 000

a) Bid Committee Meetings

The following table details the number of bid committee meetings held for the 2022/23 financial year:

Bid Evaluation Committee	Bid Adjudication Committee
2	2

Table 42: Bid Committee Meetings

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The attendance figures of members of the bid evaluation committee are as follows:

Member	Percentage attendance (%)
T Mthimkulu	100
S Mlenzana	100
MC Mostert	100
C Holele	100

Table 43: Attendance of Members of the Bid Evaluation Committee

The attendance figures of members of the bid adjudication committee are as follows:

Member	Percentage attendance (%)
S Nkcithiso	100
NL Thiso	100
A Khalankomo	100
N Dyantyi	100

Table 44: Attendance of Members of the Bid Adjudication Committee

The percentages as indicated above include the attendance of those officials acting in the position of a bid committee member.

b) Awards Made by the Bid Adjudication Committee

The highest bids awarded by the bid adjudication committee are as follows:

Bid number	Date of award	Title of bid	Successful Bidder	Value of bid awarded (R)
UMS/MIG/07/2022	23 February 2023	Tyoksville Internal Street	Masilakhe Consulting	2 738 330.55
UMS/MIG-DSAC/07/2020	20 February 2023	Kuyasa Sport Ground	Engineering Aces (PTY)LTD	1 853 544.87

Table 45: Highest Bids Awarded by the Bid Adjudication Committee

c) Awards made by the Accounting Officer

There were no awards made by the Accounting Officer in the 2022/23 financial year.

d) Appeals Lodged by Aggrieved Bidders

There were no appeals lodged by aggrieved bidders in the 2022/23 financial year.

2.14.2 Deviation from Normal Procurement Processes

The following table provides a summary of deviations approved for the financial year 2022/23:

Type of deviation	Value of deviations (R)	Percentage of total deviations value (%)
Emergency	655 588.64	29
Sole Provider	1 353 213.87	59
Exceptional Cases	283 376.90	12
Total	2 292 179.41	100

Table 46: Deviations Approved

2.15 Disclosures of Financial Interests

Schedule 1, Section 7 as well as Schedule 2, Section 5A of the MSA states that when a councillor is elected or appointed or a person appointed in terms of section 56 or a municipal manager, he or she must within 60 days declare in writing to the municipal manager or the chairperson of the municipal council the following financial interests held:

- 🏠 shares and securities in any company
- 🏠 membership of any close corporation
- 🏠 interest in any trust
- 🏠 directorships
- 🏠 partnerships
- 🏠 other financial interests in any business undertaking
- 🏠 employment and remuneration
- 🏠 interest in property
- 🏠 pension
- 🏠 subsidies, grants and sponsorships by any organisation

Any change in the nature or detail of the financial interests of any councillor or official must be declared in writing to the municipal manager or the chairperson of the municipal council annually. The municipal council must determine which of the financial interests referred to in the abovementioned list must be made public, having regard to the need for confidentiality and the public interest for disclosure.

Chapter 2: Governance

The following table lists the disclosure of financial interests of the administrative and strategic role players of the Municipality which were deemed to be disclosed for public interest:

Disclosures of Financial Interests	
2022/23	
Name	Description of Financial interests*
Executive Mayor	
MS Toto	None
Councillors	
SA Yabo	None
JP Matthee	Shares – CBG Consultancy
W Minnie	Shares – Minrut Multi Service Cooperative
L Tyindyi	Shares – Wave Front Trading
L Zakhe	Shares – Lindi Rose Trading Enterprise Sponsors - SASSA
AP Poyo	None
VP Harmse	None
GMH Douw	None
T Matebese	None
ND Stafa	None
NS Mlungwana	None
B Mangaliso	None
Municipal Manager	
TW Msengana	Shares – MTN Director – Bakhangela Kuwe Enterprise
Directors	
S Nkcithiso	None
NI Thiso	None
A Khalankomo	None
<i>* Financial interests to be disclosed even if they incurred for only part of the year</i>	

Table 47: Disclosures of Financial Interests

CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2022/23 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP.

3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

3.1.1 Legislative Requirements

The Constitution of the RSA, 1996, Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for 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 of resources
- 🏠 accountable public administration
- 🏠 to be transparent by providing information
- 🏠 to be responsive to the needs of the community
- 🏠 to facilitate a culture of public service and accountability amongst staff

The MSA, 2000 requires municipalities to establish a performance management system. Further, the MSA and the MFMA requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states 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, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities. This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

The Municipality continues to implement performance in terms of the performance management framework that was approved by Council on 28 May 2020.

Chapter 3: Service Delivery Performance

In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the Municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 Organisational Performance

Strategic performance indicates how well the municipality is meeting its objectives and whether policies and processes are working effectively. All government institutions must measure and report on their strategic performance to ensure that service delivery is done in an efficient, effective and economical manner. Municipalities must therefore develop strategic plans and allocate resources for the implementation. The implementation of the plans must be monitored on an on-going basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the Municipality's Top Layer SDBIP, high level performance in terms of the Strategic Objectives and performance on the National Key Performance Indicators as prescribed in terms of Section 43 of the MSA.

3.1.3 Performance Management System used in the Financial Year 2022/23

a) *The IDP and the Budget*

The IDP and the main budget for 2022/23 was approved by Council on 31 May 2022. As the IDP process and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

In terms of the performance management framework, the Mayor approved the Top Layer SDBIP on 20 June 2022. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

The performance agreements of the senior managers were compiled and revised in terms of the SDBIP indicators and the portfolio of evidence that support the actual targets reported.

Chapter 3: Service Delivery Performance

3.1.4 Actual Performance

The municipality utilizes an electronic web-based system on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI by documenting the following information on the performance system:

- 👤 the actual result in terms of the target set
- 👤 a performance comment
- 👤 actions to improve the performance against the target set if the target was not achieved

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

3.1.5 Monitoring of the SDBIP

Municipal performance is measured as follows:

- 👤 Quarterly reports were submitted to Council on the actual performance in terms of the Top Layer SDBIP
- 👤 Mid-year assessment and submission of the mid-year report to the Mayor in terms of Section 72(1) (a) and 52(d) of the MFMA to assess the performance of the municipality during the first half of the financial year

3.1.6 Individual Performance Management

a) Municipal Manager and Managers directly accountable to the Municipal Manager

The MSA prescribes that the Municipality must enter into performance-based agreements with all the S57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2022/23 financial year was signed in July 2022.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2021/22 financial year (1 January 2021 to 30 June 2022) took place on **18 October 2022** and the mid-year performance of 2022/23 (1 July 2022 to 31 December 2022) took place on **7 March 2023**.

The appraisals were done by an evaluation panel as indicated in the signed performance agreements and in terms of Regulation 805 and consisted of the following people:

- 👤 Executive Mayor
- 👤 Portfolio Councillor
- 👤 Municipal Manager
- 👤 Chairperson of the Audit Committee

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3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2022/23

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2022/23 in terms of the deliverables achieved against the strategic objectives of the IDP.

3.2.1 Strategic SDBIP (Top Layer)

This section provides an overview on the achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer SDBIP assists with documenting and monitoring of the municipality's strategic plan and shows the strategic alignment between the IDP, budget and performance plans.

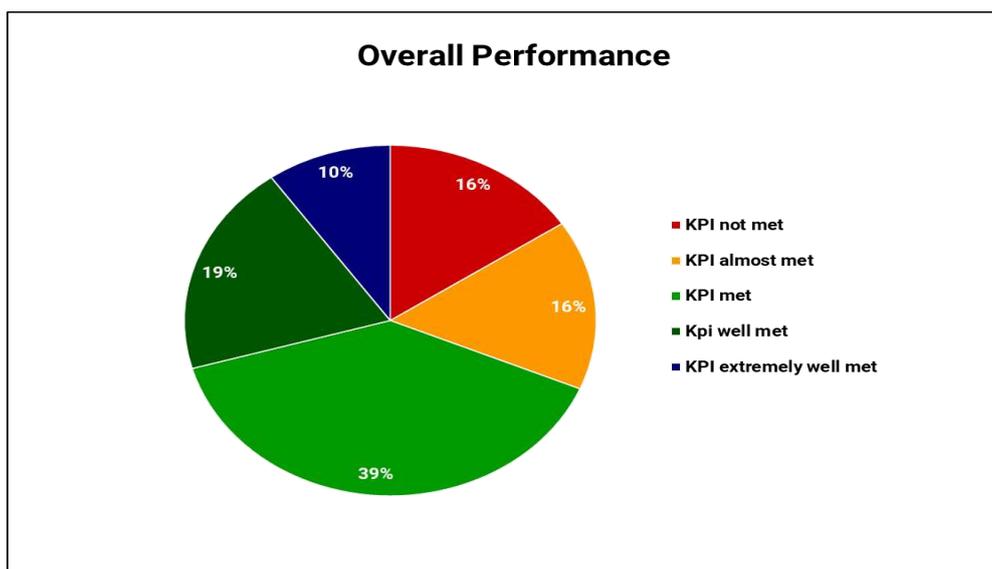
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI's applicable to 2022/23 in terms of the IDP strategic objectives.

The following table explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI's) of the SDBIP are measured:

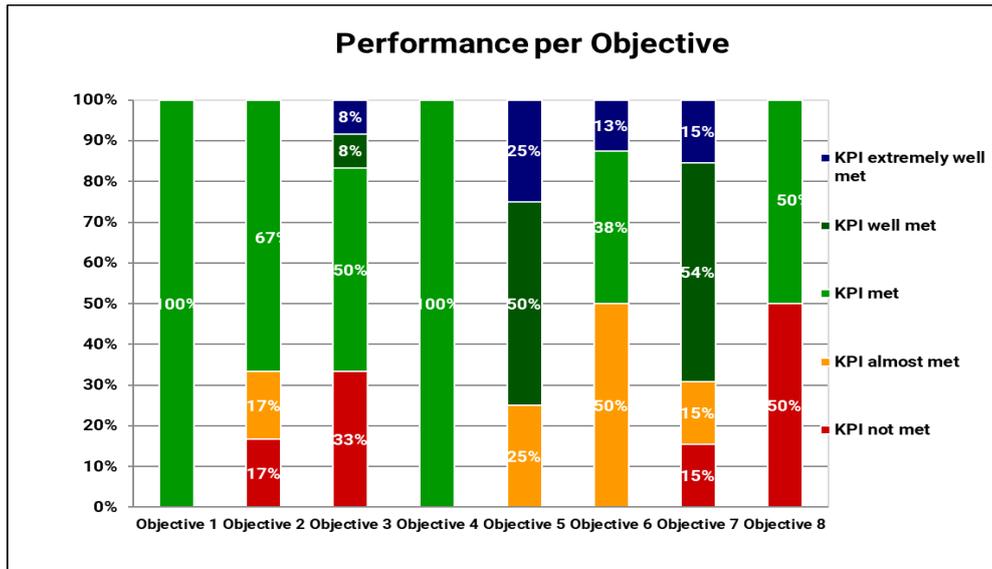
Category	Colour	Explanation
KPI Not Yet Measured	N/A	KPI's with no targets or actuals in the selected period
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Table 48: SDBIP Measurement Criteria

The graphs below display the overall performance per strategic objectives for 2022/23:



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Graph 4: Top Layer SDBIP per Strategic Objective

Measurement Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Objective 8
	Develop a capable and capacitated institution to respond to community needs							
Enhance good governance processes and accountability								
Enhance municipal financial viability								
Facilitate economic growth in the municipal area								
Ongoing maintenance of municipal infrastructure								
Provide appropriate services to all households								
Provide quality and sustainable municipal infrastructure within available resources								
Strengthen community participation								
KPI Not Met	0	1	4	0	0	0	2	1
KPI Almost Met	0	1	0	0	1	4	2	0
KPI Met	5	4	6	1	0	3	0	1
KPI Well Met	0	0	1	0	2	0	7	0
KPI Extremely Well Met	0	0	1	0	1	1	2	0
Total	5	6	12	1	4	8	13	2

Table 49: Top Layer SDBIP per Strategic Objective

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a) Actual Strategic Performance for 2022/23 and Corrective Measures that will be Implemented

i) Top Layer SDBIP - Develop a capable and capacitated institution to respond to community needs

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL7	Submit the Workplace Skills Plan and ATR (Annual Training Report) to LGSETA by 30 April 2023	Workplace Skills Plan and ART submitted to LGSETA by 30 April 2023	All	1	0	0	0	1	1	1	G
TL8	The number of people from employment equity target groups employed (appointed) in the three highest levels of management in compliance with the equity plan by 30 June 2023	Number of people employed (appointed) by 30 June 2023	All	1	0	0	0	1	1	1	G
TL9	The percentage of the Municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2023 [(Actual amount spent on training/total operational budget) x100]	% of the Municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2023 [(Actual amount spent on training/total operational budget) x100]	All	0.50%	0%	0%	0%	0.10%	0.10%	0.10	G
TL10	Limit the vacancy rate quarterly to less than 15% of budgeted posts ((Number of posts filled/Total number of budgeted posts) x100)	% quarterly vacancy rate of budgeted posts	All	15.48%	15%	15%	15%	15%	15%	15%	G



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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL17	Compile an implementation plan with actions and timeframes for the implementation of regulation 890 and 891 and submit to Council by 30 September 2022	Implementation Plan submitted to Council by 30 September 2022	All	New key performance indicator for 2022/23. No audited comparative available	1	0	0	0	1	1	G

Table 50: Top Layer SDBIP – Develop a Capable and Capacitated Institution to Respond to Community Needs

ii) Top Layer SDBIP - Enhance good governance processes and accountability

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL1	Compile and submit the Risk Based Audit Plan (RBAP) for 2023/24 to the Audit committee by 30 June 2023	Risk Based Audit Plan (RBAP) submitted to the Audit committee by 30 June 2023	All	1	0	0	0	1	1	1	G
TL2	70% of the Risk based audit plan for 2022/23 implemented by 30 June 2023 [(Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP) x100]	% of the Risk Based Audit Plan for 2022/23 implemented by 30 June 2023	All	90%	0%	0%	0%	70%	70%	59.68%	O
Corrective Measure			The Municipality intends to finalise other matters before the commencement of audit period								
TL3	Complete the annual risk assessment and submit to the Audit Committee by 30 June 2023	Risk assessment completed and submitted to the Audit Committee by 30 June 2023	All	1	0	0	0	1	1	0	R
Corrective Measure			The risk assessment will be submitted during the next seating of the APC which will be held before end August 2023								
TL5	Submit the Annual Performance Report for 2021/22 to the AG by 31 August 2022	Annual Performance Report submitted to the AG by 31 August 2022	All	1	1	0	0	0	1	1	G



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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL6	Submit the Draft Annual Report for 2021/22 to Council by 31 January 2023	Draft Annual Report submitted to Council by 31 January 2023	All	1	0	0	1	0	1	1	G
TL11	Arrange a training session forward committee members by 30 June 2023	Training session arranged by 30 June 2023	All	3	0	0	0	1	1	1	G

Table 51: Top Layer SDBIP – Enhance Good Governance Processes and Accountability

iii) Top Layer SDBIP - Enhance municipal financial viability

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL18	Submit the draft main budget for 2023/24 to Council for consideration by 31 March 2023	Draft Main budget submitted to Council by 31 March 2023	All	1	0	0	1	0	1	1	G
TL19	Submit the Adjustments budget for 2022/23 to Council for consideration by 28 February 2023	Submit the Adjustments budget to Council for consideration by 28 February 2023	All	1	0	0	1	0	1	1	G
TL20	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2023 ((Total operating revenue-operating grants received)/debt service payments due within the year))	% of debt coverage at 30 June 2023	All	214.13%	0%	0%	0%	20%	20%	20%	G



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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL21	Financial viability measured in terms of the outstanding service debtors as at 30 June 2023 ((Total outstanding service debtors/ revenue received for services) X100)	% of outstanding service debtors at 30 June 2023	All	313.52%	0%	0%	0%	90%	90%	71	B
TL22	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2023 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fixed operating expenditure with available cash at 30 June 2023	All	0.09	0	0	0	1	1	1	G
TL23	Submit the annual financial statements for 2021/22 to AGSA by 31 August 2022	Annual financial statements submitted by 31 August 2022	All	1	1	0	0	0	1	1	G
TL24	Compile Plan to address audit findings in report of the AG for 2021/22 and submit to MM by 31 January 2023	Plan completed and submitted to MM by 31 January 2023	All	1	0	0	1	0	1	1	G



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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL25	Achieve a debtor payment percentage of 65% by 30 June 2023 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	% debtor payment achieved at 30 June 2023	All	69%	0%	65%	0%	65%	65%	71%	G2
TL36	Conduct a study to determine the causes of the high percentage of water and electricity losses and submit a report with proposed corrective actions to Council by 31 December 2022	Study completed and report with corrective actions submitted to Council by 31 December 2022	All	New key performance indicator for 2022/23. No audited comparative available	0	1	0	0	1	0	R
Corrective Measure			The report has been completed and will be submitted to Council in the next financial year								
TL37	Compile a Revenue Enhancement strategy with short medium- and long-term actions that can be implemented and submit to Council by 30 June 2023	Revenue Enhancement Strategy submitted to Council by 30 June 2023	All	New key performance indicator for 2022/23. No audited comparative available	0	0	0	1	1	0	R
Corrective Measure			The project was extended to the end of September. Once the completion report has been received, it will be presented to Council								



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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL38	Limit unaccounted for electricity to less than 25% by 30 June 2023 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated} × 100}	% of unaccounted electricity by 30 June 2023	All	24.45%	0%	0%	0%	25%	25%	26.08	R
Corrective Measure			Increase number of inspections. Visit all sites with defect meters as reported on the DBSA report								
TL39	Limit unaccounted for water to less than 30% by 30 June 2023 {(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified} × 100}	% of water unaccounted by 30 June 2023	All	42.52%	0%	0%	0%	30%	30%	46%	R
Corrective Measure			Appoint additional meter readers and ensure that all meters are monthly read and billed								

Table 52: Top Layer SDBIP – Enhance Municipal Financial Viability

iv) Top Layer SDBIP - Facilitate economic growth in the municipal area

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL40	Create temporary jobs - FTE's in terms of EPWP by 30 June 2023 (Person days / FTE (230 days))	Number of FTE's created by 30 June 2023	All	22	0	0	0	20	20	20	G

Table 53: Top Layer SDBIP – Facilitate Economic Growth in the Municipal Area

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v) Top Layer SDBIP – Ongoing maintenance of municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL41	50% of the electricity maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2023	All	68%	0%	15%	0%	50%	50%	64%	G2
TL42	50% of the Road Transport maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2023	All	46%	0%	15%	0%	50%	50%	55	G2
TL43	50% of the Waste Water management maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2023	All	36%	0%	15%	0%	50%	50%	49%	O
Corrective Measure			To improve on the operation and maintenance of Waste Water Management, management will plan ahead and appoint panel of service providers who are able to repair and maintain municipal infrastructure as and when required								
TL44	50% of the Water Management maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2023	All	83%	0%	15%	0%	50%	50%	78%	B

Table 54: Top Layer SDBIP – Ongoing Maintenance of Municipal Infrastructure



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vi) Top Layer SDBIP - Provide appropriate services to all households

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL12	Spend 100% of the library grant by 30 June 2023 ((Actual expenditure divided by the approved budget) x100)	% of the library grant spent by 30 June 2023	All	89%	0%	0%	0%	100%	100%	100	G
TL13	Submit the reviewed the Disaster Management Plan to Council by 30 June 2023	Reviewed Disaster Management Plan submitted by 30 June 2023	All	1	0	0	0	1	1	1	G
TL16	50% of the municipal buildings maintenance budget spent by 30 June 2023 ((Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2023	All	14.49%	0%	20%	0%	50%	50%	50%	G
TL30	Provide free basic water to indigent households as at 30 June 2023	Number of households receiving free basic water as at 30 June 2023	All	1 836	0	0	0	1 600	1 600	1 423	O
Corrective Measure			Started registration period early for the upcoming financial year. Ensure that all registrations are captured into the financial system timeously								
TL31	Provide free basic electricity to indigent households as at 30 June 2023	Number of households receiving free basic electricity as at 30 June 2023	All	1 836	0	0	0	1 600	1 600	1 423	O
Corrective Measure			Indigent registration will be updated on an ongoing basis								
TL32	Provide free basic sanitation to indigent households as at 30 June 2023	Number of households receiving free basic sanitation services as at 30 June 2023	All	1 763	0	0	0	1 600	1 600	1 405	O
Corrective Measure			Started registration early for the upcoming financial year. Ensure that the registration forms are captured into the financial system timeously								



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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL33	Provide free basic refuse removal to indigent households as at 30 June 2023	Number of households receiving free basic refuse removal services at 30 June 2023	All	1 819	0	0	0	1 600	1 600	1 413	O
Corrective Measure			Started registration early for the upcoming financial year. Ensure that the registration forms are captured into the financial system timeously								
TL34	Provide free basic energy to indigent households as at 30 June 2023	Number of households receiving free basic energy at 30 June 2023	All	461	0	0	0	350	350	548	B

Table 55: Top Layer SDBIP - Provide Appropriate Services to All Households

vii) Top Layer SDBIP - Provide quality and sustainable municipal infrastructure within available resources

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL4	70% spent of all conditional grants by 30 June 2023 [(Actual expenditure on conditional grants received/by the total amount of conditional grants received) x 100]	% of conditional grant spent by 30 June 2023	All	108%	0%	0%	0%	70%	70%	97.12%	G2
TL26	Number of formal properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2023	Number of properties which are billed for water as at 30 June 2023	All	6 763	0	0	0	6 651	6 651	6 727	G2

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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL27	Number of formal properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) (Excluding Eskom areas) and billed for the service as at 30 June 2023	Number of properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas) as at 30 June 2023	All	3 088	0	0	0	2 500	2 500	3 045	G2
TL28	Number of formal properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2023	Number of properties which are billed for sewerage as at 30 June 2023	All	6 164	0	0	0	6 000	6 000	6 293	G2
TL29	Number of formal properties for which refuse is removed once per week and billed for the service as at 30 June 2023	Number of properties which are billed for refuse removal as at 30 June 2023	All	6 721	0	0	0	6 592	6 592	6 711	G2
TL35	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2023 [(Amount actually spent on capital projects/ Amount budgeted for capital projects) x100]	% of capital budget spent on capital projects by 30 June 2023	All	94.39%	0%	15%	0%	60%	60%	88.98%	G2

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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL45	50% spent of the total amount budgeted by 30 June 2023 to upgrade the Kuyasa Sport Ground in Colesberg {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2023	6	New key performance indicator for 2022/23. No audited comparative available	0%	15%	0%	50%	50%	43%	O
Corrective Measure			To speed up the appointment of all service providers on the project								
TL46	60% spent of the total amount budgeted by 30 June 2023 to pave Madikane Street in Kuyasa Colesberg {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2023	3	New key performance indicator for 2022/23. No audited comparative available	0%	15%	0%	60%	60%	96%	B
TL47	75% spent of the total amount budgeted by 30 June 2023 to pave President Swarts Street in Noupoort {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2023	1 and 2	New key performance indicator for 2022/23. No audited comparative available	0%	15%	0%	75%	75%	79%	G2

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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL48	75% spent of the total amount budgeted by 30 June 2023 to upgrade the stormwater drainage collection in Norvalspont and Colesberg {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2023	5 and 7	New key performance indicator for 2022/23. No audited comparative available	0%	15%	0%	75%	75%	53%	R
Corrective Measure			To procure all required material earlier so that project can be implemented								
TL49	50% spent of the total amount budgeted by 30 June 2023 for electrical Infrastructure LV Networks in Norvalspont {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2023	7	New key performance indicator for 2022/23. No audited comparative available	0%	15%	0%	50%	50%	0	R
Corrective Measure			Follow up with Eskom about their exact date of bulk point power supply connection								
TL50	60% spent of the total amount budgeted by 30 June 2023 to upgrade the sanitation reticulation sewer network in Noupoot {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2023	1 and 2	New key performance indicator for 2022/23. No audited comparative available	0%	15%	0%	60%	60%	107%	B

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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL51	75% spent of the total amount budgeted by 30 June 2023 to upgrade VIP toilets in Kuyasa Colesberg {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2023	6	New key performance indicator for 2022/23. No audited comparative available	0%	15%	0%	75%	75%	61%	R

Table 56: Top Layer SDBIP – Provide Quality and Sustainable Municipal Infrastructure within Available Resources

viii) Top Layer SDBIP - Strengthen community participation

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2021/22	Overall Performance 2022/23						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL14	Compile quarterly external newsletters	Number of external newsletters compiled	All	4	1	1	1	1	4	1	R
Corrective Measure			Not achieved due to internal capacity and financial resources								
TL15	Submit the draft IDP review to Council by 31 March 2023	Draft IDP review submitted to Council by 31 March 2023	All	1	0	0	1	0	1	1	G

Table 57: Top Layer SDBIP – Strengthen Community Participation

b) Service Provider Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community
- External service provider means an external mechanism referred to in Section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in Section 76(b) in terms of which a municipal service is provided by that institution or person either for its own account or on behalf of the municipality

During the year under review the Municipality did not appoint any service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such

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details. All other contract appointments are regularly monitored and ensured that the requirements of the contract are complied with.

3.2.2 Municipal Functions

a) Analysis of Functions

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes / No
Constitution Schedule 4 Part B functions:	
Air pollution	No
Building regulations	Yes
Childcare facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	Yes
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons ferries jetties piers and harbours excluding the regulation of international and national shipping and matters related thereto	No
Storm Water management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste water and sewage disposal systems	Yes
Constitution Schedule 5 Part B functions:	
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	No

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Municipal Function	Municipal Function Yes / No
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 58: Functional Areas

3.3 COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

3.3.1 Water Services

a) Introduction to Water Services

The Constitution of the South Africa assigns the responsibility of ensuring access to water services to Local Government. Furthermore, the Water Services Act entrust the Local Municipality with provision of affordable, efficient, effective on-going sustainable water services.

The Water Section within Technical Services Department of Umsobomvu Local Municipality is tasked and responsible for quality potable drinking water distribution, wastewater collection and treatment, water quality management, water and sewer infrastructure maintenance and upgrade and water conservation and demand management. Recent legislation includes the Water Services Act 1997 and the General Enabling Act 2005.

Water provision is about providing sustainably and affordable quality water to consumers. There are seven pump stations working around the clock to pump water to four reservoirs. These pump stations form part of municipal assets to be maintained in order to function properly. The pipe network in the Umsobomvu Municipality totals around 182 kilometres.

b) Highlights: Water Services

The highlights for the year are the following:

Highlight	Description
Colesberg boreholes	All the boreholes with safe yield in Colesberg have been upgraded and are continuously maintained to improve their operational condition to augment surface water in Colesberg
Repair of two Colesberg water abstraction pumps to improve the quality of water supply to Colesberg	All three pumps, at the abstraction point, needed major service repairs to improve their pumping performance. However, due to planning and phasing of these repairs, only two pumps have been repaired successfully this financial year and the 3 rd pump was sent out for repairs
Ongoing repairs of water leakages in all three towns of the Municipality to reduce water losses	Completed repairs of major water leakages in Colesberg rising main pipeline from abstraction point to Colesberg water treatment plant. This improved the supply of water. Norvalspont water abstraction pump stations, as well as boreholes in Noupoot was also repaired
Repairs and maintenance of Noupoot boreholes, and water supply main lines	Various boreholes and bulk water supply lines have all been repaired to improve water supply and reduce losses due to leakages. This includes bigger water leakages on the Caroluspoort water line

Table 59: Water Services Highlights

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c) Challenges: Water Services

The table below shows the challenges that are experienced:

Description	Actions to address
Valve chambers	Pressure relief valve (PRV) chambers have no working space to clean the strainer after repair of a pipe break. The valve chambers need to be reconstructed to make provision for working space
Boreholes	Boreholes in Noupoot to be upgraded and properly maintained in order to have constant supply of water
Isolation valves	All old isolation valves, especially in Colesberg, should be replaced. It is very difficult to isolate water supply to various areas whenever there is a major water supply breakage
Vandalism	The level of vandalism to water services infrastructure has risen and continuously create water supply disruptions

Table 60: Water Services Challenges

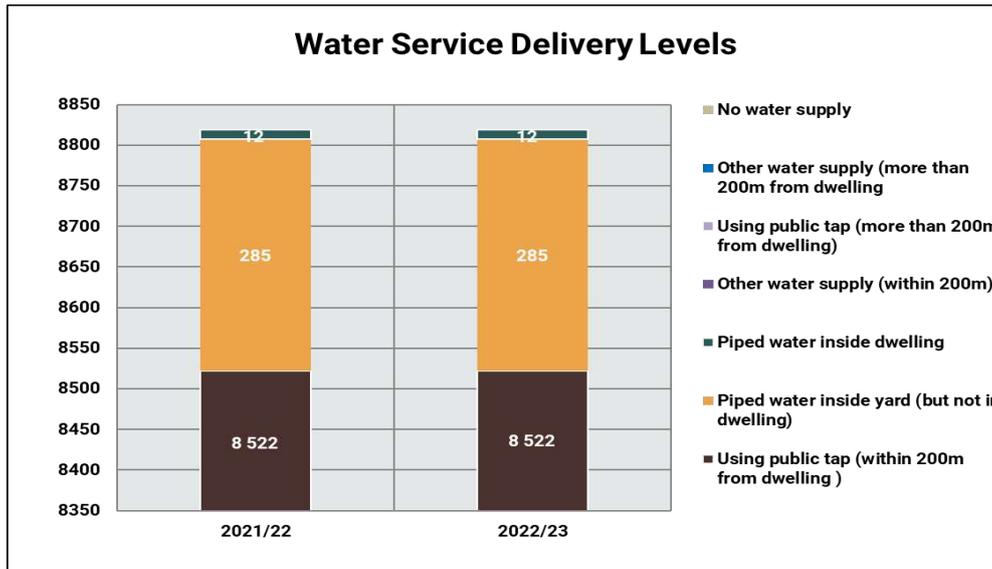
d) Service Delivery Levels: Water Services

The table below specifies the different water service delivery levels per households for the financial years 2021/22 and 2022/23 in the areas in which the Municipality is responsible for the delivery of the service:

Households		
Description	2021/22	2022/23
	Actual	Actual
	No.	No.
<i>Water: (above min level)</i>		
Piped water inside dwelling	8 522	8 522
Piped water inside yard (but not in dwelling)	285	285
Using public tap (within 200m from dwelling)	12	12
Other water supply (within 200m)	0	0
Minimum Service Level and Above sub-total	8 819	8 819
Minimum Service Level and Above Percentage	100%	100%
<i>Water: (below min level)</i>		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0%	0%
Total number of households	8 819	8 819
<i>Includes informal settlements</i>		

Table 61: Water Service Delivery Levels: Households

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Graph 5: Water Service Delivery levels

e) Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	2021/22		2022/23		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	5	4	1	20
4 - 6	10	10	10	0	0
7 - 9	3	3	3	0	0
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	19	19	18	1	5.26

Table 62: Employees: Water Services

3.3.2 Waste Water (Sanitation) Provision

a) Introduction to Waste Water (Sanitation) Provision

Just like the rest of the towns in the country, all municipalities have two tales to tell: The appropriate level of service versus basic level of service. In the Municipality all four types of sanitation are present.

The only challenge regarding the basic service in Colesberg is the hard rock and the shallow excavated pit latrines. These toilets are filled in short space of time. The municipal strategy is to give all the residence an appropriate level of service; that is full waterborne toilets.

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The municipal top priority is to upgrade existing ventilated improved pit (VIP) toilets, building new toilets and connecting them to sewer mainline and extend septic connection to sewer mainline in Kuyasa township to full water borne sanitation system. The project is currently underway, and phase 1 of the project is 100% completed, whilst phase 2 of the project is practically completed.

The Umsobomvu Local Municipality policies provide for waterborne (full) sanitation services to all formal urban settlements. However, the policies are not explicit on the level of sanitation service to be provided in informal settlements.

The Municipality is currently providing limited sanitation services (VIP toilets) in some of the formal settlements. However, the goal is to provide these households with full water borne sewerage systems. In agricultural holdings the owners are responsible for providing their own sanitation services. This is because the Municipality's bulk infrastructure does not reach those areas.

The Section deals with sanitation provisioning, unblocking of sewer lines, emptying of buckets and VIP toilets, new connections and bulk sewer services. There are also sewer pump stations to be maintained in the three towns and cleaning of the oxidation ponds.

b) Highlights: Waste Water (Sanitation) Provision

The table below specifies the highlights for the year:

Highlight	Description
Maintenance of sewer mainlines and unblocking of sewer blockages	Maintenance of sewer mainlines is an ongoing activity in the whole Municipality to prevent sewer spillages and protecting all communities
Maintenance and repair of sewer pump stations in Colesberg and Noupoort	Maintenance and cleaning of sewer pump stations in Noupoort and Colesberg has been an ongoing activity for the year. This improved the capacity of sewer pump stations sump
Upgrade of VIP toilets and connecting septic tanks to full waterborne sanitation system in Kuyasa	Through the Water Services Infrastructure Grant (WSIG), the Municipality has upgraded and completed VIP toilets to full waterborne sanitation phase 1 in Kuyasa. Phase 2 of the project is practically completed
Upgrade of Noupoort sewer network	The Upgrading of Noupoort Sewer Network Project has been progressing this financial year, with fewer activities such as crossing of railway lines and building of two new pump stations to be completed. These activities will be rolled over for completion to the next financial year

Table 63: Waste Water (Sanitation) Provision Highlights

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c) Challenges: Waste Water (Sanitation) Provision

The challenges that are experienced are as follows:

Description	Actions to address
Continuous sewer blockages, due to flushing of foreign objects down to sewer drainage system	Community awareness will to be done in the next financial year
Low sewerage pipe capacity, due to increased municipal households flushing to the sewer system	To upgrade all municipal outfall sewer lines to accommodate new sewer connection to pipe capacity due to new developments and additional sewer connections
Vandalism of sewerage infrastructure	Improve security fence at critical sewerage infrastructure, make awareness campaigns in the community about importance of protecting sewer infrastructure

Table 64: Waste Water (Sanitation) Provision Challenges

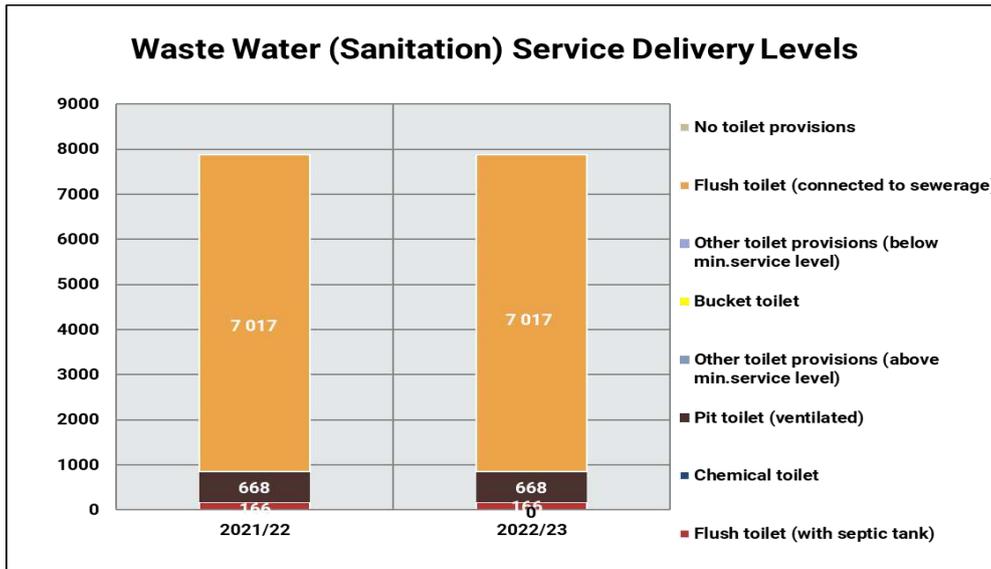
d) Services Delivery levels: Waste Water (Sanitation) Provision

The table below specifies the different sanitation service delivery levels per households for the financial years 2021/22 and 2022/23 in the areas in which the Municipality is responsible for the delivery of the service:

Households		
Description	2021/22	2022/23
	Actual	Actual
	No.	No.
Sanitation/sewerage: (above minimum level)		
Flush toilet (connected to sewerage)	7 017	7 017
Flush toilet (with septic tank)	166	166
Chemical toilet	0	0
Pit toilet (ventilated)	668	668
Other toilet provisions (above min.service level)	0	0
Minimum Service Level and Above sub-total	7 906	7 906
Minimum Service Level and Above Percentage	99.64%	99.62%
Sanitation/sewerage: (below minimum level)		
Bucket toilet	25	30
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
Below Minimum Service Level sub-total	25	30
Below Minimum Service Level Percentage	0.36%	0.38%
Total households	7 931	7 936
Including informal settlements		

Table 65: Waste Water (Sanitation) Provision Service Delivery Levels

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Graph 6: Waste Water (Sanitation) Service Delivery Levels

e) Employees: Waste Water (Sanitation) Provision

The following table indicates the staff composition for this division:

Job Level	2021/22		2022/23		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	13	13	12	1	7.69
4 - 6	3	3	3	0	0
7 - 9	1	1	1	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	17	17	16	1	5.88

Table 66: Employees Waste Water (Sanitation) Provision

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f) Capital Expenditure: Waste Water (Sanitation) Provision

The following table indicates the capital expenditure for this division:

Capital Project	2022/23			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading of VIP's and Bucket System	1 472	2 672	1 619	1 053
Upgrading of Noupoot Sewerage	13 528	8 692	9 996	1 304

Table 67: Capital Expenditure: Waste Water (Sanitation) Provision

3.3.3 Electricity

a) Introduction to Electricity

The Municipality is the electricity service authority in Colesberg, Lowryville, Towervallei, New Ouboks and Noupoot. Areas within the municipal boundary not mentioned above, fall under Eskom's area of supply. Eskom covers almost 60% of the households in the Municipality while the Municipality supply only 40%. The main key performance indicators during the financial year are spot checks, reduction of electricity losses, implementation of the Energy Efficiency and Demand Side Management (EEDSM), network maintenance and upgrading of Noupoot electrical network.

The Municipality, as the license holder, must adhere to certain standards in supplying electricity. During the request for power supply, the quotation should be supplied within 10 working days where the infrastructure exists and can be used. Where the infrastructure extension is required, the quotation should be supplied within 1 month.

b) Highlights: Electricity

The table below specifies the highlights for the year:

Highlights	Description
Ongoing maintenance of existing electricity network in Colesberg and Noupoot	The ongoing maintenance of electricity network entails re-instatement of vandalised infrastructure in Colesberg. This includes river abstraction point, repairs of mini substations within Colesberg as and when faults are identified, as well as farm line networks within Colesberg. Ongoing maintenance of electricity network in Noupoot, entails repairs of mini substations, provision of power supply connections as and when requested by needy customers, re-instatement of electricity on farm lines within Noupoot
Upgrade of MV line supply Sentech, at Coleskop and installation of metering unit at the Sentech station	The upgrade forms part of maintenance and improve aged infrastructure and their life span. The powerlines have been vulnerable and collapsing during windy and or rainy weather conditions

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Highlights	Description
Electrified Ezimbacweni in Norvalspont	The Ezimbacweni in Norvalspont have been electrified and provided with new infrastructure. However, to date the power supply cannot be energized until Eskom has installed bulk connection point. Eskom has planned to provide bulk connection point by latest September 2023

Table 68: Electricity Highlights

c) Challenges: Electricity

The challenges that are experienced are as follows:

Description	Actions to address
Vandalism of electrical infrastructure such as Kiosk	Installation of heavy-duty kiosks and locking
Vandalism of fence for mini-substation and dumping of garden waste	Erecting of mini-substation fences with heavy-duty fencing material and erect no dumping signs
Bypassing of electricity meters by customers	Installation of split meters in Colesberg and in Noupport, where the Municipality is licenced to supply electricity, and continue with spot checks in the municipal areas
Lack of funding for upgrade of farm-lines in the Municipality	Apply for funding to upgrade outdated municipal farm-lines, in Colesberg and in Noupport

Table 69: Electricity Challenges

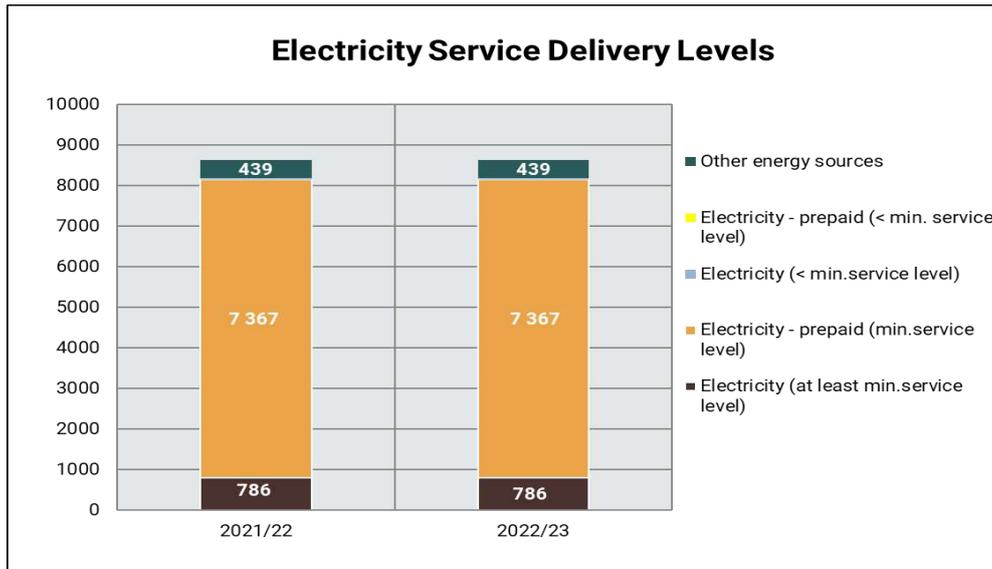
d) Service Delivery Levels: Electricity

The table below specifies the different electricity service delivery levels per households for the financial years 2021/22 and 2022/23 in the areas in which the Municipality is responsible for the delivery of the service:

Description	Households	
	2021/22	2022/23
	Actual	Actual
	No.	No.
Energy: (above minimum level)		
Electricity (at least min. service level)	786	786
Electricity - prepaid (min. service level)	7 367	7 367
Minimum Service Level and Above sub-total	8 153	8 153
Minimum Service Level and Above Percentage	94.58%	94.58%
Energy: (below minimum level)		
Electricity (< min. service level)	28	28
Electricity - prepaid (< min. service level)	0	0
Other energy sources	439	439
Below Minimum Service Level sub-total	467	467
Below Minimum Service Level Percentage	5.42%	5.42%
Total number of households	8 620	8 620

Table 70: Electricity Service Delivery Levels

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Graph 7: Electricity Service Delivery Levels

e) Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2021/22		2022/23		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	3	3	3	0	0
7 - 9	0	0	0	0	0
10 - 12	4	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	7	7	7	0	0

Table 71: Employees: Electricity

3.3.4 Waste Management (Refuse Collections, Waste Disposal, Street Cleaning and Recycling)

a) Introduction to Waste Management

Section 84(1)(e) of the Municipal Structures Act (Act 117 of 1998) mandate the Waste Management Department of the Umsobomvu Municipality to make provision for the disposal of waste which includes:

- 🗑️ Determining and implementing its waste management strategy i.e. refuse collection, waste recycling, transportation, disposal etc
- 🗑️ Regulating the disposal of waste within its area of jurisdiction

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- Establishing, operating and controlling waste disposal facilities including waste transfer station

In order to achieve its legislative mandate, the section is subdivided into the following functional sub-units, namely:

- Refuse removal services
- Street cleaning & litter-picking
- Illegal dumping removal
- Waste minimization
- Landfill operations and management of sub-units

The Municipality in terms of the Constitution is the authority in providing solid waste services. The service is not rendered to farmers, but only to households within the municipal area. Solid waste is collected from households on a weekly basis and buried at the land fill site. There are currently three land fill sites of which two are licensed.

b) Highlights: Waste Management

The table below specify the highlights for the year:

Highlight	Description
Waste collection is done as per schedule, weekly	Refuse collection trucks is operating without major problems in Colesberg, Noupoort and Norvalspont

Table 72: Waste Management Highlight

c) Challenges: Waste Management

The challenges that are experienced are as follows:

Description	Actions to address
The landfill sites do not have weigh bridges	Install a weigh bridge
No recycling is being done at the source or at the landfill site	Recycling should be encouraged at the landfill site
No control at the landfill site entrance	The entrance should be controlled by a municipal employee
No employees employed at the landfill site	

Table 73: Waste Management Challenges

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d) Service Delivery Levels: Waste Management

The table below specifies the different refuse removal service delivery levels per households for the financial years 2021/22 and 2022/23 in the areas in which the Municipality is responsible for the delivery of the service:

Description	Households	
	2021/22	2022/23
	Actual	Actual
	No.	No.
<i>Solid Waste Removal: (Minimum level)</i>		
Removed at least once a week	7 454	7 454
<i>Minimum Service Level and Above sub-total</i>	7 454	7 454
<i>Minimum Service Level and Above percentage</i>	88%	88%
<i>Solid Waste Removal: (Below minimum level)</i>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	887	887
Other rubbish disposal	30	30
No rubbish disposal	120	120
<i>Below Minimum Service Level sub-total</i>	1 019	1 019
<i>Below Minimum Service Level percentage</i>	12%	12%
Total number of households	8 491	8 491

Table 74: Waste Management Service Delivery Levels



Graph 8: Waste Management Service Delivery Levels

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e) Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	14	14	14	0	0
4 - 6	2	2	2	0	0
7 - 9	2	2	2	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	18	18	18	0	0

Table 75: Employees: Waste Management

f) Capital Expenditure: Waste Management

The following table indicates the capital expenditure for this division:

Capital Project	2022/23			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Backup Power Supply		60	0	60
Electrification of Ezimbacweni	359	359	0	359

Table 76: Capital Expenditure: Waste Management

3.3.5 Housing

a) Introduction to Housing

The Housing and Property Administration Section of Umsobomvu Local Municipality is entrusted with overseeing facilitation of integrated human settlements, management of Council owned property, management of informal settlements and ensuring security of tenure through issuing of title deeds.

The following housing programmes are currently being prioritised by the Umsobomvu Local Municipality:

- 🏠 sustainable human settlements
- 🏠 formalisation of informal settlements
- 🏠 essential services/consolidation
- 🏠 urban renewal
- 🏠 social housing

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- 🏠 land reform projects
- 🏠 rural development
- 🏠 capturing of beneficiaries on the National Housing Needs Register (NHNR)
- 🏠 transferring of pre 1994 houses

The Municipality's housing initiatives are aligned with the provincial agenda which is based on the Sustainable Human Settlement Plan adopted by National Government in 2004. The plan has the following objectives:

- 🏠 Progressive informal settlement upgrading: This ranges from the provision of basic services to the development of formal housing. The main focus of this programme is on in situ upgrading. (Ouboks In-Situ Upgrading Programme)
- 🏠 Promoting densification and integration: Preventing urban sprawl by locating housing within the urban core
- 🏠 Enhancing the location of new housing projects: Well-located land owned by the Municipality will be identified for housing
- 🏠 Urban renewal programmes e.g. Ouboks Informal Settlement Upgrading Projects (ISUP)
- 🏠 Developing social and economic infrastructure: This intervention is aimed at facilitating the provision of community facilities such as crèches, community halls, taxi ranks, hawkker stalls, etc

Promoting rental housing: after 1994 the development of public rental stock was not regarded as a high priority for government. The directorate has discovered that there are people who come to the Umsobomvu municipal area to work who are not interested in home ownership.

b) Challenges: Housing

The challenge that is experienced is the following:

Description	Actions to address
Incomplete Block Projects	Management to address the Block Projects issue and to identify solutions to resolve the matter going forward

Table 77: Housing Challenges

c) Services Delivery Levels: Housing

The table below indicates the service statics for the division:

Number of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in informal settlements	Percentage of HHs in informal settlements (%)
2021/22	8 927	650	7.28
2022/23	8 938	661	7.39

Table 78: Households with Access to Basic Housing

The following table shows the decrease in the number of people on the housing waiting list. There are currently approximately 2 185 housing units on the waiting list.

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Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2021/22	2 185	(20.28)
2022/23	2 287	4.67

Table 79: Housing Waiting List

The table below indicates the statistical indicators on housing service delivery for 2022/23:

Description	2021/22	2022/23
Number of households living in informal settlement	650	661
Number of hectares of land already acquired and suitable for human settlement development	0	0
Number of households living in informal areas receiving water services	650	661
Number of households living in informal areas receiving sewerage services	650	661
Number of households living in informal areas with access to refuse removal	650	661
Number of hectares of land procured and suitable for greenfield development	0	0
Number of hectares of land procured and suitable for brownfield development	0	0
Number of hectares of land proclaimed (township establishment completed)	0	0
Number of dwelling units developed per hectare	0	0
Percentage density reduction in total informal settlement	0	0
Number of informal settlements targeted for upgrading	0	1
Number of households living in informal settlement targeted for upgrading	77	77
Number of informal settlements targeted for upgrading with upgrading plans	1	0
Number of informal settlements upgraded (services provided): In Situ	00	0
Number of informal settlements targeted for formalization (services provided): relocated	0	0
Number of households living in informal backyard rental agreement	0	0
Number of sited serviced	105	105
Number of title deeds transferred to eligible beneficiaries	0	0
Number of libraries to be developed/upgrade development	0	0
Number of museums/theatre and art galleries to be developed/upgraded	0	0

Table 80: Statistical Indicators on Housing Service Delivery

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3.3.6 Free Basic Services and Indigent Support

a) Introduction

Indigent applications are processed annually but new applications are assessed and updated monthly. The indigent register was reconciled with the financial system (Phoenix - ERP) and the Pre-paid Electricity System. Credit Control officials are continuously updating indigent households (IHH) on the Pre-paid Electricity System.

New indigent household applications were processed and approved, so that these households received their levied free basic services (FBS) during the month. Indigent households will receive their FBS on the first of the month following the approval of their applications.

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the Municipality, all households earning less than **the amount of two state pensioners** per month will receive the free basic services as prescribed by national policy.

The tables, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2021/22	1 836	1 836	100%	1 836	100%	1 763	96%	1 819	99%
2022/23	1 423	1 423	100%	1 423	100%	1 405	99%	1 413	99%

Table 81: Free Basic Services to Indigent Households

Electricity			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2021/22	1 836	50	1 181
2022/23	1 423	50	1 062
*Figures as at 30 June			

Table 82: Free Basic Electricity Services to Indigent Households

Water			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2021/22	1 836	6	2 636
2022/23	1 423	6	2 010
*Figures as at 30 June			

Table 83: Free Basic Water Services to Indigent Households

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Sanitation			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2021/22	1 763	160.25	2 856
2022/23	1 405	169.86	2 237
<i>*Figures as at 30 June</i>			

Table 84: Free Basic Sanitation Services to Indigent Households

Refuse Removal			
Financial year	Indigent Households		
	No. of HH	Unit per HH	Value
			R'000
2021/22	1 819	123.52	2 330
2022/23	1 413	130.94	1 774
<i>*Figures as at 30 June</i>			

Table 85: Free Basic Refuse Removal Services to Indigent Households

3.4 COMPONENT B: ROAD TRANSPORT

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

3.4.1 Roads

a) Introduction to Roads

The core function of the Roads Section is:

-  re-gravelling and blading of the unpaved roads/streets
-  construction, maintenance and rehabilitation of roads/streets
-  installing and upgrading of stormwater
-  general maintenance of surfaced and un-surfaced roads/streets

The main challenges faced are the ageing infrastructure and the inadequate budget for both capital projects and the maintenance of existing infrastructure.

The Roads Section also handles:

-  the maintenance of road infrastructure, both gravel and surface, within the Municipality
-  cleaning of stormwater channels and opening of the inlets
-  reconstruction of damaged inlets and constructing new stormwater where needed

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b) Highlights: Roads

The table below specifies the highlights for the year:

Highlight	Description
Roads bladed in all three towns in municipal area	24km bladed during the financial year
Madikane -and Nqandu Streets	Completed the process of converting gravel to street roads in Madikane and Nqandu
Concrete block paving construction	Ongoing construction of concrete to block paving in President Swarts and Niuwenhuizen
Repairs of potholes	Repairs of potholes were done in all three towns within the municipal area

Table 86: Roads Highlights

b) Challenges: Roads

The challenges that are experienced are as follows:

Description	Actions to address
Aged and outdated municipal construction machinery	Obtain provision of sufficient funds for operational purposes and/or dispose of obsolete machinery. Propose the procurement of new machinery to aid the Municipality in achieving strategic objectives
Stormwater challenge in gravel streets	Cleaning existing stormwater channels and meter drains for sufficient water flow during rainy season
Blocked stormwater structures with silty eroded materials	Construct barrier kerbs where they do not exist, clean and flush stormwater channels on a regular basis

Table 87: Roads Challenges

c) Services Delivery Levels: Roads

The tables below indicate the service statics for the division:

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2021/22	48.26	0	0	23
2022/23	41.36	0	6	20

Table 88: Gravel Roads Infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2021/22	28.52	0	0	0	28.52
2022/23	28.52	0	0	0	28.52

Table 89: Tarred Road Infrastructure

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The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Financial year	New & Replacements	Resealed	Maintained
	R'000		
2021/22	1 219	0	408
2022/23	1 439	0	408
<i>The cost for maintenance includes stormwater</i>			

Table 90: Cost of Construction/Maintenance of Roads

d) Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	16	16	13	3	18.75
7 - 9	3	3	3	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	19	19	16	3	15.79

Table 91: Employees: Roads

e) Capital Expenditure: Roads

The following table indicates the capital expenditure for this division:

Capital Project	2022/23			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading of President Swarts & Nuiwenhuizen Streets (Noupoort)	6 018	5 217	4 101	1 116
Upgrading of EurekaVille & Tyoksville Roads	1 300	1 300	1 347	(47)
Upgrading of Qilo, Antoinette and Grey Street in Colesberg	322	322	331	(9)
Ngqandu & Madikane Block Paving	4 545	8 048	7 755	293

Table 92: Capital Expenditure: Roads

3.4.2 Waste Water (Stormwater)

a) Introduction to Waste Water (Stormwater)

There are 49 kerb inlets (ki) in all three towns, and the Municipality has undertaken to compile reports on how best to manage and maintain stormwater drainages in all three towns. The latter comes after it was realised that the stormwater infrastructure is inaccessible and only limited maintenance can be conducted.

Colesberg is surrounded by mountains and communities are at the low points of these hills, therefore the run-offs from these mountains are causing damage and exposes the community to the risk of being flushed away by stormwater run-offs. With the increase in traffic, it has been witnessed that many of the ki's are being driven over by heavy trucks in their quest to find parking which also has influenced the drainage flow in a number of ways. The ki covers are broken, and the capacity of these pipes is no longer sufficient. The increase in paved roads have also reduce areas where run-offs would percolate into the ground. The pipe diameters are 300mm and they no longer accommodate the run-off from the latter.

b) Highlights: Waste Water (Stormwater)

The table below specify the highlights for the year:

Highlight	Description
Kerb inlet covers manufactured and installed	As part of regular maintenance work, the kerb inlets cover has been manufactured and installed to ensure a better service is rendered by them
Stormwater channels	Cleaned stormwater channels for ease of water flow and safety for surrounding areas

Table 93: Waste Water (Stormwater) Highlights

c) Challenges: Waste Water (Stormwater)

The challenges that are experienced are as follows:

Description	Actions to address
Stormwater drainage systems	Flush and clean all blocked stormwater drainage system with jet machine and suitable silt dissolving chemicals to eradicate the drainage problem
Increased runoff on paved roads influences the carrying capacity of the inlets	Investigate adequacy of existing stormwater system and compare to local area

Table 94: Waste Water (Stormwater) Challenges

Chapter 3: Service Delivery Performance

d) Services Delivery Statistics: Waste Water (Stormwater)

The table below shows the total kilometres of stormwater system maintained and upgraded as well as the kilometres of new stormwater pipes installed:

Stormwater Infrastructure: Kilometres			
Year	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2021/22	0	0	15
2022/23	0	0	13

Table 95: Stormwater Infrastructure

e) Capital Expenditure: Waste Water (Stormwater)

The following table indicates the capital expenditure for this division:

Capital Project	2022/23			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading of Norvalspont Drainage System	751	751	418	333

Table 96: Capital Expenditure: Waste Water (Stormwater)

3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

3.5.1 Planning

a) Introduction to Planning

The Town Planning Section renders a strategic spatial planning and economic area regeneration program for the Municipality with its focus on the following development aspects as part of its key performance area:

- 🏡 Development of a Spatial Planning and Land Use By-Law in terms of the approved Spatial Planning and Land Use Act (SPLUMA)
- 🏡 Land Use Scheme where the Municipality is compiling a new land use scheme to incorporate all areas into one scheme as part of an updated Land Use Management System
- 🏡 Development facilitation which facilitates and encourage residential, business and industrial development

The Planning section also handles the building control function, which includes regulation of all building control activities within the municipal area of jurisdiction, undertaking of inspections for new buildings, alteration and drainage inspections.

Chapter 3: Service Delivery Performance

b) Challenge: Planning

The challenge experienced is as follow:

Description	Actions to address
Building Control Officer resigned	Fill vacancy
Processing of activities in the office became a challenge	Quick advertisement of the position to fill in the vacancy and Technical Manager assistance

Table 97: Planning Challenge

c) Statistics: Planning

The table below indicates the service statics for the division:

Type of service	2021/22	2022/23
Building plans application processed	16	20
Residential extensions	12	16
Business extensions	4	3
Land use applications processed	10	8

Table 98: Additional Performance Town Planning and Building Control

d) Employees: Planning

The following table indicates the staff composition for this division:

Job Level	2021/22	2022/23			
	Vacancies (fulltime equivalents)	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	1	1	1	0	0

Table 99: Employees: Planning

Chapter 3: Service Delivery Performance

3.5.2 Local Economic Development (Including Tourism and Market Places)

a) Introduction to Local Economic Development (LED)

The economy of Umsobomvu Local Municipality relies to a great extent on the performance of agriculture, trade, financial services, hospitality industry and transport. Sectors that can provide future growth include:

- 🏠 **Construction** - Infrastructure investment by government in terms of transport and electricity, as well as the provision of houses and services to rural areas are the main potential for local residents to benefit
- 🏪 **Trade** - An important sector that is currently showing signs of improvement in the economy of Umsobomvu and pro-active measures have to be implemented in order to retain the stability and future growth of the sector
- 🚗 **Transport and business & financial services** - These essential service providers are becoming increasingly important for this service orientated economy
- 🏞️ **Tourism** - This sector's influence spans over a multitude of economic sectors and has a significantly important multiplier effect
- 🌾 **Agriculture** - This sector has a comparative advantage, as well as the potential to expand into more niche markets like essential oils, aquaculture and horticulture

Sectoral Employment

The recent lockdown of the South African economy has direct implications for formal employment levels. While informal or second economy employment also plays an important role in providing access to household income, accurate data only exists for the trends in the formal employment levels.

b) Challenge: LED

The challenge experienced is as follow:

Description	Actions to address
No designated official in the area	Filling of vacancy in Community Development

Table 100: Challenge LED

c) LED Strategy

LED includes all activities associated with economic development initiatives:

Objectives	Strategies
Defining LED in the context of Umsobomvu Local Municipality	Pillars of our strategy: <ul style="list-style-type: none"> 🍷 Agriculture and agri-processing – increase and diversify local farming activities and production 🍷 Enterprise development: business development and networking 🍷 Small, Medium and Micro-sized Enterprises (SMMEs) & entrepreneurial support 🍷 Tourism development - tourism marketing and development 🍷 Improve tourism profile 🍷 Infrastructure & industrial development - mining and mineral beneficiation
To develop an LED Development Framework and Strategy for the Municipality	
Broadly accessing the provision for LED within the municipal area and more specifically, the institutional infrastructure and programmes available to implement LED initiatives	
Broadly identifying economic opportunities across the municipal area	
A proposed implementation plan to address gaps and solutions that contribute to a more coherent and coordinated LED approach	

Table 101: LED Objectives and Strategies

3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.6.1 Libraries and Museums

a) Introduction to Libraries and Museums

The Libraries Section focus on the following areas:

- 🍷 to provide accelerated, effective, efficient, quality social development services for the community of Umsobomvu through sport, recreation, arts and culture and library and information programs
- 🍷 to ensure the community have access to information as prescribed by the South African Constitution
- 🍷 to promote employment equity and skills development
- 🍷 to position libraries as centres for the dissemination of information and knowledge
- 🍷 to position libraries as places where people from all backgrounds can find each other (promoting social cohesion)

The Museum Section focus on the following areas:

- 🍷 to accommodate visiting school groups
- 🍷 to develop shared understandings
- 🍷 introducing students to original works of art
- 🍷 providing museum tour exhibitions
- 🍷 offering visitors to the museum’s website additional ways to interact with the museum and its collections
- 🍷 using social media to promote the museum and its events and investigate the development of applications for smartphone devices that allows for virtual tours of exhibitions

Chapter 3: Service Delivery Performance

The museum in Colesberg is quite a popular destination for tourists looking for information on tourist establishment and rich history of the region, especially the displays on the Khoisan, Karretjie People, Anglo Boer War and the Road to Freedom.

b) Highlights: Libraries and Museums

The table below specify the highlights for the year:

Highlight	Description
Karretjie Exhibition	Karretjie people of the Great Karoo
Colesberg – The Forgotten Front	Anglo Boer War exhibition
Colesberg - On the Road to Freedom	Oral history exhibition of freedom fighters
Town and Township Tours	Heritage buildings, old churches and struggle monument

Table 102: Libraries and Museums Highlight

c) Challenges: Libraries and Museums

The challenge experienced is as follow:

Description	Actions to address
Universal accessibility for people with disabilities in museum	Embraced the technology to meet the audience
Museum exhibitions not disable-friendly	Develop a universal accessibility programme to view exhibitions
Break ins and vandalism of museum building and art effects	Installation of CCTV cameras

Table 103: Libraries and Museums Challenge

d) Service Statistics for Libraries and Museums

The table below indicates the service statics for the division:

Type of service	2021/22	2022/23
Number of libraries	3	3
Library members	2 625	2 600
Books circulated	12 171	11 700
Exhibitions held	591	2
Internet users	7 171	7 280
New library service points or wheelie wagons	0	0
Children programmes	6	9
Visits by school groups	493	600
Book group meetings for adults.	0	5
Research by school children and adults	398	99

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Type of service	2021/22	2022/23
Calendar year programmes for communities	7	10
Visits to museum by school children	4	620
Visits to museum by tourists	0	103

Table 104: Service Statistics for Libraries and Museums

e) Employees: Libraries and Museums

The following table indicates the staff composition for this division:

Job Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	3	3	1	2	66.67
7 - 9	3	4	4	0	0
10 - 12	2	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	8	11	9	2	18.18

Table 105: Employees: Libraries and Museums

3.6.2 Cemeteries

a) Introduction to Cemeteries

The Community Development Section is the custodian for cemetery management within the Municipality. The section provides burial services and cemetery maintenance. The department manages and maintains twelve municipal owned cemeteries within the municipal boundaries. Out of the twelve cemeteries, only five cemeteries are still active and the rest are passive. The passive cemeteries are currently maintained on a need's basis.

b) Highlight: Cemeteries

The table below specify the highlight for the year:

Highlight	Description
Kwazamuxolo Cemetery	The Kwazamuxolo Cemetery has been identified and is currently in use as a burial site for the area

Table 106: Cemeteries Highlight

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c) Challenge: Cemeteries

The challenge experienced is as follow:

Description	Actions to address
Fencing around Norvalspont Cemetery	Fencing of cemeteries to be completed

Table 107: Cemeteries Challenge

d) Service Statistics for Cemeteries

The table below indicate the service static for the division:

Type of service	2021/22	2022/23
Burials	490	485

Table 108: Service Statistics for Cemeteries

3.6.3 Child Care, Aged Care and Social Programmes

a) Introduction to Childcare, Aged Care and Social Programmes

The Special Development Section in the Mayor's Office focuses mainly on community awareness and outreach programmes. The section focuses on promotion of social wellness and implementation of programmes to prevent social illness.

Three main priority service delivery

- ☞ Poverty alleviation programme, implement training programme and substance abuse programme
- ☞ Implementation of training programmes
- ☞ The social, children, woman, disability and elderly programmes

Child and aged care are predominantly run by private institutions with government subsidies. HIV/AIDS, woman and youth programmes are initiated by the Municipality through the Office of the Mayor. This includes:

- ☞ social programmes
- ☞ elderly programmes
- ☞ children's programmes
- ☞ HIV/AIDS: door-to-door educational programme and grouping
- ☞ health programmes
- ☞ 16 days of Activism and awareness on World Aids Day
- ☞ school visits (sponsoring shoes and uniforms)
- ☞ programmes with Youth in Business
- ☞ programmes with Women in Business
- ☞ OR Tambo games cover Soccer, Rugby and Netball
- ☞ disability programmes have been launched in the three towns

Ward Committees led poverty programmes

3.7 COMPONENT E: SECURITY AND SAFETY

This component includes Traffic, Law Enforcement, Fire and Disaster Management

3.7.1 Public Safety

a) Introduction to Public Safety

Roads in Umsobomvu are becoming safer and this has been confirmed by many motorists from other parts of the province using our route. In partnership with the South African Police Service and community members through community policing forums, crime was reduced. Umsobomvu Municipality has successfully conducted arrive alive campaigns during the December holidays. In addition to this campaign, the Municipality offers to do roadworthy checks free of charge during December for vehicle owners who go on holiday.

Zero-tolerance approach towards transgressors of laws

In reducing the rate of accidents on our roads, the Municipality has replaced road signs, erected speed humps in various communities and re-painted road marks.

In promotion of legal trading and enforcement of our by-laws, the Municipality has issued trading licenses to hawkers and are in a process of identifying adequate space for trading.

b) Challenge: Public Safety

The challenge experienced is as follow:

Description	Actions to address
Motor vehicles condition and registrations	Registrations covered and car conditions on pipeline
Driving without driver's license	Fines for transgressions were issued in numbers
Accidents and complaints	Number of law enforcement actions and fines took place

Table 109: Public Safety Challenge

c) Service statistics for Public Safety

The table below indicates the service statics for the division:

Details	2021/22	2022/23
Motor vehicle licenses processed	Contract moved to SAPO	401
Learner driver licenses processed	95	58
Driver licenses processed	245	507
Driver licenses issued	699	702
Fines issued for traffic offences (number)	1 002	1 695
Operational callouts	1 110	896
Roadblocks held	12	17

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Details	2021/22	2022/23
Complaints attended to by Traffic Officers	56	95
Awareness initiatives on public safety	0	0
Operational callouts: Fire Services	24	50
Awareness initiatives on fire safety	0	0
Reservists and volunteers trained on fire fighting	0	0

Table 110: Additional Performance Service Statistics for Public Safety

The decrease of learner's licenses processed and drivers' licenses processed was due to the extension of lockdown. The lack of awareness on public safety, has always been a programme of the District Office, so it was quiet.

d) Employees: Public Safety

The following table indicates the staff composition for this division:

Job Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	5	5	4	1	20
7 - 9	1	2	1	1	50
10 - 12	4	4	4	0	0
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	11	12	10	2	16.67

Table 111: Employees: Public Safety

3.8 COMPONENT F: SPORT AND RECREATION

3.8.1 Sport and Recreation

a) Highlights: Sport and Recreation

The table below specifies the highlight for the year:

Highlight	Description
Noupoort Sport Complex is in good condition	Noupoort Sport Complex is properly maintained

Table 112: Sport and Recreation Highlights

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b) Challenges: Sport and Recreation

The challenge experienced is as follow:

Description	Actions to address
Vandalism - Umsobomvu Sport Complex	A guard house and security are needed for sport complexes across the Municipality
Water and sanitation facilities not up to standard	Apply for funding to upgrade security and other facilities at sport stadiums

Table 113: Sport and Recreation Challenge

c) Service statistics for Sport and Recreation

The table below indicates the service statics for the division:

Type of service	2021/22	2022/23
Community parks		
Number of parks with play park equipment	1	1
Number of wards with community parks	3	3
Sport fields		
Number of wards with sport fields	4	4
Number of sport associations utilizing sport fields	3	3
Sport halls		
Number of wards with sport halls	3	3

Table 114: Additional Performance Information for Sport and Recreation

d) Employees: Sport and Recreation

The following table indicates the staff composition for this division:

Employees: Sport and Recreation					
Post Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	3	3	2	1	33.33
4 – 6	0	0	0	0	0
7 – 9	2	2	2	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 – 20	0	0	0	0	0
Total	5	5	4	1	20

Table 115: Sport and Recreation

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e) Capital Expenditure: Sport and Recreation

The following table indicates the capital expenditure for this division:

Capital Project	2022/23			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading of Kuyasa Sports Field	9 500	2 500	1 080	1 420

Table 116: Capital Expenditure: Sport and Recreation

3.9 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes Executive and Council; Financial Services; Human Resource Services; ICT Services; Legal Services; And Procurement Services.

3.9.1 Executive and Council

a) Introduction to Executive and Council

This component includes Executive Office (Mayor, Councillors and Municipal Manager).

Umsobomvu Municipality is committed to the development of a culture of community participation. The Municipality encourages and creates conditions for the local community to participate in the affairs of the Municipality through the following processes:

- the preparation, implementation and review of its IDP
- the establishment, implementation and review of its performance management system
- determination, consideration and adoption of by-laws
- the monitoring and review of its performance, including the outcome and impact of such performance
- the preparation of its budget
- strategic decisions relating to the provision of services

b) Highlight: Executive and Council

The table below specify the highlight for the year:

Highlight	Description
Appointment of the Municipal Manager	Filling in of Vacancy

Table 117: Executive and Council Highlight

3.9.2 Financial Services

The application of sound financial management principles is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

Chapter 3: Service Delivery Performance

The key objective of the MFMA is to modernise municipal financial management in South Africa so as to lay a sound financial base for the sustainable delivery of services. Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.

The Municipality has undertaken various customer care initiatives to ensure the Municipality deeply involves all citizens in the process of ensuring a people lead government. Encouragement of structured community participation in the matters of the Municipality is an important focus area.

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards.

The MFMA determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation such measures in terms of section 168 thereof.

The management of key financial and governance areas is achieved by focusing on:

- 👤 reducing the levels of outstanding debt owed to the Municipality, to assist with service delivery spending and maintaining a healthy cash flow;
- 👤 spending budgets to maximise delivery.

a) Highlights: Financial Services

The highlights experienced is as follows:

Highlights	Description
Municipality managed to spend the whole MIG allocation	Conditional grant spending
Improved revenue collection	Credit control implementation
Improved creditors payment period	Payment of outstanding creditors

Table 118: Financial Services Highlights

b) Challenges: Financial Services

The challenges that are experienced is as follows:

Description	Actions to address
Debt collection in Eskom supplied areas	Seek funding for prepaid water meters and re-negotiate with Eskom to assist with credit control in these areas

Table 119: Financial Services Challenges

Chapter 3: Service Delivery Performance

c) Debt Recovery

The following table indicates the debt recovery:

Details of the types of account raised and recovered	Debt Recovery			
	R'000			
	2021/22		2022/23	
	Billed in Year	Actual for accounts billed in year	Billed in Year	Actual for accounts billed in year
Property Rates	15 393 349	10 056 775	19 073 767	15 654 866
Electricity	35 283 945	22 907 098	35 123 400	32 962 485
Water	17 205 055	11 174 194	19 532 000	15 674 259
Sanitation	10 710 617	7 263 226	11 520 700	12 116 155
Refuse	6 650 815	4 469 678	7 601 100	8 046 364

Table 120: Debt Recovery

d) Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	22	22	22	0	0
7 - 9	5	5	4	1	20
10 - 12	1	1	1	0	0
13 - 15	4	4	3	1	25
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	32	32	28	2	6.25

Table 121: Employees: Financial Services

3.9.3 Human Resource Services

a) Introduction to Human Resource Services

The Umsobomvu Municipality currently employs 191 officials (permanent and non-permanent) who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of Human Resource (HR) Management is to render an innovative HR service that addresses both skills development and administrative functions.

Chapter 3: Service Delivery Performance

b) Highlights: Human Resources

The table below specify the highlights for the year:

Highlight	Description
Appointment of the Municipal Manager	Filling of vacancies

Table 122: HR Highlights

c) Challenges: Human Resources

The challenges that are experienced is as follow:

Description	Actions to address
Recruitment processes took longer than expected for junior positions due to MIE verification of candidates	Started to opt for new companies to assist with verification (Risk Diversion Company)

Table 123: Executive and Council Challenges

d) Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	1	1	1	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	0	1	100
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	2	2	1	1	50

Table 124: Employees: Human Resources

Chapter 3: Service Delivery Performance

3.10 COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2022/23

The main development and service delivery priorities for 2022/23 forms part of the Municipality's top layer SDBIP for 2022/23 and are indicated in the table below:

3.10.1 Development and Service Delivery Priorities for 2022/23

a) Develop a capable and capacitated institution to respond to community needs

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL7	Submit the Workplace Skills Plan and ATR (Annual Training Report) to LGSETA by 30 April 2024	Workplace Skills Plan and ART submitted to LGSETA by 30 April 2024	All	1
TL8	The number of people from employment equity target groups employed (appointed) in the three highest levels of management in compliance with the equity plan by 30 June 2024	Number of people employed (appointed) by 30 June 2024	All	1
TL9	The percentage of the Municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2024 [(Actual amount spent on training/total operational budget) x100]	% of the Municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2024 [(Actual amount spent on training/total operational budget) x100]	All	0.10%
TL10	Limit the vacancy rate quarterly to less than 15% of budgeted posts ((Number of posts filled/Total number of budgeted posts) x100)	% quarterly vacancy rate of budgeted posts	All	15%

Table 125: Service Delivery Priorities - Develop a Capable and Capacitated Institution to Respond to Community Needs

b) Enhance good governance processes and accountability

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL1	Compile and submit the Risk Based Audit Plan (RBAP) for 2024/25 to the Audit committee by 30 June 2024	Risk Based Audit Plan (RBAP) submitted to the Audit committee by 30 June 2024	All	1
TL2	90% of the Risk based audit plan for 2023/24 implemented by 30 June 2024 [(Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP) x100]	% of the Risk Based Audit Plan for 2023/24 implemented by 30 June 2024	All	90%
TL3	Complete the annual risk assessment and submit to the Audit Committee by 30 June 2024	Risk assessment completed and submitted to the Audit Committee by 30 June 2024	All	1
TL5	Submit the Annual Performance Report for 2022/23 to the AG by 31 August 2023	Annual Performance Report submitted to the AG by 31 August 2023	All	1
TL6	Submit the Draft Annual Report for 2022/23 to Council by 31 January 2024	Draft Annual Report submitted to Council by 31 January 2024	All	1
TL11	Arrange a training session forward committee members by 30 June 2024	Training session arranged by 30 June 2024	All	1

Table 126: Services Delivery Priorities - Enhance Good Governance Processes and Accountability



Chapter 3: Service Delivery Performance

c) Enhance municipal financial viability

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL16	Submit the draft main budget for 2024/25 to Council for consideration by 31 March 2024	Draft Main budget submitted to Council by 31 March 2024	All	1
TL17	Submit the Adjustments budget for 2023/24 to Council for consideration by 28 February 2024	Submit the Adjustments budget to Council for consideration by 28 February 2024	All	1
TL18	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2024 (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% of debt coverage at 30 June 2024	All	20%
TL19	Financial viability measured in terms of the outstanding service debtors as at 30 June 2024 ((Total outstanding service debtors/ revenue received for services) X100)	% of outstanding service debtors at 30 June 2024	All	90%
TL20	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2024 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash at 30 June 2024	All	1
TL21	Submit the annual financial statements for 2022/23 to AGSA by 31 August 2023	Annual financial statements submitted by 31 August 2023	All	1
TL22	Compile Plan to address audit findings in report of the AG for 2022/23 and submit to MM by 31 January 2024	Plan completed and submitted to MM by 31 January 2024	All	1
TL23	Achieve a debtor payment percentage of 65% by 30 June 2024 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	% debtor payment achieved at 30 June 2024	All	65%
TL33	Conduct a study to determine the causes of the high percentage of water and electricity losses and submit a report with proposed corrective actions to Council by 31 December 2023	Study completed and report with corrective actions submitted to Council by 31 December 2023	All	1
TL34	Limit unaccounted for electricity to less than 25% by 30 June 2024 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100}	% of unaccounted electricity by 30 June 2024	All	25%



Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL35	Limit unaccounted for water to less than 30% by 30 June 2024 {(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified × 100}	% of water unaccounted by 30 June 2024	All	30%

Table 127: Service Delivery Priorities – Enhance Municipal Financial Viability

d) Facilitate economic growth in the municipal area

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL36	Create temporary jobs - FTE's in terms of EPWP by 30 June 2024 (Person days / FTE (230 days))	Number of FTE's created by 30 June 2024	All	20

Table 128: Service Delivery Priorities - Facilitate Economic Growth in the Municipal Area

e) Ongoing maintenance of municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL37	75% of the electricity maintenance budget spent by 30 June 2024{(Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2024	All	75%
TL38	75% of the Road Transport maintenance budget spent by 30 June 2024 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2024	All	75%
TL39	75% of the Waste Water management maintenance budget spent by 30 June 2024 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2024	All	75%
TL40	75% of the Water Management maintenance budget spent by 30 June 2024 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x100}	% of the maintenance budget spent by 30 June 2024	All	75%

Table 129: Service Delivery Priorities - Ongoing Maintenance of Municipal Infrastructure

f) Provide appropriate services to all households

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL12	Spend 100% of the library grant by 30 June 2024 ((Actual expenditure divided by the approved budget) x100)	% of the library grant spent by 30 June 2024	All	100%
TL13	Submit the reviewed the Disaster Management Plan to Council by 30 June 2024	Reviewed Disaster Management Plan submitted by 30 June 2024	All	1



Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL28	Provide free basic water to indigent households as at 30 June 2024	Number of households receiving free basic water as at 30 June 2024	All	1 600
TL29	Provide free basic electricity to indigent households as at 30 June 2024	Number of households receiving free basic electricity as at 30 June 2024	All	1 600
TL30	Provide free basic sanitation to indigent households as at 30 June 2024	Number of households receiving free basic sanitation services as at 30 June 2024	All	1 600
TL31	Provide free basic refuse removal to indigent households as at 30 June 2024	Number of households receiving free basic refuse removal services at 30 June 2024	All	1 600

Table 130: Service Delivery Priorities - Provide Appropriate Services to All Households

g) Provide quality and sustainable municipal infrastructure within available resources

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL4	100% spent of all conditional grants by 30 June 2024 [(Actual expenditure on conditional grants received/by the total amount of conditional grants received) x 100]	% of conditional grant spent by 30 June 2024	All	100%
TL24	Number of formal properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2024	Number of properties which are billed for water as at 30 June 2024	All	6 651
TL25	Number of formal properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) (Excluding Eskom areas) and billed for the service as at 30 June 2024	Number of properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas) as at 30 June 2024	All	2 500
TL26	Number of formal properties connected to the municipal waste water sanitation/ sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2024	Number of properties which are billed for sewerage as at 30 June 2024	All	6 000
TL27	Number of formal properties for which refuse is removed once per week and billed for the service as at 30 June 2024	Number of properties which are billed for refuse removal as at 30 June 2024	All	6 592
TL32	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2024 [(Amount actually spent on capital projects/ Amount budgeted for capital projects) x100]	% of capital budget spent on capital projects by 30 June 2024	All	75%
TL41	75% spent of the total amount budgeted by 30 June 2024 to upgrade Tyoksville gravel Streets {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2024	2	75%
TL42	75% spent of the total amount budgeted by 30 June 2024 to upgrade the Norvalspont Stormwater Drainage System {(Actual	% of budget spent by 30 June 2024	7	75%



Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
	expenditure on the project/ the total approved budget for the project)x100}			
TL43	75% spent of the total amount budgeted by 30 June 2024 to upgrade the Kuyasa Sport Field {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2024	6	75%
TL44	75% spent of the total amount budgeted by 30 June 2024 to upgrade the Electricity network-Ezimbacweni, Wimpy {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2024	7	75%
TL45	75% spent of the total amount budgeted by 30 June 2024 for the replacement of Asbestos Internal Main Water Pipelines {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2024	All	75%
TL46	75% spent of the total amount budgeted by 30 June 2024 to upgrade the Noupoort Sewerage Network {(Actual expenditure on the project/ the total approved budget for the project) x100}	% of budget spent by 30 June 2024	1 and 2	75%

Table 131: Service Delivery Priorities - Provide quality and sustainable municipal infrastructure within available resources

h) Strengthen community participation

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL14	Compile quarterly external newsletters	Number of external newsletters compiled	All	4
TL15	Submit the draft IDP review to Council by 31 March 2024	Draft IDP review submitted to Council by 31 March 2024	All	1

Table 132: Service Delivery Priorities - Provide quality and sustainable municipal infrastructure within available resources

CHAPTER 4

4.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organizational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2021/22	2022/23
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	1	1
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.50%	0.10%

Table 133: National KPIs– Municipal Transformation and Organisational Development

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs **180** (excluding non-permanent positions) officials who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.2.1 Employment Equity

The Employment Equity Act (1998) Chapter 3 Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan".

a) Employment Equity targets/actual

The tables below indicate the employment equity targets/actual:

African		Coloured		Indian		White	
Target June	Actual June						
101	153	89	53	0	0	21	2

Table 134: 2022/23 EE Targets/Actual by Racial Classification

Chapter 4: Organisational Development Performance

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
129	147	No	82	64	No	2	0	No

Table 135: 2022/23 EE Targets/Actual by Gender Classification

b) Specific Occupational Levels - Race

The table below categories the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	3	0	0	1	0	0	0	0	4
Senior Management	5	0	0	0	0	0	0	0	5
Professionally qualified and experienced specialists and mid-management	2	0	0	0	1	1	0	1	5
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	21	7	0	0	4	1	0	0	33
Semi-skilled and discretionary decision making	13	6	0	0	27	7	0	0	53
Unskilled and defined decision making	30	6	0	0	35	8	0	0	79
Total	74	19	0	1	68	17	0	1	180

Table 136: Occupational Levels

4.2.2 Vacancy Rate

The approved organogram for the Municipality had **226** approved posts for the 2022/23 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. **36** posts were vacant at the end of 2022/23, resulting in a vacancy rate of **15.48%**.

Below is a table that indicates the vacancies within the Municipality:

Per Post Level		
Post level	Filled	Vacant
MSA Section 56 & 57	3	1
Middle Management	7	2
Admin Officers	100	13
General Workers	116	19
Total	226	35
Per Functional Level		
Functional area	Filled	Vacant
Executive and Council	4	1
Finance and Administration	109	14

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Per Post Level		
Post level	Filled	Vacant
Technical Services	113	20
Total	226	35

Table 137: Vacancy Rate per Post and Functional Level

The table below indicates the number of staff per level expressed as total positions and current vacancies express as full-time staff equivalents:

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	N/A	0
Chief Financial Officer	2	1	Chief Financial Officer Section Head Supply Chain	100
Other Section 57 Managers	1	1	Senior Manager Corporate Services	100
Senior management	1	6	Section Head Community Development	16.67
Highly skilled supervision	1	12	Supervisor: Water	8.33
Total	5	21		

Table 138: Vacancy Rate per Salary Level

4.2.3 Staff Turnover Rate

A high staff turnover may be costly to a municipality and might negatively affect productivity service delivery and institutional memory/organizational knowledge. Below is a table that shows the staff turnover rate within the Municipality. The staff turnover rate shows an increase from **6.56%** in 2021/22 to **10.78%** in 2022/23.

The table below indicates the staff turnover rate over the last two years:

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2021/22	191	1	12	6.56%
2022/23	180	4	20	10.78%

Table 139: Turnover Rate

4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

4.3.1 Injuries

An occupational injury is a personal injury disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The table below indicates the total number of injuries within the different directorates:

Directorates	2021/22	2022/23
Office of the Municipal Manager	0	0
Financial Services	0	0
Corporate Services	3	0
Technical Services	1	1
Total	4	1

Table 140: Injuries

4.3.2 Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified corrective action can be taken.

The total number of employees that have taken sick leave during the 2022/23 financial year shows a decrease when compared it with the 2021/22 financial year.

The table below indicates the total number sick leave days taken within the year:

Year	Total number of sick leave days taken within the year
2021/22	766
2022/23	569

Table 141: Sick Leave

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4.3.3 HR Policies and Plans

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR policies and plans that are approved and that still needs to be developed:

Approved policies	
Name of policy	Date approved/ revised
Recruitment Selection and Appointment Policy	27 September 2007/November 2022
Leave Policy	27 September 2007/November 2022
Study Assistance Policy	27 September 2007
Employee Wellness Policy	27 September 2007
Staff Performance Policy	27 September 2007
Union Support and Facilities Policy	27 September 2007
Sexual Harassment Policy	27 September 2007
Attendance and Punctuality Policy	27 September 2007
Termination of Contract Policy	27 September 2007
Training and Skills Development Policy	17 December 2015
Retrenchment Policy	27 September 2007
Bonus Policy	27 September 2007
Private Work Policy	27 September 2007
Job Evaluation Policy	17 December 2015
Performance Management System (PMS) Framework	30 May 2019
Travelling and Subsistence Allowance Policy	3 June 2016
Occupational Health and Safety Policy	17 December 2015
Advance and Micro Loans Policy	28 July 2015
Acting Policy	27 September 2007/November 2022
Aids Policy	27 September 2007
Annual Leave Policy	27 September 2007
Communication Policy	31 March 2018
Dress Code Policy	27 September 2007
Essential Users Policy	27 September 2007
Delegation of Powers Policy	27 September 2007/4 May 2022
Family Responsibility Policy	27 September 2007
Gifts and Gratuity Policy	27 September 2007
Language Policy	27 September 2007
Internet and E-Mail Policy	17 April 2018
Smoking Policy	27 September 2007
Substance Abuse Policy	27 September 2007
Uniform and Protective Clothing Policy	27 September 2007

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Approved policies	
Human Resource Plan	23 November 2018/22 November 2022
Risk Management Policy	5 April 2022
Policies and plans that still need to be developed/reviewed	
Communication Policy	
Access Control Policy	
ICT Policy	
Land Disposal Policy	

Table 142: HR Policies and Plans

4.4 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical effective efficient and accountable way. For this purpose, the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998, (Act No. 81 of 1998) and the Skills Development Levies, Act 20, 1999 (Act No. 28 of 1999).

4.4.1 Skills Matrix

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2022/23)
MM and S57	Female	0	0
	Male	0	0
Legislators, senior officials and managers	Female	0	0
	Male	0	0
Associate professionals and Technicians	Female	0	0
	Male	0	0
Professionals	Female	0	0
	Male	0	0
Clerks	Female	0	0
	Male	0	0
Service and sales workers	Female	0	0
	Male	0	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	0	0
Elementary occupations	Female	0	0
	Male	0	0

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Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2022/23)
Sub total	Female	0	0
	Male	0	0
Total		0	0

Table 143: Skills Matrix

4.4.2 Skills Development - Budget Allocation

The table below indicates that a total amount of **R295 000** were allocated to the workplace skills plan in the 2022/23 financial year:

Year	Total Allocated (R)	Total Spend (R)	% Spent
2021/22	226 750	71 241	31.42%
2022/23	295 000	94 701	32.10%

Table 144: Budget Allocated and Spent for Skills Development

4.4.3 MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcome based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	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	2	2	2	2
Any other financial officials	3	3	3	3
Supply Chain Management Officials				

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Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Heads of supply chain management units	1	1	1	1
Supply chain management senior managers	1	0	0	0
Total	9	8	8	8

Table 145: Financial Competency Development: Progress Report

4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to Council on all expenditure incurred by the municipality on staff salaries wages allowances and benefits. This is in line with the requirements of the Public Service Regulations (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

4.5.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the Municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2021/22	56 928	209 048	27%
2022/23	68 712	224 113	31%

Table 146: Personnel Expenditure as a percentage of Operating Expenditure

Chapter 4: Organisational Development Performance

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2021/22	2022/23		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
Councillors (Political Office Bearers plus Other)				
Salary	4 634	4 604	4 604	5 095
Motor vehicle allowance	0	212	212	0
Cell phone allowance	0	780	780	0
Sub Total	5 458	5 421	5 421	5 343
% increase/ decrease	N/A	-0.68	-0.68	-1.44
Senior Managers of the Municipality				
Salary	5 259	3 954	3 954	1 865
Motor vehicle allowance	801	710	710	248
Housing allowance	0	0	0	0
Performance bonus	795	653	653	476
Other benefits or allowances	221	281	436	398
Sub Total	7 077	5 598	5 753	2 987
% increase/ decrease	N/A	(20.90)	2.77	(48.08)
Other Municipal Staff				
Basic Salaries and Wages	40 751	45 905	45 642	36 692
Pension Contributions	7 221	8 360	7 980	6 704
Medical Aid Contributions	1 023	1 045	1 077	906
Motor vehicle allowance	0	91	91	0
Housing allowance	23	449	412	364
Overtime	2 866	1 055	1 316	1 289
Other benefits or allowances	4 421	6 216	6 441	5 088
Sub Total	55 905	63 122	62 958	51 042
% increase/ decrease	N/A	12.91	(0.26)	(18.93)
Total Municipality	68 440	68 720	68 712	54 029
% increase/ decrease	7.47	0.41	(0.01)	(21.37)

Table 147: Personnel Expenditure

CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2022/23 financial year.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The statement of financial performance provides an overview of the financial performance of the Municipality and focuses on the financial health of the Municipality.

5.1 Financial Summary

5.1.1 Overall Financial Summary

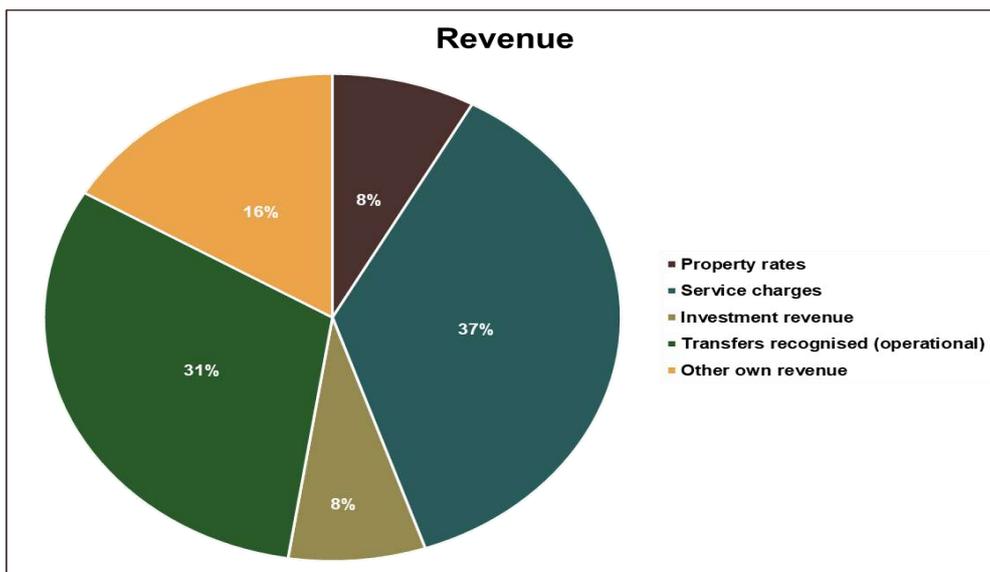
The table below indicates the summary of the financial performance for the 2022/23 financial year:

Financial Summary						
R'000						
Description	2021/22	2022/23			2022/23 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	15 393	19 074	19 074	17 771	(7.33)	(7.33)
Service charges	70 620	73 364	73 777	71 269	(2.94)	(3.52)
Investment revenue	14 684	13 219	23 722	22 468	41.17	(5.58)
Transfers recognised - operational	59 460	69 399	69 399	67 702	(2.51)	(2.51)
Other own revenue	31 486	24 658	24 749	18 490	(33.36)	(33.85)
Total Revenue (excluding capital transfers and contributions)	191 643	199 714	210 721	197 700	(1.02)	(6.59)
Employee costs	56 916	68 720	68 712	51 610	(33.15)	(33.14)
Remuneration of Councillors	4 739	5 421	5 421	5 341	(1.49)	(1.49)
Depreciation & asset impairment	28 354	30 768	30 768	30 974	0.67	0.67
Finance charges	2 962	1 350	350	5 041	73.22	93.06
Materials and bulk purchases	37 124	46 343	53 391	37 855	(22.42)	(41.04)
Transfers and grants	0	0	0	0	N/A	N/A
Other expenditure	89 149	78 036	79 140	100 548	22.39	21.29
Total Expenditure	219 244	230 638	237 782	231 370	0.32	(2.77)
Surplus/(Deficit)	(27 602)	(30 924)	(27 061)	(33 670)	8.16	19.63
Transfers recognised - capital	24 910	0	0	27 718	100.00	100.00
Contributions recognised - capital & contributed assets	0	0	0	0	N/A	N/A
Surplus/(Deficit) for the year	(2 691)	(30 924)	(27 061)	(5 952)	(419.52)	(354.62)

Financial Summary						
R'000						
Description	2021/22	2022/23			2022/23 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised – capital	17 352	37 437	27 437	23 603	(58.61)	(16.24)
Internally generated funds	1 358	359	2 508	0	N/A	N/A
Total sources of capital funds	18 710	37 796	29 944	23 603	(60.13)	(26.87)
Financial position						
Total current assets	95 476	37 700	121 362	107 457	64.92	(12.94)
Total non-current assets	540 959	504 459	496 308	528 823	4.61	6.15
Total current liabilities	64 303	51 662	87 986	69 302	25.45	(26.96)
Total non-current liabilities	24 229	5 907	9 578	25 028	76.40	61.73
Community wealth/Equity	547 903	484 590	520 106	541 951	10.58	4.03
Cash flows						
Net cash from (used) operating	48 997	56 419	38 501	24 656	(128.83)	(56.16)
Net cash from (used) investing	(48 908)	(37 796)	(28 386)	(23 603)	(60.13)	(20.27)
Net cash from (used) financing	(923)	0	0	(4 330)	100.00	100.00
Cash/cash equivalents at the year end	(835)	18 623	10 115	(3 277)	668.30	408.67
Cash backing/surplus reconciliation						
Cash and investments available	(835)	18 623	10 115	(3 277)	668.30	408.67
Application of cash and investments	2 801	(6 139)	1 950	1 966	412.21	0.83
Balance - surplus (shortfall)	1 966	12 484	12 065	(1 311)	1 052.47	1 020.50
Asset management						
Asset register summary (WDV)	461 272	433 545	433 111	446 201	2.84	2.93
Depreciation & asset impairment	20	30 768	30 768	42 332	27.32	27.32
Renewal of Existing Assets	18 216	37 437	29 525	(28 110)	233.18	205.03
Repairs and Maintenance	3 272	7 650	7 835	3 306	(131.39)	(136.99)
Free services						
Cost of Free Basic Services provided	42	0	0	0	N/A	N/A
Revenue cost of free services provided	8 639	9 465	9 465	6 725	(40.74)	(40.74)
<i>Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

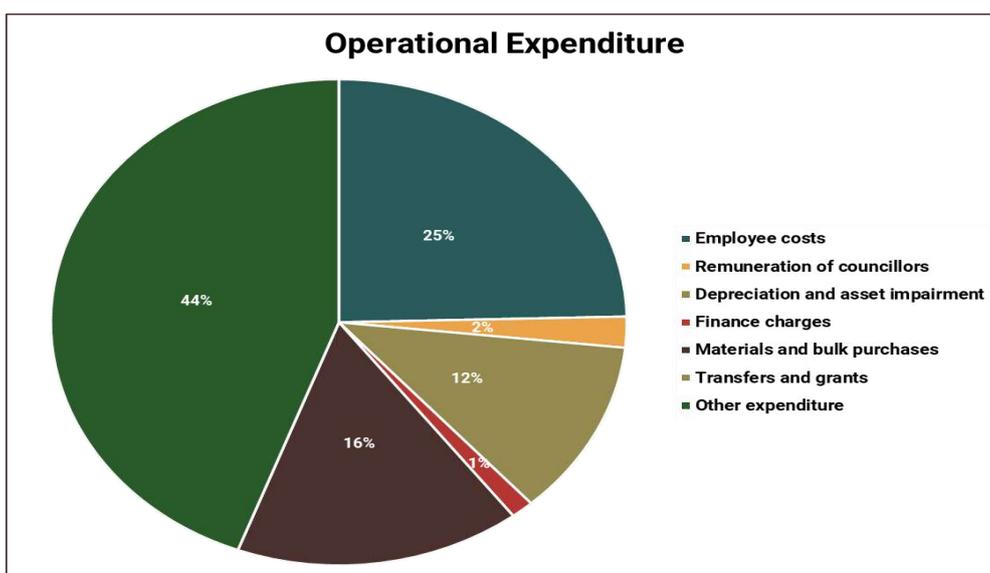
Table 148: Financial Performance 2022/23

The following graph indicates the various types of revenue items in the municipal budget for 2022/23



Graph 9: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2022/23



Graph 10: Operating Expenditure

5.1.2 Total Financial Performance

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	(R'000)				(R'000)			
2021/22	202 822	216 553	13 731	7	209 049	219 244	(10 195)	(5)
2022/23	210 721	225 417	14 696	7	231 948	220 843	11 105	5

Table 149: Total Financial Performance

5.1.2 Revenue Collection by Vote

The table below indicates the revenue collection performance by vote:

Vote Description	2021/22	2022/23			2022/23 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Executive & Council	56 659	64 750	64 759	64 458	(0.45)	(0.47)
Finance & Admin	17 522	24 148	24 335	21 128	(14.29)	(15.18)
Community Services	1 436	1 711	1 712	1 632	(4.86)	(4.92)
Technical Services	140 963	145 831	146 812	138 200	(5.52)	(6.23)
Total Revenue by Vote	216 553	234 440	237 618	225 417	(4.89)	(5.41)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 150: Revenue by Vote

5.1.3 Revenue Collection by Source

The table below indicates the revenue collection performance by source for the 2022/23 financial year:

Description	2021/22	2022/23			2022/23 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	15 393	19 074	19 074	17 771	(7.33)	(7.33)
Property rates - penalties & collection charges		2 403	2 403	0	N/A	N/A
Service Charges - electricity revenue	35 427	35 079	35 123	33 794	(3.80)	(3.93)
Service Charges - water revenue	17 679	19 551	19 532	16 664	(17.33)	(17.21)
Service Charges - sanitation revenue	10 783	11 521	11 521	12 574	8.38	8.38
Service Charges - refuse revenue	6 651	7 213	7 601	8 217	12.22	7.50
Service Charges - other	79	0	0	20	100.00	100.00
Rentals of facilities and equipment	106	76	125	139	45.34	10.04
Interest earned - external investments	128	78	139	1 023	92.37	86.46
Interest earned - outstanding debtors	14 556	10 738	21 181	21 445	49.93	1.23
Fines	29 342	23 245	23 195	15 595	(49.05)	(48.73)
Licences and permits	874	362	532	830	56.42	35.93
Agency services	0	0	0	0	N/A	N/A
Transfers recognised - operational	59 460	69 399	69 399	67 702	(2.51)	(2.51)
Other revenue	1 164	1 337	1 429	1 925	30.53	25.74
Gains on disposal of PPE	0	0	0	0	N/A	N/A
Total Revenue (excluding capital transfers and contributions)	191 643	200 076	211 255	197 700	(1.20)	(6.86)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 151: Revenue by Source

5.1.4 Operational Services Performance

The table below indicates the operational services performance for the 2022/23 financial year:

Financial Performance of Operational Services						
R'000						
Description	2021/22	2022/23			2022/23 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Water	8 879	35 745	36 369	10 219	(249.79)	(255.89)
Waste Water (Sanitation)	31 798	11 512	11 719	4 934	(133.30)	(137.51)
Electricity	42 595	59 491	65 207	45 936	(29.51)	(41.95)
Waste Management	4 442	8 607	8 336	3 855	(123.29)	(116.26)
Component A: sub-total	87 713	115 355	121 631	64 943	(77.62)	(87.29)
Roads and Stormwater	36 514	28 468	28 230	26 178	(8.75)	(7.84)
Component B: sub-total	36 514	28 468	28 230	26 178	(8.75)	(7.84)
Planning	0	0	0	0	N/A	N/A
Local Economic Development	0	0	0	0	N/A	N/A
Component C: sub-total	0	0	0	0	N/A	N/A
Housing	1 006	1 767	1 712	1 057	(67.15)	(62.00)
Component D: sub-total	1 006	1 767	1 712	1 057	(67.15)	(62.00)
Environment Protection (Pollution Control, Biodiversity, Landscape, Open Spaces, Parks and Coastal Protection)	0	0	0	0	N/A	N/A
Component E: sub-total	0	0	0	0	N/A	N/A
Traffic & licensing	0	0	0	0	N/A	N/A
Component F: sub-total	0	0	0	0	N/A	N/A
Sport and Recreation	4 283	4 577	4 669	3 995	(14.57)	(16.88)
Cemeteries	475	1 065	1 065	342	(211.45)	(211.45)
Libraries	1 872	2 187	2 262	1 596	(37.02)	(41.72)
Museum	679	758	748	687	(10.28)	(8.82)
Community halls facilities Thusong centres	0	221	221	0	N/A	N/A
Component G: sub-total	7 309	8 808	8 965	6 620	(33.05)	(35.43)
Budget and Treasury Office	50 989	3 109	2 054	59 186	94.75	96.53
Executive and Council	18 820	22 342	22 457	19 118	(16.86)	(17.47)
Corporate Services	28 038	36 242	39 064	54 268	33.22	28.02
Component H: sub-total	97 846	61 693	63 575	132 572	53.46	52.05
Total Expenditure	230 389	216 090	224 113	231 370	6.60	3.14
<i>In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 152: Operational Services Performance

5.2.1 Water Services

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	17 538	21 537	20 156	17 295	(24.53)
Expenditure:					
Employees	6 282	7 765	7 375	6 869	(13.05)
Repairs and Maintenance	492	705	705	551	(27.95)
Other	2 103	27 275	28 289	2 799	(874.40)
Total Operational Expenditure	8 877	35 745	36 369	10 219	(249.79)
Net Operational (Service) Expenditure	8 661	(14 208)	(16 212)	7 076	300.78
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 153: Financial Performance: Water Services

5.2.2 Waste Water (Sanitation)

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	17 713	29 986	23 531	24 192	(23.95)
Expenditure:					
Employees	4 003	4 799	4 770	3 945	(21.66)
Repairs and Maintenance	208	655	945	239	(173.74)
Other	560	4 660	4 607	750	(521.25)
Total Operational Expenditure	4 770	10 114	10 321	4 934	(104.98)
Net Operational (Service) Expenditure	12 943	19 872	13 210	19 258	(3.19)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 154: Financial Performance: Waste Water (Sanitation) Services

5.2.3 Electricity

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	50 376	38 919	56 335	55 896	30.37
Expenditure:					
Employees	3 221	3 715	3 947	3 633	(2.26)
Repairs and Maintenance	1 322	2 146	2 116	590	(263.80)
Other	38 051	53 629	59 144	41 713	(28.57)
Total Operational Expenditure	42 595	59 491	65 207	45 936	(29.51)
Net Operational (Service) Expenditure	7 781	(20 571)	(8 873)	9 961	306.53
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 155: Financial Performance: Electricity

5.2.4 Waste Management

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	6 651	9 374	7 601	8 217	(14.08)
Expenditure:					
Employees	2 720	4 011	3 883	3 219	(24.59)
Repairs and Maintenance	229	570	370	249	(128.49)
Other	420	4 027	4 084	386	(943.35)
Total Operational Expenditure	3 370	8 607	8 336	3 855	(123.29)
Net Operational (Service) Expenditure	3 281	767	(735)	4 362	(82.42)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 156: Financial Performance: Waste Management

5.2.5 Housing

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	N/A
Expenditure:					
Employees	574	1 626	1 631	1 014	(60.27)
Repairs and Maintenance	0	12	12	0	N/A
Other	0	129	69	43	(202.20)
Total Operational Expenditure	574	1 767	1 712	1 057	(67.15)
Net Operational (Service) Expenditure	(574)	(1 767)	(1 712)	(1 057)	(67.15)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 157: Financial Performance: Housing

5.2.6 Roads and Stormwater

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	10 984	22 455	15 473	14 499	(54.87)
Expenditure:					
Employees	9 227	7 906	7 918	5 924	(33.45)
Repairs and Maintenance	1 628	2 910	2 760	1 424	(104.41)
Other	26 392	9 353	9 158	653	(1 332.11)
Total Operational Expenditure	37 297	20 168	19 835	8 001	(152.08)
Net Operational (Service) Expenditure	(26 314)	2 286	(4 363)	6 499	64.82
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 158: Financial Performance: Roads and Stormwater

5.2.7 Libraries

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	1 401	1 601	1 601	0	N/A
Expenditure:					
Employees	1 837	2 070	2 100	1 525	(35.76)
Repairs and Maintenance	5	20	40	20	(1.06)
Other	31	96	121	51	(88.41)
Total Operational Expenditure	1 872	2 187	2 262	1 596	(37.02)
Net Operational (Service) Expenditure	(471)	(586)	(661)	(1 596)	63.30
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 159: Financial Performance: Libraries

5.2.8 Community Facilities

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	N/A
Expenditure:					
Employees	0	0	0	0	N/A
Repairs and Maintenance	0	0	0	0	N/A
Other	0	221	221	0	N/A
Total Operational Expenditure	0	221	221	0	N/A
Net Operational (Service) Expenditure	0	(221)	(221)	0	N/A
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 160: Financial Performance: Community Facilities

5.2.9 Traffic and Law Enforcement

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	18 574	23 530	23 716	17 100	(37.60)
Expenditure:					
Employees	6 968	4 182	4 182	3 236	(29.23)
Repairs and Maintenance	762	240	240	93	(157.94)
Other	875	5 656	5 671	15 649	63.86
Total Operational Expenditure	8 606	10 079	10 094	18 978	46.89
Net Operational (Service) Expenditure	9 968	13 451	13 622	(1 878)	816.21
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 161: Financial Performance: Traffic and Law Enforcement

5.2.10 Parks and Recreation

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	8	77	77	5	(1 536.36)
Expenditure:					
Employees	4 126	4 262	4 325	3 819	(11.61)
Repairs and Maintenance	47	4 262	85	21	(313.12)
Other	110	85	182	151	(0.92)
Total Operational Expenditure	4 284	152	4 592	3 990	(12.77)
Net Operational (Service) Expenditure	(4 276)	4 500	(4 515)	(3 986)	(10.96)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 162: Financial Performance: Parks and Recreation

5.2.11 Office of the Municipal Manager

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	56 659	64 750	64 759	64 458	(0.45)
Expenditure:					
Employees	5 371	3 359	3 444	3 633	7.54
Repairs and Maintenance	0	0	0	0	N/A
Other	13 284	8 267	8 317	5 701	(45.02)
Total Operational Expenditure	18 654	11 626	11 761	9 333	(24.56)
Net Operational (Service) Expenditure	38 005	53 124	52 998	55 125	3.63
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 163: Financial Performance: Office of the Municipal Manager

5.2.12 Corporate Services

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	103	69	110	129	46.40
Expenditure:					
Employees	2 909	4 545	4 657	3 256	(39.58)
Repairs and Maintenance	87	550	575	169	(224.54)
Other	1 263	1 194	1 154	823	(45.02)
Total Operational Expenditure	4 258	6 289	6 386	4 249	(48.01)
Net Operational (Service) Expenditure	(4 155)	(6 220)	(6 276)	(4 120)	(50.97)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 164: Financial Performance: Corporate Services

5.2.13 Financial Services

Description	2021/22	2022/23			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	17 890	24 079	24 225	20 634	(16.69)
Expenditure:					
Employees	13 400	16 192	16 192	9 246	(75.13)
Repairs and Maintenance	53	222	222	26	(750.77)
Other	59 776	14 869	16 618	98 056	84.84
Total Operational Expenditure	73 229	31 283	33 032	107 328	70.85
Net Operational (Service) Expenditure	(55 339)	(7 204)	(8 807)	(86 694)	91.69
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 165: Financial Performance: Financial Services

5.3 Grants

5.3.1 Grant Performance

The Municipality had a total amount of **R69** million for infrastructure and other projects available that was received in the form of grants from the national and provincial governments during the 2022/23 financial year. The performance in the spending of these grants is summarised as follows:

Grant Performance						
R'000						
Description	2021/22	2022/23			2022/23 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Capital Transfers and Grants						
National Government:	58 957	67 799	67 799	67 799	0.00	0.00
Equitable Share	56 140	64 182	64 182	64 182	0.00	0.00
EPWP	897	1 073	1 073	806	(33.05)	(33.05)
MIG – Project Management Unit	0	624	624	891	29.92	29.92
Finance Management Grant (FMG)	1 920	1 920	1 920	1 920	0.00	0.00
Provincial Government:	1 400	1 600	1 600	1 600	0.00	0.00
Library Grant	1 400	1 600	1 600	1 600	0.00	0.00
Total Capital Transfers and Grants	60 357	69 399	69 399	69 399	0.00	0.00
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 166: Grant Performance

5.3.2 Conditional Grants

Grant Performance						
R'000						
Description	2021/22	2022/23			2022/23% Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
FMG	1 920	1 920	1 920	1 920	0.00	0.00
EPWP	897	1 073	1 073	806	(33.05)	(33.05)
Library Grant	1 400	1 600	1 600	1 600	0.00	0.00
Equitable Share	56 140	64 182	64 182	64 182	0.00	0.00
Water Services Infrastructure Grant	7 001	15 000	12 000	11 615	(29.14)	(3.32)
Total	67 358	83 775	80 775	80 123	(4.56)	(0.81)

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 167: Conditional Grant (excl. MIG)

5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	
2021/22	85 001	191 643	44.35
2022/23	95 763	197 700	48.44

Table 168: Reliance on Grants & Subsidies

5.4 Asset Management

5.4.1 Repairs and Maintenance

The table below indicates the repairs and maintenance as a % of total revenue:

Description	2021/22	2022/23			
	Actual (Audited Outcome)	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			
Repairs and Maintenance Expenditure	4 064	7 650	7 835	3 306	(57.80)

Table 169: Repairs & Maintenance

5.5 Financial Ratios Based on Key Performance Indicators

5.5.1 Liquidity Ratio

Description	Basis of calculation	2021/22	2022/23
		Audited outcome	Audited outcome
Current Ratio	Current assets/current liabilities	1.48	1.55
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.35	0.30
Liquidity Ratio	Cash and equivalents/Trade creditors and short-term borrowings	1.48	1.55

Table 170: Liquidity Financial Ratio

5.5.3 Borrowing Management

Description	Basis of calculation	2021/22	2022/23
		Audited outcome	Audited outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.35%	2.18%

Table 171: Borrowing Management

5.5.4 Employee Costs

Description	Basis of calculation	2021/22	2022/23
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	30%	26%

Table 172: Employee Costs

5.5.5 Repairs and Maintenance

Description	Basis of calculation	2021/22	2022/23
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total revenue - capital revenue)	0.02	0.02

Table 173: Repairs and Maintenance as Percentage of Total Revenue

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 Capital Expenditure: Sources of Finance

The table below indicates the capital expenditure by funding source for the 2022/23 financial year:

Details	2021/22	2022/23				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
	R'000				%	
Source of finance						
Grants and subsidies	17 352	36 364	26 364	23 603	(27.50)	(7.59)
Own funding	1 358	1 432	3 581	0	150	(250)
Total	18 710	37 796	29 944	23 603	(20.77)	(16.78)
Percentage of finance (%)						
Grants and subsidies	93	96	88	79		
Own funding	7	4	12	0		
Capital expenditure						
Water and sanitation	5 333	15 000	12 000	11 615	(20.00)	(2.57)
Electricity	458	359	419	0	16.70	(116.70)
Roads and stormwater	12 894	12 937	15 025	16 105	16.14	8.35
Other	25	9 500	2 500	0	(73.68)	(26.32)
Total	18 710	37 796	29 944	27 720	(20.77)	(5.89)
Percentage of expenditure (%)						
Water and sanitation	29	40	40	42		
Electricity	2	1	1	0		
Roads and stormwater	69	34	50	58		
Other	0	25	8	0		

Table 174: Capital Expenditure by Funding Source

5.7 Capital Expenditure on New Asset Programmes

The table below indicates the capital spending by new asset programmes:

Description	2021/22	2022/23		
	<i>Audited outcome</i>	Original Budget	Adjust-ment Budget	Actual Expenditure
R'000				
Infrastructure - Total	18 675	28 296	27 444	25 566
Infrastructure: Road Transport - Total	12 884	12 937	15 025	13 951
<i>Roads, Pavements and Bridges</i>	12 884	12 186	14 274	13 202
<i>Storm water</i>	0	751	751	749
Infrastructure: Electricity - Total	458	359	419	0
<i>Transmission & Reticulation</i>	458	359	419	0
Infrastructure: Sanitation - Total	5 333	15 000	12 000	11 615
<i>Reticulation</i>	5 333	15 000	12 000	11 615
Community - Total	0	9 500	2 500	1 080
<i>Sport fields and Stadia</i>	0	9 500	2 500	1 080
Capital expenditure by Asset Class	35	0	0	0
Other assets	35	0	0	0
<i>Computers - hardware/equipment</i>	35	0	0	0
Total Capital Expenditure on new assets	18 710	37 796	29 944	26 646

Table 175: Capital Expenditure on New Assets

5.8 Capital Spending on the Largest Projects

The table below indicates the capital spending on the largest projects during the 2022/23 financial year:

Details	2022/23				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Upgrading of Kuyasa Sports Field	9 500	2 500	1 080	-779.90%	-131.55%
Upgrading of President Swarts and Nuiwenhuizen Streets (Noupoort)	6 018	3 128	4 101	-46.76%	23.72%
Ngqandu and Madikane Block Paving	4 545	8 048	7 755	41.38%	-3.78%
Upgrading of Noupoort Sewerage Network	13 528	9 328	9 996	-35.34%	6.68%
Total					

Table 176: Capital Spending on the Largest Projects

5.9 Municipal Infrastructure Grant (MIG) Expenditure on Service Backlogs

The table below indicates the MIG expenditure on service backlogs during the 2022/23 financial year:

Details	2022/23				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Infrastructure - Roads	21 363 600	14 363 600	15 296 537	(39.66)	6.10
Total	21 363 600	14 363 600	15 296 537	(39.66)	6.10

Table 177: MIG Expenditure on Service Backlogs

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash flow management is critical to the municipality as it enables the organisation to assess whether enough cash is available at any point in time to cover the council's commitments. Cash flow is rigorously managed and monitored on a regular basis.

5.9 Cash Flow

Description	2022/23		
	Original Budget	Adjusted Budget	Actual
Cash flow from operating activities			
Receipts			
Ratepayers and other	109 198	109 146	58 129
Government - operating	69 399	69 399	68 279
Government - capital	36 364	26 364	26 988
Interest	78	139	0
Payments			
Suppliers and employees	(157 270)	(166 197)	(127 530)
Finance charges	(1 350)	(350)	(1 210)
Net cash from/(used) operating activities	56 420	38 501	24 656
Receipts			
Decrease (increase) in non-current investments	1 558	(1 558)	0
Payments			
Capital assets	(37 796)	(29 944)	(23 603)
Net cash from/(used) investing activities	(36 238)	(31 502)	(23 603)
Cash flows from financing activities			
Payments			
Repayment of borrowing	0	0	(4 330)
Net cash from/(used) financing activities	0	0	(4 330)

Description	2022/23		
	Original Budget	Adjusted Budget	Actual
Net increase/ (decrease) in cash held	20 181	6 998	(3 277)
Cash/cash equivalents at the year begin:	(6 139)	1 950	1 966
Cash/cash equivalents at the year-end:	14 042	8 948	(1 311)

Source: MBRR SA7

Table 178: Cash Flow

5.10 Gross Outstanding Debtors per Service

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
R'000						
2021/22	21 435	24 198	25 770	1 211	9 381	81 995
2022/23	14 026	34 545	31 258	1 009	14 026	94 864
Difference	(7 409)	10 347	5 488	(202)	4 645	12 870
% growth year on year	(35)	43	21	(17)	50	16

Note: Figures exclude provision for bad debt

Table 179: Gross Outstanding Debtors per Service

The following graph indicates the total outstanding debt per type of service for 2022/23

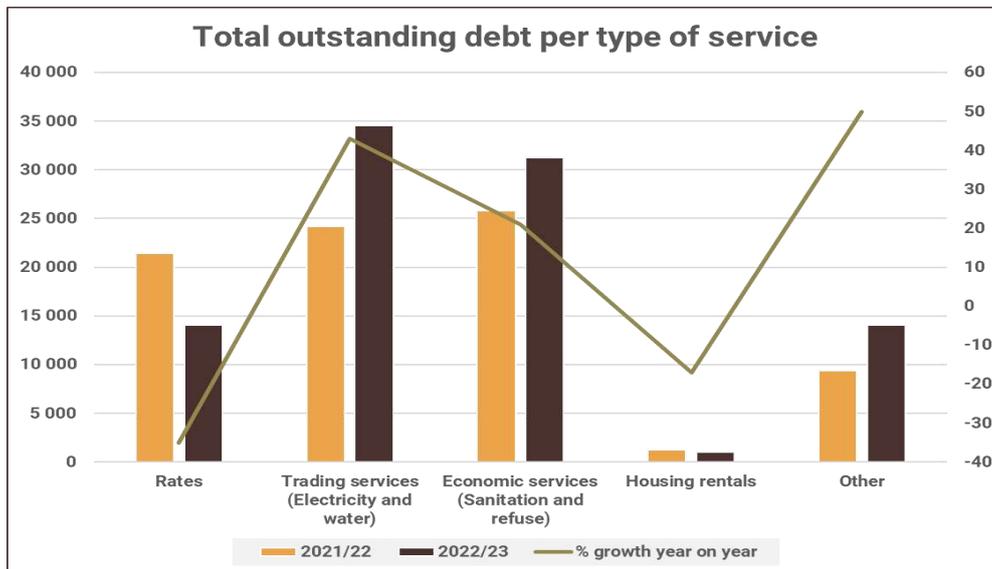


Table 180: Outstanding Debt per Type of Service

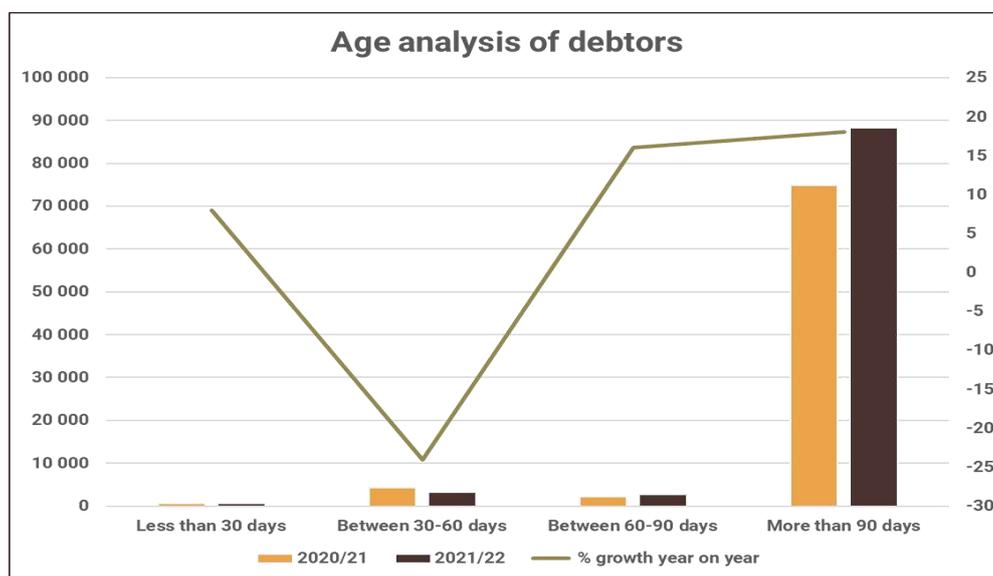
5.11 Total Debtors Age Analysis

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2021/22	620	4 255	2 273	74 847	81 995
2022/23	670	3 243	2 635	88 316	94 864
Difference	51	(1 012)	362	13 469	12 870
% growth year on year	8	(24)	16	18	16

Note: Figures exclude provision for bad debt

Table 181: Outstanding Debtor Age Analysis

The following graph indicates the total debtors age analysis for 2022/23



5.12 Borrowing and Investments

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

5.12.1 Municipal Investments

Actual Investments		
R'000		
Investment type	2021/22	2022/23
	Actual	Actual
Bankers' Acceptance Certificates	607	734
Total	607	734

Table 182: Municipal Investments

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2021/22

6.1 Auditor-General Report 2021/22

Details	
Audit Report Status:	Qualified
Issue raised	Corrective steps implemented
<p>Property, plant and equipment</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for infrastructure asset included in property, plant and equipment due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the unbundling of completed assets. The AG was unable to confirm infrastructure assets by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to infrastructure assets, stated at R440 371 447 in note 9 to the financial statements</p>	<p>Complete documents, converted to clearly readable PDF format, together with the Bills of Quantities indicating the breakdown for each infrastructure components amounting to R24 352 579 will be submitted to the Auditor-General. Additional information such as GPS co-ordinates, completion certificates & unbundling breakdown schedules will also be submitted</p>
<p>Cash and Cash Equivalents</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG could not confirm cash and cash equivalents by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R1 966 494 (2021: R2 800 998) in note 7 of the financial statements</p>	<p>Management has already commenced implementing daily and monthly reconciliations. Training has also been provided to ensure automated allocations of receipts and unallocated amounts are investigated timeously. Reconciliations are reviewed by the section heads regularly and vetted and corrections approved by the CFO. The Municipality has also commenced reconciling prior period statements</p>
<p>Service charges</p> <p>The Municipality did not accurately recognise sale of electricity that has accrued in accordance with GRAP 9, Revenue from exchange transactions. As the Municipality did not maintain accurate records of services rendered, the AG was unable to determine the full extent of the overstatement of sale of electricity included in service charges and electricity consumer debtors included in receivables from exchange transactions and VAT payable for the current year as it was impracticable to do so. Since revenue from sale of electricity is included in the determination of net cash flows from operating activities reported in the cash flow statements, the AG was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R131 522 852 in the financial statements</p>	<p>Management has already introduced vetting of meter readings recordings. Deviation reports where readings vary from an acceptable range are printed and confirmatory readings & corrections made if incorrect or errors are discovered. Supervision of meter readers has been enhanced to ensure improved accuracy. Document management of meter books has also been enhanced</p>

Chapter 6: Auditor-General Report

Details	
<p>Interest received</p> <p>The Municipality did not recognise interest received accurately, that has accrued in accordance with GRAP 9, Revenue from exchange transactions. The Municipality did not bill consumers in the Council approved interest rate. The AG was unable to determine the full extent of the understatement of interest received included in revenue from exchange transactions for the current year as it was impracticable to do so. Since revenue from interest received is included in the determination of net cash flows from operating activities reported in the cash flow statement, the AG was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R131 522 852 in the financial statements</p>	<p>Management has already changed the interest rate in the financial system as from October 2022.</p> <p>Management will perform a recalculation of the interest incorrectly billed as from July 2022 to September 2022 in order to determine the extent of the understatement and take that report to council for further decision</p>
<p>Receivables from exchange transactions</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for water consumer debtors included in receivables from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm water consumer debtors by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to water consumer debtors, stated at R94 552 509 in note 5 of the financial statements</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for refuse consumer debtors included in receivables from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm refuse consumer debtors by alternative means. Consequently, The AG was unable to determine whether any adjustment was necessary to refuse consumer debtors, stated at R53 928 911 in note 5 of the financial statements</p>	<ul style="list-style-type: none"> 👉 Management has already created a separate vote number on the financial system to ensure that revenue from availability charges is recorded separately & treated as revenue from non-exchange transactions. 👉 Corrective journals will be passes to correct the differences identified. 👉 Reconciling schedules & comparative figures corrections will also be done by management to address the matter.
<p>Other debtors from exchange transactions</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for under (over) banking included in other debtors from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm under (over) banking by alternative means. Consequently, The AG was unable to determine whether any adjustment was necessary to under (over) banking, stated at R6 380 974 in note 4 to the financial statements</p>	<ul style="list-style-type: none"> 👉 Management has already commenced implementing daily & monthly reconciliations. Training has also been provided to ensure automated allocations of receipts and unallocated amounts are investigated timeously. Reconciliations are reviewed by the section heads regularly and vetted and corrections approved by the CFO. 👉 The municipality has also commenced reconciling prior period statements. 👉 Management will ensure that all the requested information is submitted to the auditors and where the information is not available, a management representation letter will be provided to such an effect. 👉 Management is currently addressing the issue of cash and cash equivalents which has a direct impact on the under (over) banking. 👉 Management has currently set a target to address this issue before the financial year end
<p>Allowance for impairment</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for allowance for impairment included in receivables from exchange and non-exchange transactions due to the</p>	<ul style="list-style-type: none"> 👉 Management will ensure that accurate schedules that support the amounts disclosed on the annual financial statement are provided on time

Chapter 6: Auditor-General Report

Details	
<p>status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm allowance for impairment by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to allowance for impairment, stated at R223 632 712 in note 9 to the financial statements</p>	
<p>Debt impairment</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for bad debts written off included in debt impairment due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm bad debts written off by alternative means. Consequently, The AG was unable to determine whether any adjustment was necessary to bad debts written off, stated at R 24 701 996 in note 35 to the financial statements</p>	<ul style="list-style-type: none"> 👤 The schedule will be made available. 👤 Management will prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. 👤 Management will ensure that accurate schedules are provided on time for the audit. 👤 Management will ensure that schedules that support the amount disclosed on the annual financial statement are provided to AG on time
<p>Payables from exchange transactions</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for unallocated deposits included in payables from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm unallocated deposits by alternative means. Consequently, The AG was unable to determine whether any adjustment was necessary to unallocated deposits, stated at R6 132 186 in note 12 to the financial statements</p>	<ul style="list-style-type: none"> 👤 Management will ensure that all unallocated deposits are traced and allocated to the correct revenue item by the end of the current financial year. 👤 The finance team has already started identification of these transaction, once identified the transactions will be allocated and proper records will be kept and made available timeously to the auditors.
<p>Payables from non-exchange transactions</p> <p>The Municipality did not recognise consumer debtors meeting the definition of payables from non-exchange transactions in accordance with GRAP 1, Fair presentation of financial statements. Consequently, consumer debtors with credit balances were understated by R4 927 725.</p>	<ul style="list-style-type: none"> 👤 Management is currently addressing the issue of cash and cash equivalents which has a direct impact on the under (over) banking. 👤 Management will ensure that all unallocated deposits are traced and allocated to the correct revenue item by the end of the current financial year. 👤 The finance team has already started identification of these transaction, once identified the transactions will be allocated and proper records will be kept and made available timeously to the auditors. 👤 New votes have been opened on the financial system to separate non-exchange transactions

Chapter 6: Auditor-General Report

Details	
<p>Prior period adjustments</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for prior period adjustments relating to cash and cash equivalents as well as other receivables from exchange transactions included in prior period adjustments due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm these prior period adjustments by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to prior period adjustments, stated at R2 371 399 and R5 135 536, respectively in note 46 to the financial statements</p>	<ul style="list-style-type: none"> • Management will prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. • Management will ensure that all the requested information is submitted to the auditors and where the information is not available, a management representation letter be provided to such an effect. • This is being addressed with the additional processes introduced

Table 183: AG Report 2021/22

Chapter 6: Auditor-General Report

COMPONENT B: AUDITOR-GENERAL OPINION 2022/23

6.2 Auditor-General Report 2022/23

Details	
Audit Report Status:	Qualified
Issue raised	Corrective steps implemented
<p>Cash and Cash Equivalents</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The Municipality did not have adequate systems of reconciling balances per bank statements with the cash book. The AG could not confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R1 310 696 (2021/22: R1 966 282) in note 8 of the financial statements</p>	<p>The control accounts must be reconciled and supported by evidence to proof that the current balances are correct. The reconciliations will be done for both 2021/22 and 2022/23 years</p>
<p>Payables from exchange transactions</p> <p>The Municipality did not recognise unallocated deposits in accordance with GRAP 1, <i>Fair presentation of financial statements</i>. Unallocated deposits were incorrectly recorded as assets in the financial statements. Consequently, payables from exchange transactions are understated by R8 781 536 and other receivables from exchange transactions are understated by the same amount.</p> <p>In addition, The AG was unable to obtain sufficient appropriate audit evidence for the prior year amount of unallocated deposits included in payables from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm unallocated deposits by alternative means. Consequently, The AG was unable to determine whether any adjustment to the prior year amount was necessary to unallocated deposits, stated at R1 645 301 in note 13 to the financial statements.</p> <p>The AG was unable to obtain sufficient appropriate evidence for the prior year amount of debtors with credit balances included in payables from exchange transactions. The Municipality did not have adequate systems of internal controls for the recording and reconciliation of debtors with credit balances. Consequently, The AG was unable to determine whether any adjustment was necessary to the prior year amount of debtors with credit balances disclosed at R2 654 988 in note 13 to the financial statements</p>	<p>The reconciliations have been done and must be reviewed on a monthly basis by Senior Management</p>

Chapter 6: Auditor-General Report

Details	
<p>Property, plant and equipment</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for the comparative amount of infrastructure asset included in property, plant and equipment due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the unbundling of completed assets. The AG was unable to confirm additions to infrastructure assets by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to comparative amount of additions to infrastructure assets, stated at R31 054 725 in note 10 to the financial statements</p>	<p>A reconciliation of the amounts disclosed with the capital expenditure will be performed and submitted for audit and to correct the notes to the Annual Financial Statements (AFS)</p>
<p>Service charges</p> <p>In the prior year, the Municipality did not accurately recognise sale of electricity that has accrued in accordance with GRAP 9, <i>Revenue from exchange transactions</i>. Sale of electricity was levied at higher rates due to meter readings not recorded on the system on time, resulting in an overstatement of service charges by R2 986 636 and consumer debtors by the same amount. The AG was unable to determine whether any adjustments were necessary sale of electricity stated at R35 283 945 in note 20 to the financial statements</p>	<p>This amount has been rectified and already billed to customers in August 2022. The AFS will be restated based on the correction that has taken place. The Senior Management must check and sign-off tariffs before billing must commence at the start of each year</p>
<p>Other receivables from non-exchange transactions</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for under (over) banking included in other debtors from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm under (over) banking by alternative means. Consequently, stated at R2 363 163 (2021/22: R2 702 866) in note 4 to the financial statements</p>	<p>The over and under banking will be reconciled with the cash and cash equivalents and the reconciliation will be provided for Audit</p>
<p>Allowance for impairment</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for allowance for impairment included in receivables from exchange and non-exchange transactions for the prior year due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm allowance for impairment by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to prior year allowance for impairment, stated at R211 542 687 in note 5 to the financial statements</p>	<p>The calculation of Impairment as recorded will be done at the end of the 2023/24 financial year, reviewed and submitted to the auditors.</p>

Chapter 6: Auditor-General Report

Details	
<p>Receivables from exchange transactions</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for water consumer debtors included in receivables from exchange transactions in the prior year due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm water consumer debtors by alternative means.</p> <p>Consequently, the AG was unable to determine whether any adjustment was necessary to water consumer debtors prior year amount, stated at R91 199 635 in note 5 of the financial statements. The AG was unable to obtain sufficient appropriate audit evidence for refuse consumer debtors included in receivables from exchange transactions in the prior year due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm refuse consumer debtors by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to refuse consumer debtors prior year amount, stated at R57 388 536 in note 5 of the financial statements</p>	<p>This was already corrected in August 2022 and the AFS will be corrected accordingly. Monthly reconciliations will be reviewed and submitted for audit purposes</p>

Table 184: AG Report 2022/23

Abbreviations

AC	Asbestos Cement	MM	Municipal Manager
AG	Auditor-General	MMC	Member of Mayoral Committee
ANC	African National Congress	MPAC	Municipal Public Accounts Committee
B-BBEE	Broad Based Black Economic Empowerment	MSA	Municipal Systems Act No. 32 of 2000
COGHSTA	Cooperative Governance, Human Settlements and Traditional Affairs	mSCOA	Municipal Standard Chart of Accounts
DA	Democratic Alliance	MTECH	Medium Term Expenditure Committee
DEA	Department of Environmental Affairs	NGO	Non-governmental organisation
DEDAT	Department of Economic Development and Tourism	NT	National Treasury
DMA	Disaster Management (Act 57 of 2002)	OPEX	Operating expenditure
DOH	Department of Health	PACA	Participatory Appraisal Competitive Advantage
DoRA	Division of Revenue Act	PMS	Performance Management System
DRDLR	Department of Rural Development and Land Reform	PPE	Personal Protective Equipment
EEDSM	Energy Efficiency and Demand Side Management	PRV	Pressure Reducing Valve
EFF	Economic Freedom Fighters	PT	Provincial Treasury
EME	Exempt Micro Enterprises	PVC	Polyvinyl Chloride
IDP	Integrated Development Plan	QSE	Qualifying Small Enterprises
IMATU	Independent Municipal and Allied Trade Union	SALGA	South African Local Government Organisation
INEP	Integrated National Electrification Programme	SAMDI	South African Management Development Institute
KI	Kerb Inlet	SAMWU	South African Municipal Workers Union
KPA	Key Performance Area	SASSA	South African Social Security Agency
KPI	Key Performance Indicator	SCM	Supply Chain Management
LED	Local Economic Development	SDBIP	Service Delivery and Budget Implementation Plan
LGS	Local Government Support	SDF	Spatial Development Framework
LGSETA	Local Government Sector Education Authority	SEDA	Small Enterprise Development Agency
MAYCOM	Executive Mayoral Committee	SMMEs	Small, Medium and Macro Enterprises
MCCR	Municipal Cost Containment Regulations	uPVC	Un-plasticised Poly Vinyl Chloride
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)	VIP	Ventilated Improved Pit
MIG	Municipal Infrastructure Grant	VCP	Vehicle Check Point
		WWTP	Waste Water Treatment Plant
		WSIG	Water Service Infrastructure Grant

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**ANNEXURE A:
AUDITED
FINANCIAL
STATEMENTS**

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.

Nature of business and principal activities

A local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.

Mayoral committee

Executive Mayor
Councillors

MS Toto (Finance committee chair)
AP Poyo
B Mangaliso (Chief Whip)
CM Williams
GMH Douw
JP Mathee
L Tyindyi (Corporate committee chair)
L Zakhe (Technical committee chair)
MJ Williams
MTS Lamani
NJ Batties
NS Mlungwana
SND Stafa (Speaker)
S Siko
SK Brown
SA Fritz
SA Yabo
SE Humphries
T Matebese
VP Harmse

Grading of local authority

Grade 2

Chief Finance Officer (CFO)

N Thiso (Acting Chief Financial Officer)

Accounting Officers

AC Mpela
S Nkcithiso (Acting Municipal
Manager)
TW Msengana

Business address

21A Church Street
Colesberg
Nothern Cape
9765

Postal address

Private Bag X6
Colesberg
Nothern Cape
9795

Bankers

Absa Bank Limited
Standard Bank of South Africa Limited
First National Bank Limited

Auditors

Auditor General of South Africa (AGSA)
Registered Auditors

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officers' Responsibilities and Approval

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

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

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

The accounting officers acknowledge that they are 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 officers to meet these responsibilities, the accounting officers 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 officers are 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.

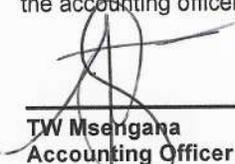
The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2023 and were signed on its behalf by:



TW Msengana
Accounting Officer

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officers' Report

The accounting officers submit their report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the umsobomvu municipal area..

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

Net deficit of the municipality was R 5,952,408 (2022: deficit R 2,691,175).

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 519,425,292 and that the municipality's total assets exceed its liabilities by R 541,950,802.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note 52 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The accounting officer had no interest in any contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

6. Corporate governance

General

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

Internal audit

The municipality has outsourced its internal audit function to the Pixley-ka-Seme District Municipality. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

7. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

TW Msengana
Accounting Officer

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	23,466	50,889
Other receivables from non-exchange transactions	4	6,321,111	5,158,749
Receivables from exchange transactions	5	94,864,470	81,994,585
Statutory receivables from non-exchange transactions	6	1,813,033	3,411,039
Receivables from availability charges	7	4,435,008	2,894,542
Cash and cash equivalents	8	-	1,966,282
		107,457,088	95,476,086
Non-Current Assets			
Investment property	9	43,581,199	43,621,199
Property, plant and equipment	10	485,215,958	497,293,802
Intangible assets	11	26,278	44,484
		528,823,435	540,959,485
Total Assets		636,280,523	636,435,571
Liabilities			
Current Liabilities			
Finance lease obligation	12	690,910	716,167
Payables from exchange transactions	13	41,370,378	43,628,201
Payables from non-exchange transactions	14	364,471	1,379,134
VAT payable	15	17,639,258	10,346,145
Consumer deposits	16	655,089	708,638
Employee benefit obligation	17	671,000	772,000
Unspent conditional grants and receipts	18	6,599,871	6,752,681
Bank overdraft	8	1,310,696	-
		69,301,673	64,302,966
Non-Current Liabilities			
Finance lease obligation	12	1,329,087	1,803,116
Employee benefit obligation	17	10,713,460	11,811,460
Provisions	19	12,985,498	10,614,822
		25,028,045	24,229,398
Total Liabilities		94,329,718	88,532,364
Net Assets		541,950,805	547,903,207
Reserves			
Revaluation reserve	54	22,525,510	22,525,510
Accumulated surplus		519,425,292	525,377,697
Total Net Assets		541,950,802	547,903,207

* See Note 55

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Notes	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	69,836,138	70,250,514
Rental of facilities and equipment	21	139,223	106,131
Agency services	22	830,146	873,957
Other income	23	1,924,972	1,164,135
Interest received	24	22,468,234	14,684,252
Total revenue from exchange transactions		95,198,713	87,078,989
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	17,771,102	15,393,349
Availability charges	26	1,432,614	368,990
Transfer revenue			
Government grants & subsidies	27	95,419,809	84,370,466
Fines, Penalties and Forfeits	28	15,595,217	29,341,517
Total revenue from non-exchange transactions		130,218,742	129,474,322
Total revenue		225,417,455	216,553,311
Expenditure			
Employee related costs	29	(51,609,538)	(56,916,159)
Remuneration of councillors	30	(5,341,459)	(4,738,864)
Repairs and maintenance	31	(3,306,094)	(4,063,867)
Depreciation and amortisation	32	(28,534,921)	(28,113,368)
Impairment of PPE	33	(2,439,475)	(240,789)
Finance costs	34	(5,040,562)	(2,961,991)
Debt impairment	35	(66,782,492)	(62,322,733)
Bulk purchases	36	(37,855,442)	(37,123,997)
Contracted services	37	(6,639,795)	(6,030,455)
Loss on disposal of assets and liabilities		(4,764,485)	(66,510)
General expenses	38	(13,293,174)	(12,681,798)
Auditors remuneration	39	(4,073,141)	(2,679,316)
Fines and penalties		(121,111)	(125,144)
Travel and subsistence		(1,568,174)	(1,179,495)
Total expenditure		(231,369,863)	(219,244,486)
Deficit for the year		(5,952,408)	(2,691,175)

* See Note 55

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	-	526,790,500	526,790,500
Adjustments			
Prior year adjustments 55	-	(11,397,409)	(11,397,409)
Balance at 01 July 2021 as restated*	-	515,393,091	515,393,091
Changes in net assets			
Revaluation of investment property	22,525,510	-	22,525,510
Prior period year adjustments	-	12,675,781	12,675,781
Net income (losses) recognised directly in net assets	22,525,510	12,675,781	35,201,291
Surplus /(Deficit) for the year	-	(2,691,175)	(2,691,175)
Total changes	22,525,510	9,984,606	32,510,116
Total changes	22,525,510	9,984,606	32,510,116
Restated* Balance at 01 July 2022	22,525,510	525,377,700	547,903,210
Changes in net assets			
Surplus /(Deficit) for the year	-	(5,952,408)	(5,952,408)
Total changes	-	(5,952,408)	(5,952,408)
Balance at 30 June 2023	22,525,510	519,425,292	541,950,802
Note(s)	54		

* See Note 55

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand

	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Taxation		35,515,057	-
Sale of goods and services		22,613,495	51,945,152
Grants		95,266,999	79,577,700
Interest income		-	-
		<u>153,395,551</u>	<u>131,522,852</u>
Payments			
Employee costs		(59,505,139)	(122,679,720)
Suppliers		(68,024,717)	-
Finance costs		(1,210,176)	40,153,822
		<u>(128,740,032)</u>	<u>(82,525,898)</u>
Net cash flows from operating activities	52	<u>24,655,519</u>	<u>48,996,954</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(23,602,831)	(19,091,503)
Purchase of investment property	9	-	(26,892,199)
Proceeds from sale of investment property	9	-	(30,000)
Purchase of receivables from availability charges		-	(2,894,542)
Net cash flows from investing activities		<u>(23,602,831)</u>	<u>(48,908,244)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(4,304,415)	(923,426)
Repayment of finance lease liabilities		(25,257)	-
Net cash flows from financing activities		<u>(4,329,672)</u>	<u>(923,426)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(3,276,984)</u>	<u>(834,716)</u>
Cash and cash equivalents at the beginning of the year		1,966,282	2,800,998
Cash and cash equivalents at the end of the year	8	<u>(1,310,702)</u>	<u>1,966,282</u>

The accounting policies on pages 13 to 36 and the notes on pages 37 to 73 form an integral part of the annual financial statements.

* See Note 55

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	73,364,000	413,000	73,777,000	69,836,138	(3,940,862)	
Rental of facilities and equipment	76,000	49,000	125,000	139,223	14,223	49
Agency services	-	-	-	830,146	830,146	49
Other income - (rollup)	1,337,000	92,000	1,429,000	1,924,972	495,972	
Interest received - investment	13,219,000	10,503,000	23,722,000	22,468,234	(1,253,766)	
Total revenue from exchange transactions	87,996,000	11,057,000	99,053,000	95,198,713	(3,854,287)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	19,074,000	-	19,074,000	17,771,102	(1,302,898)	
Availability charges	-	-	-	1,432,614	1,432,614	49
Transfer revenue						
Government grants & subsidies	69,399,000	-	69,399,000	95,419,809	26,020,809	
Fines, Penalties and Forfeits	23,245,000	(50,000)	23,195,000	15,595,217	(7,599,783)	49
Total revenue from non-exchange transactions	111,718,000	(50,000)	111,668,000	130,218,742	18,550,742	
Total revenue	199,714,000	11,007,000	210,721,000	225,417,455	14,696,455	
Expenditure						
Employee costs	(68,720,000)	8,000	(68,712,000)	(51,609,538)	17,102,462	49
Remuneration of councillors	(5,421,000)	-	(5,421,000)	(5,341,459)	79,541	
Repairs and Maintenance	(7,650,000)	(185,000)	(7,835,000)	(3,306,094)	4,528,906	49
Depreciation and amortisation	(30,768,000)	-	(30,768,000)	(28,534,921)	2,233,079	49
Impairment loss/ Reversal of impairments	-	-	-	(2,439,475)	(2,439,475)	
Finance costs	(1,350,000)	1,000,000	(350,000)	(5,040,562)	(4,690,562)	49
Debt Impairment	(22,833,000)	(5,000)	(22,838,000)	(66,782,492)	(43,944,492)	49
Inventory consumed and bulk purchases	(46,343,000)	(7,048,000)	(53,391,000)	(37,855,442)	15,535,558	49
Contracted Services	(15,886,000)	-	(15,886,000)	(6,639,795)	9,246,205	49
General Expenses	(25,833,000)	(914,000)	(26,747,000)	(13,293,174)	13,453,826	49
Total expenditure	(224,804,000)	(7,144,000)	(231,948,000)	(220,842,952)	11,105,048	
Operating surplus	(25,090,000)	3,863,000	(21,227,000)	4,574,503	25,801,503	
Loss on disposal of assets and liabilities	-	-	-	(4,764,485)	(4,764,485)	
Travel and subsistence	-	-	-	(1,568,174)	(1,568,174)	49
Fines and penalties	-	-	-	(121,111)	(121,111)	49
Auditors remuneration	(5,834,000)	-	(5,834,000)	(4,073,141)	1,760,859	49
	(5,834,000)	-	(5,834,000)	(10,526,911)	(4,692,911)	
Deficit before taxation	(30,924,000)	3,863,000	(27,061,000)	(5,952,408)	21,108,592	

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(7,908,000)	8,329,000	421,000	23,466	(397,534)	
Other receivables from non-exchange transactions	(19,721,000)	36,152,000	16,431,000	6,321,111	(10,109,889)	49
Consumer debtors	94,346,000	(15,729,000)	78,617,000	94,864,470	16,247,470	49
Statutory receivables from non-exchange transactions	-	-	-	1,813,033	1,813,033	49
Receivables from availability charges	-	-	-	4,435,008	4,435,008	49
Cash and cash equivalents	(29,017,000)	54,910,000	25,893,000	(1,310,696)	(27,203,696)	
	37,700,000	83,662,000	121,362,000	106,146,392	(15,215,608)	
Non-Current Assets						
Investment property	16,699,000	-	16,699,000	43,581,199	26,882,199	
Property, plant and equipment	487,894,000	(9,788,000)	478,106,000	485,215,958	7,109,958	49
Intangible assets	(134,000)	79,000	(55,000)	26,278	81,278	
Investments	-	1,558,000	1,558,000	-	(1,558,000)	49
	504,459,000	(8,151,000)	496,308,000	528,823,435	32,515,435	
Total Assets	542,159,000	75,511,000	617,670,000	634,969,827	17,299,827	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	690,910	690,910	49
Payables from exchange transactions	37,039,000	36,727,000	73,766,000	41,370,378	(32,395,622)	49
Taxes and transfers payable (non-exchange)	-	-	-	364,471	364,471	49
VAT payable	-	-	-	(17,639,258)	(17,639,258)	
Consumer deposits	785,000	(52,000)	733,000	655,089	(77,911)	49
Employee benefit obligation	-	-	-	671,000	671,000	49
Unspent conditional grants and receipts	-	-	-	6,599,871	6,599,871	49
Provisions	13,838,000	(351,000)	13,487,000	-	(13,487,000)	49
Bank overdraft	-	-	-	(1,310,696)	(1,310,696)	
	51,662,000	36,324,000	87,986,000	31,401,765	(56,584,235)	
Non-Current Liabilities						
Finance lease obligation	-	-	-	1,329,087	1,329,087	49
Employee benefit obligation	-	-	-	10,713,460	10,713,460	49
Provisions	5,907,000	3,671,000	9,578,000	12,985,498	3,407,498	49
	5,907,000	3,671,000	9,578,000	25,028,045	15,450,045	
Total Liabilities	57,569,000	39,995,000	97,564,000	56,429,810	(41,134,190)	
Net Assets	484,590,000	35,516,000	520,106,000	578,540,017	58,434,017	

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	22,525,510	22,525,510	49
Accumulated surplus	484,590,000	35,516,000	520,106,000	519,425,292	(680,708)	
Total Net Assets	484,590,000	35,516,000	520,106,000	541,950,802	21,844,802	

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	16,192,000	136,000	16,328,000	35,515,057	19,187,057	49
Sale of goods and services	67,986,000	(449,000)	67,537,000	22,613,495	(44,923,505)	49
Grants	105,763,000	(10,000,000)	95,763,000	95,266,999	(496,001)	49
Interest income	78,000	61,000	139,000	-	(139,000)	49
Other revenue	25,020,000	261,000	25,281,000	-	(25,281,000)	49
	215,039,000	(9,991,000)	205,048,000	153,395,551	(51,652,449)	
Payments						
Employee costs	(157,270,000)	(8,927,000)	(166,197,000)	(59,505,139)	106,691,861	49
Suppliers	-	-	-	(68,024,717)	(68,024,717)	49
Finance costs	(1,350,000)	1,000,000	(350,000)	(1,210,176)	(860,176)	49
	(158,620,000)	(7,927,000)	(166,547,000)	(128,740,032)	37,806,968	
Net cash flows from operating activities	56,419,000	(17,918,000)	38,501,000	24,655,519	(13,845,481)	
Cash flows from investing and financing activities						
Receipts Decrease in non-current investments	-	1,558,000	1,558,000	-	(1,558,000)	
Payments capital assets	(37,796,000)	7,852,000	(29,944,000)	(23,602,831)	6,341,169	49
Net cash flows from financing and investing activities	(37,796,000)	9,410,000	(28,386,000)	(23,602,831)	4,783,169	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	-	(4,304,415)	(4,304,415)	
Repayment of finance lease liabilities	-	-	-	(25,257)	(25,257)	
Net cash flows from financing activities	-	-	-	(4,329,672)	(4,329,672)	
Net increase/(decrease) in cash and cash equivalents	18,623,000	(8,508,000)	10,115,000	(3,276,984)	(13,391,984)	49
Cash and cash equivalents at the beginning of the year	(6,139,000)	8,089,000	1,950,000	1,966,282	16,282	
Cash and cash equivalents at the end of the year	12,484,000	(419,000)	12,065,000	(1,310,702)	(13,375,702)	

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand

Notes

2023

2022

1. Significant account policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 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 and loans and receivables

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

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

Impairment testing

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

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

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

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

Allowance for doubtful debts

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

1.5 Investment property

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

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

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

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

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

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

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

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Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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Accounting Policies

1.6 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 are depreciated on the over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	20 - 25 years
Roads and paving	Straight-line	10 - 15 years
Electricity	Straight-line	5 - 50 years
Water	Straight-line	15 - 100 years
Sewerage	Straight-line	15 - 60 years
Landfill sites	Straight-line	23 - 25 years
Recreational facilities	Straight-line	20 - 25 years
Security measures	Straight-line	20 - 25 years
Specialist vehicles	Straight-line	1 - 5 years
Other vehicles	Straight-line	1 - 5 years
Office equipment	Straight-line	3 - 7 years
Furniture and fixtures	Straight-line	7 - 10 years
Plant and machinery	Straight-line	2 - 10 years

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

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

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

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

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

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

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

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

1.7 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - Indefinite
Website	Straight-line	5 years

1.8 Statutory receivables

Identification

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

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Accounting Policies

1.8 Statutory receivables (continued)

Carrying amount is the amount at which an asset is recognised in the inventories.

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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 is recognised in surplus or deficit.

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

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Accounting Policies

1.8 Statutory receivables (continued)

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

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

Derecognition

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

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

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

1.9 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the inventories. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the inventories at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the inventories as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

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

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

1.10 Inventories

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

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

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1.10 Inventories (continued)

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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.

1.13 Employee benefits

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

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

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

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

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

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

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1.13 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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Accounting Policies

1.13 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

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

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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Accounting Policies

1.14 Provisions and contingencies (continued)

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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

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

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

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

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

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

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Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

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

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

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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Accounting Policies

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Umsobomvu Local Municipality

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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Accounting Policies

1.20 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

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Accounting Policies

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008): Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.26 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.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

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

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

1.28 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.29 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Item	2023	2022
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1.29.100		

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• IGRAP 21 on The effect of past descisions on materiality	01 April 2023	Unlikely there will be a material impact
• IGRAP 7 (revised) Limit on defined benefit asset min fund requirement and interact	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (Revised) employee benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (Revised) financial instruments	01 April 2023	Unlikely there will be a material impact

3. Inventories

Water 23,466 50,889

Inventories are held for own use and measured at the lower of cost or current replacement value.

The cost of water production for the year amounted to R2.44 (2022: R5.94) per kilolitre.

Inventory pledged as security

No inventory was pledged as security for overdraft facilities of the municipality.

4. Other receivables from non-exchange transactions

Eskom deposits	2,003,148	1,591,283
Under(over)banking	2,363,163	2,702,866
Sundry debtors	1,590,047	864,600
Recoverable amount from employee pension	364,753	-
	6,321,111	5,158,749

None of the other receivables from exchange transactions have been pledged as security for the municipality's financial liabilities.

Electricity deposits relate to the deposits held for the bulk Eskom accounts. Sundry debtors relate to Conlog sales transactions.

5. Consumer debtors

Gross balances

Rates	39,789,308	42,591,912
Electricity	19,258,525	18,700,345
Water	107,477,474	91,199,635
Sewerage	58,366,545	46,284,539
Refuse	60,447,402	57,388,536
Housing rental	4,099,644	4,283,983
Interest	53,220,133	33,088,322
	342,659,031	293,537,272

Umsobomvu Local Municipality

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5. Consumer debtors (continued)

Less: Allowance for impairment

Rates	(25,762,981)	(21,156,776)
Electricity	(11,193,845)	(11,381,024)
Water	(80,997,620)	(74,321,379)
Sewerage	(42,277,558)	(37,363,409)
Refuse	(45,278,184)	(40,539,914)
Housing rental	(3,090,266)	(3,072,602)
Interest	(39,194,107)	(23,707,583)
	(247,794,561)	(211,542,687)

Net balance

Rates	14,026,327	21,435,136
Electricity	8,064,680	7,319,321
Water	26,479,854	16,878,256
Sewerage	16,088,987	8,921,130
Refuse	15,169,218	16,848,622
Housing rental	1,009,378	1,211,381
Interest	14,026,026	9,380,739
	94,864,470	81,994,585

Rates

Current (0 -30 days)	104,466	56,425
31 - 60 days	463,217	652,567
61 - 90 days	357,091	294,299
91 - 120 days	314,413	268,472
121 - 365 days	(18,990,619)	(15,110,125)
> 365 days	31,777,759	35,273,498
	14,026,327	21,435,136

Electricity

Current (0 -30 days)	118,712	118,620
31 - 60 days	1,375,535	2,063,876
61 - 90 days	793,336	666,692
91 - 120 days	332,486	721,675
121 - 365 days	(3,429,019)	(3,614,850)
> 365 days	8,873,630	7,363,308
	8,064,680	7,319,321

Water

Current (0 -30 days)	376,582	365,186
31 - 60 days	288,859	553,718
61 - 90 days	431,945	462,462
91 - 120 days	309,883	327,985
121 - 365 days	(69,730,360)	(61,472,485)
> 365 days	94,802,945	76,641,390
	26,479,854	16,878,256

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Figures in Rand	2023	2022
5. Consumer debtors (continued)		
Sewerage		
Current (0 -30 days)	14,146	14,630
31 - 60 days	304,011	460,763
61 - 90 days	348,365	366,335
91 - 120 days	295,466	314,832
121 - 365 days	(34,804,908)	(30,642,369)
> 365 days	49,931,907	38,406,939
	16,088,987	8,921,130
Refuse		
Current (0 -30 days)	31,123	31,436
31 - 60 days	251,986	202,807
61 - 90 days	200,552	167,581
91 - 120 days	176,378	158,706
121 - 365 days	(38,501,436)	(34,673,650)
> 365 days	53,010,615	50,961,742
	15,169,218	16,848,622
Housing rental		
Current (0 -30 days)	3,545	3,983
31 - 60 days	18,341	10,778
61 - 90 days	12,063	7,333
91 - 120 days	11,901	7,333
121 - 365 days	(2,426,868)	(2,411,859)
> 365 days	3,390,396	3,593,813
	1,009,378	1,211,381
Other (specify)		
Current (0 -30 days)	21,606	29,352
31 - 60 days	541,214	310,287
61 - 90 days	491,721	308,217
91 - 120 days	485,314	305,268
121 - 365 days	(21,417,786)	(12,033,005)
> 365 days	33,903,957	20,460,620
	14,026,026	9,380,739
Reconciliation of allowance for impairment		
Balance at beginning of the year	(211,542,687)	(174,374,222)
Contributions to allowance	(36,251,874)	(37,168,465)
	(247,794,561)	(211,542,687)

Consumer debtors pledged as security

None of the consumer debtors have been pledged as security for the municipality's financial liabilities.

Credit quality of consumer debtors

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

In determining the recoverability of Consumer debtors, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the consumer debtors have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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6. Statutory receivables from non-exchange transactions

Gross balances

Traffic fines

15,416,508 31,348,518

Less: Allowance for impairment

Traffic fines

(13,603,475) (27,937,478)

Net balance

Traffic fines

1,813,034 3,411,040

Traffic fines

Current (0-30 days)

50,262 136,923

31-60 days

77,908 199,506

61-90 days

78,190 71,668

91-120 days

37,978 94,911

>120 days

1,568,696 2,908,032

1,813,034 3,411,040

Reconciliation of allowance for traffic fines impairment

Balance at beginning of the year

27,937,478 24,267,030

Unused amounts reversed

(14,334,004) 3,670,448

13,603,474 27,937,478

7. Receivables from availability charges

Gross balances

Availability charges

4,435,008 2,894,542

Less: Allowance for impairment

Availability charges

- (2,087,626)

Net balance

Availability charges

- 806,916

Availability charges

Current (0-30 days)

- -

31-60 days

- 38,042

61-90 days

- 18,479

91-120 days

- 12,327

>120 days

- 738,068

- 806,916

Reconciliation of allowance for availability charges impairment

Provision for impairment

- 2,087,626

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Umsobomvu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
8. Cash and cash equivalents (continued)		
Cash on hand	3,750	3,750
Bank balances	(2,048,114)	1,355,735
Short-term deposits	733,668	606,797
	(1,310,696)	1,966,282

The municipality held a fleet card facility at year-end.

ABSA Bank fleet card facility	200,000	200,000
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Cash and cash equivalents pledged as collateral

A bank guarantee has been issued to Eskom	6,000	6,000
In addition to the above, the municipality has issued a bank guarantee in favour of Eskom for an increased electricity demand to 40 MVA required to meet the consumers' increasing electricity demand.		

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
ABSA - Current account - 2440000005	410,348	389,719	1,271,592	(2,271,444)	361,015	1,268,010
ABSA - Current account - 4052875289	30,554	545,522	1,028,117	30,554	545,405	1,028,117
Standard Bank- Current account - 280412835	134,064	314,244	117,265	134,064	314,244	117,265
ABSA - Current account - 4061642031	58,710	135,071	108,212	58,710	135,071	108,212
Standard Bank- Notice Deposit - 288901541	83,637	83,637	83,637	83,637	83,637	83,637
Standard Bank- Notice Deposit - 28890541001	151,485	151,485	151,485	151,485	151,485	151,485
First National Bank - Notice Deposit - 74107295062	23,761	23,965	24,355	24,355	24,355	24,355
ABSA - Deposit Plus - 9355227534	474,190	347,320	16,166	474,190	347,320	16,166
Total	1,366,749	1,990,963	2,800,829	(1,314,449)	1,962,532	2,797,247

9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43,621,199	(40,000)	43,581,199	43,621,199	-	43,621,199

Umsobomvu Local Municipality

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9. Investment property (continued)

Reconciliation of investment property - 2023

	Opening balance	Impairments	Total
Investment property	43,621,199	(40,000)	43,581,199

Reconciliation of investment property - 2022

	Opening balance	Additions	Disposals	Total
Investment property	16,699,000	26,892,199	30,000	43,621,199

Pledged as security

All of the municipality's investment property is held under freehold interests and investment property had been pledged as security for any liabilities for the municipality.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

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

The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases.

Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Amounts recognised in surplus or deficit

No repairs and maintenance was incurred in the running of these property for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand 2023 2022

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	29,522,408	(12,842,006)	16,680,402	29,522,408	(11,397,406)	18,125,002
Buildings	40,851,196	(19,415,889)	21,435,307	40,374,425	(18,712,518)	21,661,907
Infrastructure	1,022,288,932	(584,595,695)	437,693,237	1,016,490,654	(570,310,226)	446,180,428
Other property, plant and equipment	27,237,302	(17,830,290)	9,407,012	31,190,575	(19,864,110)	11,326,465
Total	1,119,899,838	(634,683,880)	485,215,958	1,117,578,062	(620,284,260)	497,293,802

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	WIP	Disposals	Depreciation	Impairment loss	Total
Land	18,125,002	-	-	-	-	(1,444,600)	16,680,402
Buildings	21,661,907	255,697	662,482	(29,254)	(1,076,754)	(38,771)	21,435,307
Infrastructure	446,180,428	25,862,795	(3,249,474)	(4,364,440)	(25,971,627)	(764,445)	437,693,237
Other property, plant and equipment	11,326,465	71,329	-	(370,791)	(1,468,334)	(151,657)	9,407,012
	497,293,802	26,189,821	(2,586,992)	(4,764,485)	(28,516,715)	(2,399,473)	485,215,958

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	WIP	Disposals	Depreciation	Impairment loss	Total
Land	18,125,002	-	-	-	-	-	18,125,002
Buildings	22,762,525	-	-	-	(1,100,618)	-	21,661,907
Infrastructure	449,238,529	31,054,725	(8,673,060)	-	(25,439,766)	-	446,180,428
Other property, plant and equipment	13,133,350	83,067	-	(66,510)	(1,552,652)	(270,790)	11,326,465
	503,259,406	31,137,792	(8,673,060)	(66,510)	(28,093,036)	(270,790)	497,293,802

Pledged as security

None of the tangible assets were pledged as security during the current and previous financial years.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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10. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	938,838	276,355
Infrastructure	27,724,714	30,974,188
	28,663,552	31,250,543

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Noupoort electrification project	5,205,133	5,205,133
Project development costs were incurred, but due to funding problems, the project was stopped. Project commenced in the current year and project no longer slow moving.		
Upgrading of VIP's and bucket system to sewer network	6,600,324	4,981,111
Project development costs were incurred, but due to funding problems, the projects was stopped. Project commenced in the current year and project no longer slow moving		
Van der Waltsfontein pipeline	334,991	334,991
Project completion was delayed by Covid-19 pandemic.		
Upgrading of Madikane and Nqandu Streets	20,567,560	12,812,835
Project implementation was delayed due to the tender process.		
	32,708,008	23,334,070

*Projects listed above include projects that were not completed at the contract completion date.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	30,974,188	276,355	31,250,543
Additions/capital expenditure	21,580,289	938,838	22,519,127
Impaired/Expensed	-	(20,660)	(20,660)
Transferred to completed items	(24,829,763)	(255,695)	(25,085,458)
	27,724,714	938,838	28,663,552

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	39,647,248	276,355	39,923,603
Additions/capital expenditure	22,381,665	-	22,381,665
Transferred to completed items	(31,054,725)	-	(31,054,725)
	30,974,188	276,355	31,250,543

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Other property, plant and equipment	1,761,988	1,564,809
Contracted services	2,342,841	2,499,057
	4,104,829	4,063,866

Umsobomvu Local Municipality

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11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,042,345	(2,016,067)	26,278	2,042,345	(1,997,861)	44,484

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	44,484	(18,206)	26,278

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	64,816	(20,332)	44,484

Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

Other information

The municipality amortises all its intangible assets and no intangible assets are regarded as having indefinite useful lives. The amortisation expense has been included in the line item depreciation and amortisation in the Statement of financial performance. Amortisation is charged on a straight-line basis over the intangible assets' useful lives.

No impairment losses have been recognised on intangible assets at the reporting date.

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12. Finance lease obligation		
Minimum lease payments due		
- within one year	1,486,468	923,425
- in second to fifth year inclusive	1,911,827	2,000,757
	<u>3,398,295</u>	<u>2,924,182</u>
less: future finance charges	(1,378,299)	(404,899)
Present value of minimum lease payments	<u>2,019,996</u>	<u>2,519,283</u>
Present value of minimum lease payments due		
- within one year	690,910	716,167
- in second to fifth year inclusive	1,329,087	1,803,116
	<u>2,019,997</u>	<u>2,519,283</u>
Non-current liabilities	1,329,087	1,803,116
Current liabilities	690,910	716,167
	<u>2,019,997</u>	<u>2,519,283</u>

The average lease term was 5 years (2022: 5 years) and the average effective borrowing rate was between 9% and 16% (2022: 9% and 16%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

13. Payables from exchange transactions

Trade payables	34,905,405	32,219,354
Unallocated deposits	(4,390,768)	1,645,301
Accrued leave pay	3,854,987	3,727,078
Accrued bonus	1,045,264	1,020,284
Retentions	1,261,989	1,476,882
Other creditors	165,666	139,217
Performance bonus provision	382,918	606,416
Debtors with credit balances	3,995,626	2,654,988
Wellness programme	116,740	96,280
Sports programme	32,551	42,401
	<u>41,370,378</u>	<u>43,628,201</u>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter the interest is charged in accordance with the credit of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. received in advance is due to payments received for hall hire and prepaid electricity. Payments in advance are consumer debtors' accounts paid in advance.

Accrued leave and bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions.

14. Payables from non-exchange transactions

Salary control accounts	(1,291,596)	3,547
Consumer debtors with credit balances (non-exchange)	1,656,067	1,375,587
	<u>364,471</u>	<u>1,379,134</u>

15. VAT payable

VAT payable	17,639,258	10,346,145
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Umsobomvu Local Municipality

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16. Consumer deposits

Electricity	367,381	367,381
Water	287,708	341,257
	655,089	708,638

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit for the outstanding account. No interest is paid on consumer deposits held.

17. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

Post retirement medical aid plan

The municipality provides for certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to those employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2022 by Me C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service and past service costs, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for medical aid to the following medical aid schemes:

- Bonitas
- Hosmed
- LA Health
- Samwumed

The members of the post-employment medical aid benefit obligation are made up as follows:

In-service members (employees)	21	21
In-service members (employees) non-members	140	145
Continuation (retiree and widow) members	6	5
	167	171

The liability in respect to past service has been estimated as follows:

In-service members (employees)	3,220,000	4,568,000
Continuation (retiree and widow) members	5,711,000	5,425,000
	8,931,000	9,993,000

Umsobomvu Local Municipality

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17. Employee benefit obligations (continued)

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	9,993,000	9,188,000
Current service cost	307,000	281,000
Interest cost	1,124,000	902,000
Benefits paid	(447,000)	(415,000)
Actuarial gains / (losses)	(2,046,000)	37,000
	8,931,000	9,993,000

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

Current service cost	307,000	281,000
Interest cost	1,124,000	902,000
Benefits paid	(447,000)	(415,000)
Actuarial gains / (losses)	(2,046,000)	-
	(1,062,000)	768,000

The current service cost of the year ending 30 June 2023 is estimated to be R (307,000), whereas the cost for the ensuing year is estimated to be R (277,000).

Long service award

The municipality operates an continuous defined benefit plan for all of its employees. Thereafter, a long service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter. The provision is an estimate of the long service award based on the historical staff turnover. No other long service benefits are provided to employees.

Movement in the long service award provision was as follows

Balance at the beginning of the year	2,591,000	2,499,000
Current service cost	262,000	295,000
Interest cost	260,000	220,000
Actuarial gains / (losses)	(257,000)	(130,000)
Expected employer benefit payments	(402,000)	(293,000)
	2,454,000	2,591,000

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

Current service cost	262,000	295,000
Interest cost	260,000	220,000
Benefits paid	(402,000)	(130,000)
Actuarial gains / (losses)	(257,000)	(293,000)
	(137,000)	92,000

The current service cost of the year ending 30 June 2023 is estimated to be R (262,000), whereas the cost for the ensuing year is estimated to be R (240,000).

Current liabilities

Post-employment medical aid benefit liability	(527,999)	(447,000)
Long service award	(362,000)	(402,000)
	(889,999)	(849,000)

Umsobomvu Local Municipality

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17. Employee benefit obligations (continued)

The amounts recognised in the inventories are as follows:

Carrying value

Post-employment medical aid benefit liability
Long service award

(8,931,000) (9,993,000)
(2,453,460) (2,590,460)

(11,384,460) (12,583,460)

Non-current liabilities

(10,713,460) (11,811,460)

Current liabilities

(671,000) (772,000)

(11,384,460) (12,583,460)

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

Opening balance

(10,817,001) (10,172,001)

Net expense recognised in the statement of financial performance

350,000 (645,000)

(10,467,001) (10,817,001)

Net expense recognised in the statement of financial performance

Current service cost

(569,000) (295,000)

Interest cost

(1,384,000) (220,000)

Actuarial (gains) losses

2,303,000 (130,000)

350,000 (645,000)

Umsobomvu Local Municipality

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17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Post employment medical aid benefit liability	11.99 %	11.50 %
Discount rate used: long service award	11.15 %	10.87 %
Healthcare cost inflation rate	7.62 %	8.15 %
General salary inflation	6.50 %	7.33 %
Net discount rate: Post employment medical aid benefit liability	4.36 %	3.10 %
Net discount rate: long service award	4.06 %	3.30 %
Maximum subsidy inflation rate	7.62 %	8.15 %
Net discount rate: Maximum subsidy inflation rate	4.06 %	3.10 %
Expected retirement age (in years)	62	62

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded Public Works Programme (EPWP)	266,538	495,959
Integrated National Electrification Programme (INEP)	1,137,179	1,137,179
Department Water Affairs and Forestry	1,519,388	1,519,388
Electricity Efficiency Demand Side Management Grant (EEDSM)	1,258,581	1,258,581
Municipal Infrastructure Grant (MIG)	321,887	630,424
Department Water Affairs and Forestry (2)	942,072	942,072
Water Services Infrastructure Grant (WSIG)	385,148	-
National Lottery Development Trust Fund (NLDTF)	280,258	280,258
Department Housing	130,852	130,852
Department Safety	124,919	124,919
Development Bank of South Africa	6,337	6,337
Institutional Re-organisation Grant	226,712	226,712
	6,599,871	6,752,681

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 26 for reconciliation of grants from National/Provincial Government.

Umsobomvu Local Municipality

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19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	10,614,822	1,033,032	1,337,644	12,985,498

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	8,211,388	1,404,819	998,615	10,614,822

The provision of landfill sites relates to the obligation, in terms of the National Environmental: Waste Management Act, 2008 (Act No. 59 of 2008), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Colesberg, Norvalspont and Noupoot to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2023 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on the bond rate that measures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites are expected to at the end of the useful lives of the individual landfill sites. No uncertainties were listed in the engineer's report.

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitation the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs.

Key assumptions used:

Total area expected to be rehabilitated: 89 845 square meters.

Average rate per square metre: R 671 (excl. VAT)

The area to be rehabilitated can be reconciled to the different sites as follow:

Colesberg: 45 856 square metres

Norvalspont: 23 935 square metres

Noupoot: 20 054 square metres

The Norvalspont landfill site has adequate footprint and airspace available for the disposal of solid waste until the end of its useful life in 14 years (2034). Colesberg is estimated to reach capacity during the 20th year of operation (2041). Noupoot is estimated to reach capacity during the 17th year of operation (2038).

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20. Service charges		
Sale of electricity	33,353,494	35,283,945
Sale of water	16,075,305	17,525,974
Sewerage and sanitation charges	12,170,775	10,710,617
Refuse removal	8,217,013	6,650,815
Other service charges	19,551	79,163
	69,836,138	70,250,514

The amounts disclosed above for revenue generated from service charges are in respect to services rendered and billed to the consumers on a monthly basis in accordance with the approved tariffs, except in the case of service rendered to consumers registered as indigent debtors. It is the municipality's practice not to bill indigent consumer debtors for services rendered.

21. Rental of facilities and equipment

Facilities and equipment		
Halls	128,829	101,439
Machinery	10,394	4,692
	139,223	106,131

22. Agency services

Department of Transport, Safety and Liaison	830,146	873,957
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23. Other income

Building plan fees	9,893	28,827
Cemetery fees	26,784	26,913
Commission earned	202,298	194,311
Connection and re-connection fees	91,973	114,988
Sale of scrap material	97,175	-
Insurance claims	-	155,160
Other income	1,484,255	634,358
Photocopies	2,855	1,578
Tender documents	9,739	8,000
	1,924,972	1,164,135

24. Investment revenue

Interest revenue		
Bank	610,908	94,553
Interest charged on trade and other receivables	21,445,461	14,556,211
Eskom deposit	411,865	33,488
	22,468,234	14,684,252

A council approval of interest levied at 7% for July 2021 to September 2022 was made on 31 August 2023. Interest was incorrectly levied at 7% instead of the approved rate of 10%. Council condoned the under charge of 3%. Council approved the 10% interest charged for the 2022-2023 financial year, effective from October 2022.

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25. Property rates

Rates received

Rates	18,419,972	16,210,782
Less: Income forgone	(648,870)	(817,433)
	17,771,102	15,393,349

Valuations

Residential	717,347,300	1,049,386,610
Commercial	2,562,839,530	233,685,700
State	224,240,300	94,526,200
Municipal	12,792,000	2,179,703,177
	3,517,219,130	3,557,301,687

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

26. Availability charges

Water	588,291	153,420
Sewerage	403,709	72,387
Electricity	440,614	143,183
	1,432,614	368,990

27. Government grants and subsidies received

Operating grants

Equitable share	64,181,959	56,140,000
Finance Management Grant (FMG)	1,920,000	1,920,000
Library Development Grant	1,600,000	1,400,000
	67,701,959	59,460,000

Capital grants

Expanded Public Works Programme (EPWP)	806,461	897,172
Municipal Infrastructure Grant (MIG)	15,296,537	17,012,594
Water Services Infrastructure Grant (WSIG)	11,614,852	7,000,700
	27,717,850	24,910,466
	95,419,809	84,370,466

Equitable Share

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

All registered indigents receive a monthly subsidy of R 593.26 (2022: R 575.04), which is funded from the grant. All registered indigent households receive 6kl water and 50kWh electricity free every month and to informal areas paraffin matches and candles are supplied. Unspent EPWP and MIG grants from the prior year was withheld from Equitable Share R 496,000 (2022: R 4,845,000), which is funded from the grant.

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27. Government grants and subsidies received (continued)

National: Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	495,959	318,131
Current-year receipts	1,075,000	1,075,000
Conditions met - transferred to revenue	(808,462)	(897,172)
Repayments	(495,959)	-
	<u>266,538</u>	<u>495,959</u>

Conditions still to be met - remain liabilities (see note 18).

The Expanded Public Works Programme (EPWP) Grant is allocated to incentivise municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas on compliance with the EPWP guidelines.

The original amount allocated as per the Division of Revenue Act, 2018 (Act No. 2 of 2018) (DoRA) amounted to R 64 182 000. R 496 000 (2022: R 4 845 000) was withheld from the Equitable share due to grant conditions not being met in the previous period

National: Finance Management Grant (FMG)

Current-year receipts	1,920,000	1,920,000
Conditions met - transferred to revenue	(1,920,000)	(1,920,000)
	<u>-</u>	<u>-</u>

All conditions attached to the grant were met.

The Finance Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs).

National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	<u>1,137,179</u>	<u>1,137,179</u>
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Conditions still to be met - remain liabilities (see note 18).

The grant is paid by National Treasury in order to implement the Integrated National Electrification Programme by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

National: Department of Water Affairs and Forestry

Balance unspent at beginning of year	<u>1,519,388</u>	<u>1,519,388</u>
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Conditions still to be met - remain liabilities (see note 18).

National: Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	<u>1,258,581</u>	<u>1,258,581</u>
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Conditions still to be met - remain liabilities (see note 18).

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27. Government grants and subsidies received (continued)

Provincial: Library Development Grant

Balance unspent at beginning of year	1,600,000	1,400,000
Current-year receipts	(1,600,000)	(1,400,000)
	<u>-</u>	<u>-</u>

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	630,424	5,601,018
Current-year receipts	14,988,000	16,887,000
Conditions met - transferred to revenue	(15,296,537)	(17,012,594)
Repayments	-	(4,845,000)
	<u>321,887</u>	<u>630,424</u>

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated by National Treasury for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

During the 2022/23 financial year National Treasury invoked section 18 of the 2022 DORA and subsequently stopped an amount of R 7 000 000 from the MIG allocation.

R496 000 (2022: R4 845 000) was withheld from the Equitable share due to grant conditions not being met in the previous period.

National: Department of Water Affairs and Forestry (2)

Balance unspent at beginning of year	942,072	942,072
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Conditions still to be met - remain liabilities (see note 18).

Water Services Infrastructure Grant (WSIG)

Current-year receipts	12,000,000	7,000,700
Conditions met - transferred to revenue	(11,614,852)	(7,000,700)
	<u>385,148</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 18).

To facilitate the planning and implementation of various water projects water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services, especially in rural areas.

During the 2022/23 financial year National Treasury invoked section 18 of the 2022 DORA and subsequently stopped an amount of R 3 000 000 from the WSIG allocation.

Other: National Lottery Development Trust Fund

Balance unspent at beginning of year	280,258	280,258
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Conditions still to be met - remain liabilities (see note 18).

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27. Government grants and subsidies received (continued)		
Provincial: Department of Housing		
Balance unspent at beginning of year	130,852	130,852
Conditions still to be met - remain liabilities (see note 18).		
Provincial: Department of Safety		
Balance unspent at beginning of year	124,919	124,919
Conditions still to be met - remain liabilities (see note 18).		
Other: Development Bank of Southern Africa		
Balance unspent at beginning of year	6,337	6,337
Conditions still to be met - remain liabilities (see note 18).		
Other: Institutional Re-organisational Grant		
Balance unspent at beginning of year	226,712	226,712
Conditions still to be met - remain liabilities (see note 18).		
28. Fines, penalties and forfeits		
Law enforcement fines	15,519,365	29,321,228
Other	75,852	20,289
	15,595,217	29,341,517

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with IGRAP 1.

The fines issued, but not yet collected at 30 June 2023 amounted to R 17 699 900 (2022: R 31 204 900). Based on past experience,

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29. Employee related costs

Basic	38,211,970	41,829,537
Performance bonus	592,749	588,329
Bonus	2,346,747	2,410,323
Medical aid - company contributions	890,779	868,232
UIF	345,887	368,497
Pension fund - company contributions	6,444,673	6,352,877
Industrial council	23,944	162,179
Leave pay provision charge	615,896	(146,035)
Group schemes	1,170	6,968
Skills development levy	-	511,723
Housing benefits	374,608	359,291
Retirement benefit liabilities	(2,583,000)	-
Expenses	(124,559)	-
Overtime payments	2,907,078	2,485,718
Long-service awards	195,109	124,480
Allowances	1,366,487	994,040
	51,609,538	56,916,159

Remuneration of Municipal Manager

Annual Remuneration	726,505	1,135,567
Car Allowance	106,559	144,000
Performance Bonuses	173,419	179,139
Contributions to UIF, Medical and Pension Funds	2,754	2,125
Leave payout	187,081	-
	1,196,318	1,460,831

The Municipal Manager post was vacant for the period November 2022 to March 2023, during which time Mr. S Nkcithiso acted as the Municipal Manager. He received an acting allowance totalling R169 184 during this period.

Remuneration of Acting Chief Finance Officer

Annual Remuneration	581,556	633,416
Car Allowance	-	266,481
Performance Bonuses	-	135,663
Contributions to UIF, Medical and Pension Funds	180,925	2,065
Acting allowance	72,695	-
Bonus	48,463	-
	883,639	1,037,625

Mr. N. Thiso acted as the financial manager until year-end

Remuneration of the Manager: Corporate Services

Annual Remuneration	311,902	1,124,430
Car Allowance	-	155,530
Performance Bonuses	-	180,947
Contributions to UIF, Medical and Pension Funds	66,203	2,125
Acting allowance	41,630	37,272
Bonus	38,230	-
	457,965	1,500,304

The post was vacant for the period November 2022 to 30 June 2023, during which time Mr. A Khalankomo acted as the Corporate Manager. He received an acting allowance totalling R41 630 during this period.

Umsobomvu Local Municipality

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29. Employee related costs (continued)		
Remuneration of the Manager: Technical Services		
Annual Remuneration	790,990	752,117
Car Allowance	120,000	120,000
Performance Bonuses	122,096	97,000
Contributions to UIF, Medical and Pension Funds	2,255	2,125
Acting allowance	169,184	-
	1,204,525	971,242
30. Remuneration of councillors		
Executive Major	1,145,233	956,533
Mayoral Committee Members	1,881,710	334,570
Speaker	719,677	344,627
Councillors	1,594,839	3,103,134
	5,341,459	4,738,864
31. Repairs and maintenance		
Other	3,306,094	4,063,867
32. Depreciation and amortisation		
Property, plant and equipment	28,516,715	28,093,036
Intangible assets	18,206	20,332
	28,534,921	28,113,368
33. Impairment of PPE		
Impairments		
Property, plant and equipment	2,439,475	240,789
Property, plant and equipment (buildings, infrastructure - and movable assets) have been impaired due to condition assessments that indicated a decrease in the value in use since the last assessment.		
34. Finance costs		
Non-current borrowings	3,830,386	1,122,000
Trade and other payables	1,210,176	569,874
Service concession arrangements	-	1,270,117
	5,040,562	2,961,991
35. Debt impairment		
Debt impairment	52,008,889	37,620,737
Bad debts written off	14,773,603	24,701,996
	66,782,492	62,322,733

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36. Bulk purchases		
Electricity	37,845,043	36,908,221
Water	10,399	215,776
	37,855,442	37,123,997
37. Contracted services		
Contractors		
Contracted services	6,639,795	6,030,455
38. General expenses		
Advertising	199,446	106,207
Bank charges	312,959	528,195
Cleaning	45,345	25,332
Consumables	527,695	598,584
Entertainment	242,215	210,790
Insurance	609,594	1,332,899
Workmens Compensation	271,856	271,060
Management fees	819,646	681,784
Fuel and oil	1,853,066	1,719,423
Postage and courier	3,420	6,598
Printing and stationery	237,383	178,726
Remuneration of ward committees	363,000	181,400
Subscriptions and membership fees	1,551,934	749,935
Telephone and fax	793,216	949,151
Training	3,809	10,530
Title deed search fees	656	436
Uniforms	46,833	259,750
Rental	207,668	558,402
Special programme - Community participation	1,318,665	1,143,934
Licence fees	526,563	614,377
Materials and supplies	182,497	228,694
Library expenditure	769	1,054
Registration fees	93,824	63,083
Other expenses	3,081,115	2,261,454
	13,293,174	12,681,798
39. Auditors' remuneration		
Fees	4,073,158	2,679,316

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40. Financial instruments disclosure		
Categories of financial instruments		
2023		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	94,864,470	94,864,470
Financial liabilities		
	At amortised cost	Total
Finance lease obligations	2,019,997	2,019,997
Payables from exchange transactions	41,370,378	41,370,378
Retentions	1,261,989	1,261,989
Bank overdraft	1,310,696	1,310,696
	45,963,060	45,963,060
2022		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	81,994,585	81,994,585
Cash and cash equivalents	1,966,282	1,966,282
	83,960,867	83,960,867
Financial liabilities		
	At amortised cost	Total
Finance lease obligations	2,519,333	2,519,333
Payables from exchange transactions	43,628,201	43,628,201
Retentions	1,476,882	1,476,882
	47,624,416	47,624,416
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	12,223,615	46,462,564
Total capital commitments		
Already contracted for but not provided for	12,223,615	46,462,564

This committed expenditure relates to plant and equipment and will be financed by government grants. The commitment amounts disclosed are inclusive of VAT

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42. Contingencies

Contingent liabilities

Komanisi //Umsobomvu Local Municipality: Litigation is in the process against the municipality relating to a dispute with a supplier who alleges that it suffered financial loss and stock on a housing project. Due to the fact that there had been no developments in the case since 2013, management is of the opinion that there will be no financial impact as at 30 June 2023. Should there be any developments management will reassess and disclose appropriately.

Umsobomvu Local Municipality// NE Lufele & NM Mxhosana & NE Takayi: The insurance claim is still pending at year end: Three children swam in the municipal quarry and drowned. Damages of R256 000 (2022: 256 000) is claimed by the family and still in progress

Dept of Environmental Affairs//Umsobomvu Local Municipality: Legal Rep. S. Foster Attorneys (Criminal case - spillage of sewerage in Noupoort). The amount will be based on the outcome of the court case and cannot be estimated yet

N.G. Mgcineni//Umsobomvu Local Municipality: Mr N.G. Mgcineni worked as a section head in Community Development and registered as a candidate in the local election. He was elected as a proportional councillor and Ito the regulations pertaining to officials contesting in elections he was deemed to resign. Mr Mgcineni did not agree with our interpretation of the regulation and has subsequently went to the labour court. The salary that would be payable to Mr Mgcineni if the court agrees that this was an unfair dismissal amount to R344 208.

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43. Related parties		
Relationships		
W Minnie (Councillor)		Jashwill contractors
JP Mathee (Councillor)		JM Compsol
		CBG Consultants
GMH Douw (Councillor)		Enkosi Marli Bongs Consulting
B Mangaliso (Councillor)		K2013186624(South Africa)
		Silubonono
L Tyindyi (Councillor)		Wavefront Trading
		Umsobomvu Residence Association
NS Mlungwana (Councillor)		Sisokola Sonke Colesberg Primary Cooperative limited
		Yabocon Construction
S Yabo (Councillor)		Lindi Rose Trading Enterprise
L Zakhe (Councillor)		Umsobomvu Residence Association
T Matebese (Councillor)		Pride and Grace Trading and Projects
AC Mpela (Municipal Manager)(July 2022 -Oct 2022)		Umsobomvu Industrial Development (Pty) Ltd
		Mthomo Sediba Development Agency
		Kleen Bin Sedgemodan
		Uhamboluhle Construction CC
		Bakhangele Kuwe Enterprise
TW Msengana (Municipal Manager)(April 2023 - Current)		Birtus Kapp Beleggings CC
BJ Kapp (Corporate Services Manager)(July 2022 -October 2022)		Umsobomvu Industrial Development (Pty) Ltd
		Uhamboluhle Construction CC
S Nkcithiso (Acting Municipal Manager)(November 2022 to March 2023)		Sida Engineering Solutions (Pty) Ltd
		Bongata Trading 533
S Buka (Bid spesification committee)		We Even logistics
T Mthimkulu (PMU Manager)		Colesburg Cosmos Sports Academy
		None
MS Toto (Councillor)		None
ND Stafa (Councillor)		None
AP Poyo (Councillor)		None
VP Harmse (Councillor)		None
N Thiso (Acting Chief financial)		None
A Khalankomo (Acting Corporate Service Manager)(November 2022 - Current)		None
Related party transactions		
Property rates levied against related parties		
Councilors	4,256	7,399
Service charges levied against related parties		
Councilors	25,433	38,387
Other charges levied against related parties		
Councilors	1,696	2,359

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43. Related parties (continued)

Remuneration of councillors

Related parties

2023

Name	Basic salary	Cellphone and data allowances	Travel and subsistence	Total
MS Toto	648,097	41,400	207,337	896,834
ND Staffa	674,745	41,400	3,532	719,677
B Mangaliso	350,936	41,400	3,818	396,154
W Minnie	328,995	41,400	4,131	374,526
L Tyindyi	350,936	41,400	1,851	394,187
L Zakhe	350,936	41,400	2,584	394,920
JP Mathee	279,914	41,400	608	321,922
VP Harmse	266,958	41,400	456	308,814
GMH Douw	264,812	41,400	304	306,516
NS Mlungwana	264,802	41,400	-	306,202
SA Yabo	264,802	41,400	2,164	308,366
T Matabese	264,802	41,400	-	306,202
AP Poyo	264,802	41,400	948	307,150
	4,575,537	538,200	227,733	5,341,470

2022

Name	Basic salary	Cellphone and data allowance	Travel and subsistence	Total
MS Toto	802,314	44,400	4,709	851,423
SE Humphries	91,320	15,895	-	107,215
MA Sestile	117,194	15,895	-	133,089
MR Kafi	117,194	15,895	-	133,089
VP Harmse	280,674	44,400	695	325,769
W Minnie	280,674	44,400	2,024	327,098
ND Staffa	487,908	44,400	2,632	534,940
NJ Batties	91,320	15,895	-	107,215
JP Mathee	295,749	44,400	999	341,148
SK Brown	91,320	15,895	-	107,215
CM Williams	91,320	14,606	-	105,926
GMH Louw	163,480	28,455	999	192,934
B Magaliso	213,213	28,455	999	242,667
L Tyindyi	213,213	28,455	847	242,515
NS Mlungwana	163,480	28,455	695	192,630
SA Yabo	163,480	28,455	695	192,630
L Zakhe	213,213	28,455	847	242,515
T Matebese	152,297	25,900	1,303	179,500
AP Poyo	152,297	25,900	1,151	179,348
	4,181,660	538,611	18,595	4,738,866

Remuneration of key management personnel

*Refer to note "Employee related costs"

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44. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

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44. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.

The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.

The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

Umsobomvu Local Municipality

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44. Risk management (continued)

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Financial assets exposed to credit risk at year end were as follows:

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.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

Price risk

The municipality does not hold any shares.

45. Unauthorised expenditure

Opening balance as previously reported	56,787,904	56,787,904
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46. Fruitless and wasteful expenditure

Opening balance as previously reported	933,594	-
Add: Fruitless and wasteful expenditure identified - current	1,536,477	772,001
Add: Fruitless and wasteful expenditure identified - prior period	-	161,593
Closing balance	2,470,071	933,594

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47. Irregular expenditure

Opening balance as previously reported	29,936,183	12,950,136
Add: Irregular expenditure - current	2,385,759	16,986,047
Closing balance	32,321,942	29,936,183

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year membership fees	677,661	702,735
Amount paid - current year	(677,661)	(702,735)
	-	-

Distribution losses

Electricity	11,350,746	9,023,538
Water	1,793,693	9,723,521
	13,144,439	18,747,059

Electricity losses

The municipality purchased 22 411 950.57 (2022: 25 303 188) units during the financial year. It sold / billed 15 685 130 (2022: 19 115 581) units during the year and has calculated its distribution losses to be an estimated 30.01% (2022: 24.45%) at an average cost of R1.6874 (2022: R1.4583) per unit. The main reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

Water losses

The municipality pumped 1 597 641 (2022: 1 924 489) units during the financial year. It sold / billed 862 215 (2022: 1 106 215) units during the year and has calculated its distribution losses to be an estimated 46.03% (2022: 42.52%) at an average cost of R 2.4390 (2022: R11.8830) per unit. These losses occur due to inter alia, leakages, the tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

Audit fees

Opening balance	1,953,663	1,112,762
Current year subscription / fee	4,073,158	2,679,316
Amount paid - current year	(3,842,648)	(2,322,025)
Value added tax	610,974	401,897
Interest charges	280,284	81,713
	3,075,431	1,953,663

PAYE and UIF

Current year payroll deductions	8,714,425	9,003,128
Amount paid - current year	(8,714,425)	(9,003,128)
	-	-

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and medical aid deductions

Current year contributions	10,604,680	10,762,290
Amount paid - current year	(10,604,680)	(10,762,290)
	-	-

VAT

VAT payable	(17,639,258)	(10,346,145)
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding up to 90 days R	Outstanding more than 90 days R	Total R
M Toto	2,109	1,796	3,905
W Minnie	1,582	5,938	7,520
VP Harmse	1,582	5,938	7,520
AP Poyo	901	3,846	4,747
	6,174	17,518	23,692
30 June 2022	Outstanding up to 90 days R	Outstanding more than 90 days R	Total R
MS Toto	2,047	1,836	3,883
MR Kafi	1,302	5,849	7,151
W Minnie	1,672	5,365	7,037
VP Harmse	1,386	1,522	2,908
CM Williams	56	8,756	8,812
NJ Batties	2,480	34,943	37,423
	8,943	58,271	67,214

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2023	Highest outstanding amount	Aging (in days)
W Minnie	5,938	90
VP Harmse	5,938	90
AP Poyo	3,846	90
M Toto	1,796	90
	17,518	360

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2022

	Highest outstanding amount	Aging (in days)
MS Toto	1,836	90
MR Kafi	5,849	90
W Minnie	5,365	90
VP Harmse	1,522	90
CM Williams	8,756	90
J Mathee	3,150	90
NJ Batties	34,943	90
	61,421	630

Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Incident

Three quotations not obtained	-	150,761
Special procurement	139,249	50,339
Exceptional cases	104,087	2,806,940
Sole provider	1,006,024	758,381
Emergency cases	172,871	654,372
	1,422,231	4,420,793

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49. Budget differences

Material differences between budget and actual amounts

Material differences are deemed material where the differences differ with 10% or more of the final budget.

Statement of financial performance

Rental of facilities and equipment: The variance is due to Municipality renting more facilities and equipment than budgeted.

Agency services: The municipality collected more agency fees than anticipated which is the reason for the variances.

Availability charges: On the budget, the availability charges were included in services charges hence there is no budgeted amount which is the reason for the variances.

Fines, Penalties and Forfeits: The municipality did not collect as much fines, penalties and forfeits as anticipated as there was one camera working as opposed to 3 cameras in the financial year which resulted to actual amount of fines and penalties being less than the budgeted amount.

Employee costs: The variance in employee costs is due to vacant positions during the year.

Repairs and maintenance: Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved.

Depreciation and amortisation: Municipality has not yet accounted for the depreciation hence budget is more than actual amount.

Finance costs: The municipality under budgeted and did not budget for finance lease interest which the reason for the variance.

Debt impairment: Increase in impairment of debtors is due to the increase in aging of customer debtor accounts that are not being settled by customers.

Bulk purchases: The municipality used less than anticipated hence the actual is less than budgeted furthermore the municipality stopped using H Du Toit supplier for bulk purchases.

Contracted Services: The municipality anticipated that they would spend more on contracted services which did not materialise due budget restraints.

General Expenses: Management anticipate for general expenses to be this high during the year, which resulted in the budgeted amount being more than the actual expenses, this due to proper cost containment measures resulting to under-spending of expenditure.

Loss on disposal of assets: Management did not budget for disposal of assets due to poor/broken conditions.

Travel and subsidies: Management did not budget for expenses relating to travel and subsidies.

Fines and penalties: Due to the cashflow constraints experience in the current year the municipality incurred fines and penalties on creditor accounts that were not considered when calculation the budget

Auditors remuneration: Management over-estimated the expenditure relating to auditors remuneration due to the fact that they did not take into account the discount received from the Auditor General

Statement of Financial Position

Other receivables from non-exchange transactions: Management did not budget for over-and- under banking.

Consumer debtors: Management overestimated the deposits that have been made by consumers for electricity and water.

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49. Budget differences (continued)

Statutory receivables from nonexchange transactions: Management did not budget separately for statutory receivables from non-exchange transactions, this is budgeted for with consumer debtors.

Receivables from availability charges: Due to the fact that the split of debtors and revenue from availability charges is a new GRAP requirement, Management did not budget separately for the debtors and revenue from availability charges, those are the reason for the variances.

Cash and cash equivalents: Management anticipated to have more money in the bank at year-end, but it did not materialise due to higher expenses during the year.

Property, plant and equipment: The municipality had additions in the current year which contributed in actual being more than budget.

Intangible assets: The municipality had less intangible assets than budgeted as the municipality did not dispose as much intangible assets as anticipated in the current year.

Investments: The actual amount for the investment is under other receivables from exchange transactions.

Finance lease obligation (Current and non-current): The finance lease obligation budget amount was based on the present value minimum lease payments of the prior year. The final liability decreased due to payments being made. In addition, the budgeted amount includes the current liability portion and the non-current portion that is disclosed as a separate line item on the financial statement.

Payables from exchange transactions: The reason for the variance is due to the fact that the municipality has less suppliers in the current year than anticipated and the municipality managed their expenses better this year.

Employee benefit obligation (Current): Management budgeted for Employee benefit obligation under provisions.

Unspent conditional grants and receipts: The municipality anticipated that all grants received will be utilised for the year, therefore no amount was budgeted for. Provisions (Current)- Variance is due to change in estimate the actual amount is higher than budgeted.

Consumer Deposit (Non-current): Management overestimated the deposits that are owed to consumers for electricity and water.

Investment property: Management did not budget for the revaluation of investment property.

Inventory: It was identified that property stock was incorrectly included in inventory as well as investment property. Property stock was subsequently removed from the inventory stock.

Cashflow statement:

Taxation: Management recovered more outstanding debt from property rates than expected.

Sale of goods and services: Due the financial difficulty within the community, outstanding debt is not recovered as quickly as expected.

Interest income and other revenue: Management over budgeted for the receipts from interest and other revenue. Interest and other revenue is included in the actual amount under sale of goods and services.

Finance costs: Management under-budgeted for finance costs due to the fact that they have payment arrangements with suppliers to limited the levy of finance charges on outstanding accounts, Management however did not budget for defaulting on supplier payment arrangements due to financial difficulty.

Receipts Decrease in non- current investments: The municipality over budgeted for receipts from non-current investments.

Payment for capital assets: The municipality over-budgeted for payments to capital assets as they expected to purchase/replace more capital assets.

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49. Budget differences (continued)

Employee related cost: The municipality budgeted for payment of suppliers under employee costs.

Payment to suppliers: The municipality budgeted for payment of suppliers under employee costs.

Repayment of financial liabilities: The municipality did not budget for cashflow from repayment of liabilities

Repayment of finance lease liabilities: The municipality did not budget for cashflow from repayment of liabilities

Cash and Cash Equivalents at the beginning of the year: Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

Cash and Cash Equivalents at the end of the year: Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

50. Principal-Agent arrangements

The municipality is the Principal in the Principal-Agent arrangement with Conlog. Conlog undertakes pre-paid electricity sales through the use of third-party vendors on behalf of Umsobomvu Local Municipality. No significant judgements were applied in determining if the municipality was the principal. No changes have been made to the terms and conditions for the arrangement during the reporting period. No significant risks and benefits associated with the arrangement have been identified.

Compensation paid for agency activities

Statement of Financial Performance

Commission income paid	295,541	243,890
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Statement of Financial Position

Conlog debtor included in trade and other receivables	1,683,136	957,689
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Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

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50. Principal-Agent arrangements (continued)

Details of the arrangement are as follows:

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of the Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement

Compensation received for agency activities

Statement of Financial Performance

Commission (Payroll deductions)	295,541	243,890
Commission (Department of Transport, Safety and Liaison)	59,973	59,910
	355,514	303,800

Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points

Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

51. Events after the reporting date

- A council approval of interest levied at 7% for July 2021 to September 2022 was made on 31 August 2023. Interest was incorrectly levied at 7% instead of the approved rate of 10%. Council condoned the under charge of 3%. Council approved the 10% interest charged for the 2022-2023 financial year, effective from October 2022.
- on 8 November 2023, council resolved to dispose of a total of 265 sites to community members who do not qualify for Rural Development Programme (RDP) housing. These sites are included in the balance of investment property disclosed in note 9 to the financial statements. Council has engaged with the department of Co-operative Governance, Human Settlements and Traditional Affairs (COGHSTA) on the sites they plan to dispose of.

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52. Cash generated from operations		
Deficit	(5,952,408)	(2,691,175)
Adjustments for:		
Depreciation and amortisation	28,534,921	28,113,368
Gain on sale of assets and liabilities	4,764,485	191,654
Impairment deficit	2,439,475	240,789
Debt impairment	66,782,492	62,322,733
Movements in retirement benefit assets and liabilities	(1,199,000)	12,583,460
Movements in provisions	2,370,676	10,614,822
Inventory losses or write-downs	3,830,386	(2,679,316)
Other non-cash items	-	(9,730,007)
Changes in working capital:		
Inventories	27,423	(50,889)
Consumer debtors	(78,054,371)	(144,317,318)
Other receivables from non-exchange transactions	(1,162,362)	(5,158,749)
Statutory receivables from non-exchange transactions	(1,540,466)	(3,411,039)
Payables from exchange transactions	(2,257,823)	83,782,023
VAT	7,293,113	10,346,145
Taxes and transfers payable (non-exchange)	(1,014,663)	1,379,134
Unspent conditional grants and receipts	(152,810)	6,752,681
Consumer deposits	(53,549)	708,638
	24,655,519	48,996,954

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53. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 519,425,292 and that the municipality's total assets exceed its liabilities by R 541,950,802. The municipality had a revaluation reserve of R 22 525 510.

We further draw attention to the fact that at 30 June 2023 a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

- The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
- The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
- Receivables from exchange and non-exchange transactions are almost fully impaired.
- The municipality's current assets exceeds its current liabilities by R 38 155 415 (2022: R 31 173 120), this is an indication that the municipality's current ratio is below the required norm of 1.5 - 2.
- The municipality incurred a net deficit of R 5 952 408 (2022: R 2 691 175), the major contributors to this change is increases in impairments, finance costs, contracted services and a decrease in revenue from exchange transactions. The municipality held a bank overdraft at 30 June 2023 of R 1 310 696

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality will be implementing a system to enhance the revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the DoRA.

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54. Segment information

Segment surplus or deficit, assets and liabilities

2023

	Executive and Council	Finance and Administration	Community and Social Services	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total
Revenue									
Service charges	(19,551)	-	-	(8,217,014)	-	(33,353,494)	(16,075,305)	(12,170,775)	(69,836,139)
Rental and facilities and equipment	-	(128,829)	-	-	(10,394)	-	-	-	(139,223)
Other income	(256,490)	(753,913)	(31,944)	-	(691,011)	(181,540)	(7,608)	(2,466)	(1,924,972)
Interest received	-	(553,980)	-	-	-	(21,914,253)	-	-	(22,468,233)
Property rates	-	(17,771,102)	-	-	-	-	-	-	(17,771,102)
Availability charges	-	-	-	-	-	(440,614)	(588,291)	(403,709)	(1,432,614)
Government grants and subsidies	(64,181,959)	(1,920,000)	(1,600,000)	-	(15,478,998)	-	(624,000)	(11,614,852)	(95,419,809)
Agency services	-	-	-	-	(830,146)	-	-	-	(830,146)
Fines, Penalties and Forfeits	-	-	-	-	(15,589,085)	(6,132)	-	-	(15,595,217)
Total segment revenue	(64,458,000)	(21,127,824)	(1,631,944)	(8,217,014)	(32,599,634)	(55,896,033)	(17,295,204)	(24,191,802)	(225,417,455)
Entity's revenue									(225,417,455)

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	Executive and Council	Finance and Administration	Community and Social Services	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total
Segment information (continued)									
Expenditure									
Employee related costs	4,759,837	13,439,971	7,374,518	3,219,391	8,369,359	3,632,919	6,868,810	3,944,733	51,609,538
Remuneration of councillors	5,341,459	-	-	-	-	-	-	-	5,341,459
Depreciation and amortisation	-	28,534,921	-	-	-	-	-	-	28,534,921
Reversal of impairments	-	40,000	-	-	-	2,399,475	-	-	2,439,475
Finance costs	1,384,000	3,656,561	-	-	-	-	-	-	5,040,561
Debt impairment	-	51,665,547	-	70,375	14,773,603	200,352	36,472	36,142	66,782,491
Repairs and maintenance	-	195,567	40,366	173,334	1,516,650	589,885	551,009	239,282	3,306,093
Bulk purchases	-	-	-	-	-	37,845,043	10,399	-	37,855,442
Contracted services	1,388,698	5,251,097	-	-	-	-	-	-	6,639,795
General expenditure	5,140,689	1,618,674	256,573	391,672	1,303,026	1,197,649	2,688,894	695,996	13,293,173
Loss on disposal of assets and liabilities	-	4,764,485	-	-	-	-	-	-	4,764,485
Auditors remuneration	-	4,073,141	-	-	-	-	-	-	4,073,141
Travel and subsistence	1,103,326	213,654	5,513	-	94,102	70,182	63,417	17,981	1,568,175
Fines and penalties	-	-	-	-	121,111	-	-	-	121,111
Total segment expenditure	19,118,009	113,453,618	7,676,970	3,854,772	26,177,851	45,935,505	10,219,001	4,934,134	231,369,860
Assets									
Inventories	-	-	-	-	-	-	23,466	-	23,466
Other receivables from non-exchange transactions	-	4,317,963	-	-	-	2,003,148	-	-	6,321,111
Consumer debtors	833,612	94,029,209	-	-	-	1,648	-	-	94,864,469
Statutory receivables from non-exchange transactions	-	1,813,033	-	-	-	-	-	-	1,813,033
Receivables from availability charges	-	4,435,008	-	-	-	-	-	-	4,435,008
Investment property	-	43,581,199	-	-	-	-	-	-	43,581,199
Property, plant and equipment	-	(92,915,790)	(49,770,142)	103,500	57,978,935	(7,733,371)	542,967,427	34,585,399	485,215,958
Intangible assets	-	26,278	-	-	-	-	-	-	26,278
Total segment assets	833,612	55,286,900	(49,770,142)	103,500	57,978,935	(5,728,575)	542,990,893	34,585,399	636,280,522

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	Executive and Council	Finance and Administration	Community and Social Services	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total
Segment information (continued)									
Total assets as per Statement of financial Position									636,280,522
Liabilities									
Finance lease obligations	-	(2,019,997)	-	-	-	-	-	-	(2,019,997)
Payables from exchange transactions	-	98,554,908	(16,146)	(12,567)	(139,896,573)	-	-	-	(41,370,378)
Payables from non-exchange transactions	-	(364,471)	-	-	-	-	-	-	(364,471)
VAT payable	(544,635)	2,535,057	-	-	-	-	(19,629,580)	-	(17,639,158)
Consumer deposits	-	(655,088)	-	-	-	-	-	-	(655,088)
Employee benefit obligation	-	(11,384,560)	-	-	-	-	-	-	(11,384,560)
Unspent conditional grants	-	(6,474,952)	(124,919)	-	-	-	-	-	(6,599,871)
Bank overdraft	-	(1,310,696)	-	-	-	-	-	-	(1,310,696)
Provisions	-	(12,985,498)	-	-	-	-	-	-	(12,985,498)
Total segment liabilities	(544,635)	65,894,703	(141,065)	(12,567)	(139,896,573)	-	(19,629,580)	-	(94,329,717)
Total liabilities as per Statement of financial Position									(94,329,717)

2022

	Executive and Council	Finance and Administration	Community and Social Services	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total

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55. Prior-year adjustments (continued)

1. Reclassification of expenditure transactions

Contracted Services	-	(396,562)
General Expenses	-	396,562
	-	-

**ANNEXURE A:
AUDITOR-GENERAL
REPORT**

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Umsobomvu Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Umsobomvu Local municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget with actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the 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 Umsobomvu 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

Cash and cash equivalents

3. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The municipality did not have adequate systems of reconciling balances per bank statements with the cash book. I could not confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R1 310 696 (2021-22: R1 966 282) in note 8 of the financial statements.

Payables from exchange transactions

4. The municipality did not recognise unallocated deposits in accordance with GRAP 1, *Fair presentation of financial statements*. Unallocated deposits were incorrectly recorded as assets in the financial statements. Consequently, payables from exchange transactions are understated by R8 781 536 and other receivables from exchange transactions are understated by the same amount.
5. In addition, I was unable to obtain sufficient appropriate audit evidence for the prior year amount of unallocated deposits included in payables from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm unallocated deposits by alternative means. Consequently, I was unable to determine whether any adjustment to the

prior year amount was necessary to unallocated deposits, stated at R1 645 301 in note 13 to the financial statements.

6. I was unable to obtain sufficient appropriate evidence for the prior year amount of debtors with credit balances included in payables from exchange transactions. The municipality did not have adequate systems of internal controls for the recording and reconciliation of debtors with credit balances. Consequently, I was unable to determine whether any adjustment was necessary to the prior year amount of debtors with credit balances disclosed at R2 654 988 in note 13 to the financial statements.

Property, plant and equipment

7. I was unable to obtain sufficient appropriate audit evidence for the comparative amount of infrastructure asset included in property, plant and equipment due to the status of the accounting records. The municipality did not have adequate systems of internal control for the unbundling of completed assets. I was unable to confirm additions to infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to comparative amount of additions to infrastructure assets, stated at R31 054 725 in note 10 to the financial statements.

Service charges

8. In the prior year, the municipality did not accurately recognise sale of electricity that has accrued in accordance with GRAP 9, *Revenue from exchange transactions*. Sale of electricity was levied at higher rates due to meter readings not recorded on the system on time, resulting in an overstatement of service charges by R2 986 636 and consumer debtors by the same amount. I was unable to determine whether any adjustments were necessary sale of electricity stated at R35 283 945 in note 20 to the financial statements.

Other receivables from non-exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for under (over) banking included in other debtors from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm under (over) banking by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to under (over) banking, stated at R2 363 163 (2021-22: R2 702 866) in note 4 to the financial statements.

Allowance for impairment

10. I was unable to obtain sufficient appropriate audit evidence for allowance for impairment included in receivables from exchange and non-exchange transactions for the prior year due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm allowance for impairment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to prior year allowance for impairment, stated at R211 542 687 in note 5 to the financial statements.

Receivables from exchange transactions

11. I was unable to obtain sufficient appropriate audit evidence for water consumer debtors included in receivables from exchange transactions in the prior year due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm water consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to water consumer debtors prior year amount, stated at R91 199 635 in note 5 of the financial statements.
12. I was unable to obtain sufficient appropriate audit evidence for refuse consumer debtors included in receivables from exchange transactions in the prior year due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm refuse consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to refuse consumer debtors prior year amount, stated at R57 388 536 in note 5 of the financial statements.

Context for opinion

13. 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.
14. 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.
15. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

16. I draw attention to the matters below. My opinion is not modified in respect of this matters.
17. I draw attention to note 53 to the financial statements, which indicates that:
 - The municipality made a deficit of R5 952 409 for the year
 - The municipality experienced cash flow difficulties which resulted in suppliers being paid late (after 30 days)
 - Receivables from exchange and non-exchange transactions are almost fully impaired. It is unlikely that these debtors will repay their debts

- The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

18. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Uncertainty relating to the future outcome of exceptional cases

20. With reference to note 42 to the financial statements, the municipality is the defendant in a number of claims against them. The municipality is opposing the claims, as it is believed that the claims are unjustified. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Material losses – Water

21. As disclosed in note 48 to the financial statements, material water losses of R1 793 693 (2021-22: R9 723 521) were incurred, which represent 46.3% (2021-22: 42,5%) of total water purchased. These losses occur due to, inter alia, leakages, the tampering of meters and illegal water connections.

Material losses – Electricity

22. As disclosed in note 48 to the financial statements, material electricity losses of R11 350 746 (2021-22: R9 023 538) were incurred, which represent 30,0% (2021-22: 24.45%) of total electricity purchased. These losses were due to dissipation when electricity flows through the conductors, illegal connections, meter tampering and under-charging.

Other matters

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

Unaudited disclosure notes (MFMA 125)

24. In terms of section 125(2) (e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

25. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

26. 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

27. 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.

28. 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

29. 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 objectives presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

30. I selected the following objectives presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected objectives that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Objectives	Page numbers
Objective 5 – Ongoing maintenance of municipal infrastructure	XX
Objective 6 – Provide appropriate services to all households	XX
Objective 7 – Provide quality and sustainable municipal infrastructure within available resources	XX

31. I evaluated the reported performance information for the selected objectives 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.

32. 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 measures taken to improve performance.

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

34. I did not identify any material findings on the reported performance information for the selected objectives.

Report on compliance with legislation

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

36. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

37. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Annual financial statements, performance and annual reports

39. The financial statements submitted for audit were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements on segment reporting, cash flow statement, statement of changes in net assets, impairment of land identified by the auditors in the submitted financial statements were subsequently corrected and supporting records provided, but the uncorrected misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

40. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
41. Reasonable steps were not taken to prevent irregular expenditure amounting to R 2 227 623 disclosed in note 47 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) legislation.
42. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 536 477 disclosed in note 46 to the financial statements as required by section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on overdue accounts.

Procurement and contract management

43. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
44. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
45. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.
46. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year.

Consequence management

47. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information in the annual report

48. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
49. 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.
50. 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 objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
51. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

52. 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.
53. 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 compliance with legislation included in this report.
54. Management did not effectively exercise oversight responsibility in respect of financial, performance reporting and compliance with applicable legislation by ensuring daily and monthly reports are prepared and adequately reviewed for credibility of financial statements and the annual performance report.
55. Management has not effectively implemented daily and monthly controls to prevent, detect and correct misstatements before financial statements and annual performance report are submitted or audit. As a result, numerous material misstatements were identified in the financial statements, performance report and supporting schedules.
56. The municipality developed an audit action plan to address issues that were raised during the prior year internal and external audit processes. However, management did not adequately address prior year issues. This is evident from multiple repeat findings identified in the current year in the financial statements as well as significant non-compliances with legislation.

57. The audit committee did not adequately discharge their responsibility of monitoring the implementation of the audit action plan during the year and reviewing the financial statements prior to submission for audit. This was evidenced by the quality of the submitted financial statements and extent of repeat audit findings during the audit.

Material irregularities

58. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Internal capacity not developed to prepare annual financial statements resulting in over reliance on consultants

59. The municipality appointed consultants for preparation of financial statements and asset management due lack of capacity and skills of municipal officials. However, the municipality did not develop, implement and monitor consultancy reduction plan to capacitate municipal officials and therefore reduce reliance on consultants as required by municipal cost containment regulation 5(5).

60. The accounting officer was notified of the material irregularity and on 31 March 2023, a response was received with planned actions to be taken to address the matter. The following actions have been taken to address the material irregularity:

- In the year 2022-23, the municipality revised its organogram with the inclusion of new positions in the finance unit. These positions are aimed at capacitating the finance unit in order for the municipality to reduce reliance on consultants.
- Four interns have completed their Municipal Finance Improvement Planning (MFIP) during the year and one has been absorbed in the finance unit.

61. The following actions are in the process of being taken:

- Recruitment activities to fill key vacant positions such as the CFO and new positions per organogram.
- Identification of personnel for skills transfer, assessment and regular monitoring of the transfer of skills.

62. I will follow up on the progress of the material irregularity during my next audit.

Auditor General.

Kimberley

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 objectives and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
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	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
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) Parent municipality with ME: Sections 93B(a), 93B(b)

Legislation	Sections or regulations
	Parent municipality with shared control of ME: Sections 93C(a)(iv), 93C(a)(v)
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)