

MAPHUMULO MUNICIPALITY

ANNUAL REPORT

2021/22

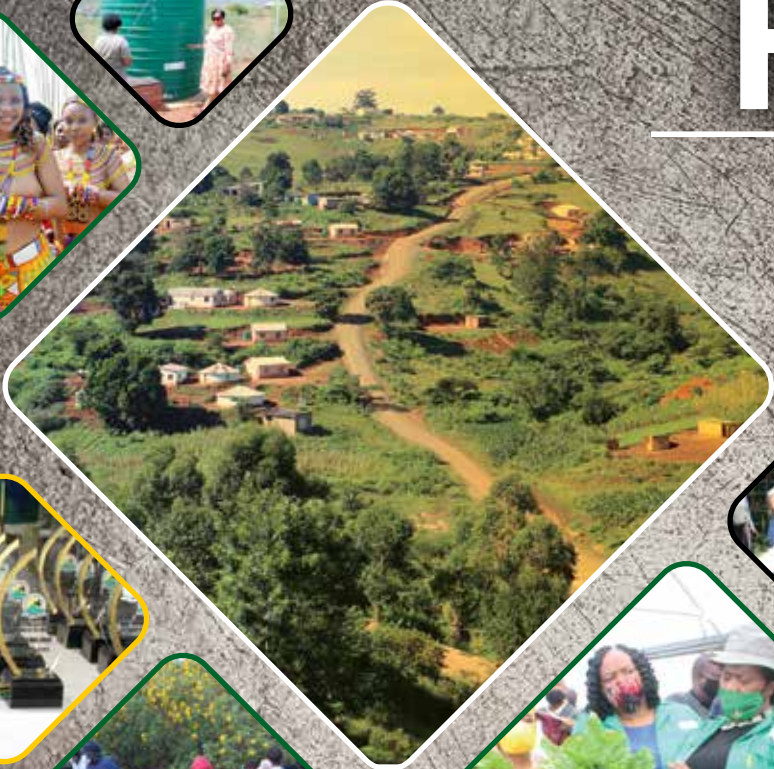


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Annual Financial Statements For the Year Ended 30 June 2022

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CHAPTER 1

MAYOR'S FOREWORD
& EXECUTIVE SUMMARY

1.1 FOREWORD BY THE HONOURABLE MAYOR

Maphumulo Local Municipality prepared this Annual Report (AR) for 2021/22 in compliance with the requirements of the Municipal Systems Act no 32 of 2000. This AR reflects on the performance (financial and non-financial) of the Municipality under the reported financial year.

It is worth mentioning that this is the 1st financial year of this Council (2021 – 2026) as the term for the old Council ended in October 2021. The new Council was inaugurated after the local government elections that were held on 01 November 2021. The Municipality is led by a coalition between the IFP, EFF and Independent Party. This AR is therefore important as it is the first Annual Report under this Council and it lays a foundation for the new leadership and its term in terms of what should be prioritised to address identified challenges.

At the beginning of the financial year, IDP Izimbizos were held in various Wards to gather community inputs in terms of how they wish this Council could drive and direct development. The prioritisation of projects was then made and budget was allocated for the projects and programmes as per Key Performance Areas contained in the Integrated Development Plan (IDP) document. The Service Delivery and Budget Implementation Plan (SDBIPs) was developed for implementation by each municipal department. All our programmes and projects emanated from our vision **“to be a liveable Municipality where socio-economic wellbeing and quality of life are realized by 2035”**.

For the year under review, we undertook various projects relating to road construction, electrification of households, construction of community centres etc. Below are some of the capital projects we undertook:

- Okhalweni Road in Ward 10: The budget allocation was R 7, 299, 395. 00.
The project is in progress.
- Phozomane/ Mnawe Road: The budget allocation was R 4, 727, 837. 72. The project is in progress.
- Okhukho Road: The budget allocation was R13, 887, 549. 37. The project is complete.
- Mphise/ Esihlushwaneni/ Mangongo Mbulwini Electrification: The budget allocation was R2, 500 000. 00. The project is in progress.
- Mankayiyana/ Otimati Electrification: The budget allocation was R5, 000 000. 00.
The project is in progress.
- Wome/ Sinamfu Electrification: The budget allocation was R2, 500 000. 00.
The project is in progress.
- Ngwadumane/ Nkolovuzana Electrification: The budget allocation was R6, 250 000. 00.
The project is in progress.
- Congo/ Etsheni Electrification: This rollover project from the last financial year is now complete.
- Esese Electrification: This rollover project from the last financial year is now complete.
- Nkonjane Electrification: This rollover project from the last financial year is now complete.
- Mzulwini Electrification: This rollover project from the last financial year is now complete.
- Vulamehlo Electrification: This rollover project from the last financial year is now complete.
- Zagqayini/ Mafahleni Electrification: This rollover project from the last financial year is now complete.
- Phakade/ Mazisi Electrification: This rollover project from the last financial year is now complete.
- Dabangu Electrification: This rollover project from the last financial year is now complete.
- Construction of Mvozane Community Centre: This rollover project from the last financial year is near completion.
- Completion of Designs for Sabuyaze Sports Ground: The budget allocation was R1, 373, 912. 48.

Maphumulo Town Development also remains our top priority. The construction of a mall that will house various stores is currently being undertaken by a private investor in the Town. We are confident that this will much-needed revenue, trading opportunities and job opportunities for our local business people as well as the general public.

While some positive strides have been made, the Municipality still needs to work hard to overcome the following (but not limited) challenges:

1. Expanding its revenue base to become sustainable and viable as a government institution;
2. reconfiguration of external boundaries to prevent income leakage that weakens the local economy of the Maphumulo Municipal area;
3. arrest population decline so that more wards could be added in the area, as we now have 12 Wards;
4. ICT connectivity challenge to make governance more effective and efficient;
5. reduce crime levels in the area to attract domestic investment and population retention, etc.

I am confident that the new leadership will collectively work hard to improve the lives of Maphumulo residents to create a liveable environment for our people.

1.2 MUNICIPAL MANAGER'S FOREWORD

The Municipality, as a government institution, operates within the ambit of the legislation. The Municipal Systems Act requires Municipalities to develop annual performance reports.

Section 46 (1) states that:

A Municipality must prepare for each financial year an annual report consisting of:

(a) A performance report reflecting;

(i) the Municipality's and any service provider's performance during that financial year, also in comparison with targets and with performance in the previous financial year;

(ii) the development and service delivery priorities and the performance targets set by the Municipality for the following financial year, and measures that were or are to be taken to improve performance.

(b) The financial statements for that financial year.

(c) An audit report on the financial statements and the report on the audit performed.

(d) Any other reporting requirements in terms of other applicable legislation.

As the Accounting Officer of the Maphumulo Municipality, I am confident that these requirements were met when developing this Municipal Annual Report for the 2021/22 financial year.

Maphumulo Municipality has made numerous improvements in terms of good governance and administration. The Municipality has sought to establish clear alignment and integration between the integrated development plan, the Performance Management System, and enterprise risk management, which enables it to move in one direction institutionally and be proactive in terms of dealing with challenges and risks. Nearly all the governance structures have been established and are functional, even though there is room for improvement. From a performance management point of view, the management is now able to set indicators and targets that are based on the IDP's strategic objectives; implement; evaluate; and report on this continuously throughout the year using the Service Delivery, Budget, and Implementation Plan (SDBIP). Through this, management is now able to identify and determine targets that would not be achieved and make necessary adjustments during the budget adjustment period in the middle of the year, as per the legislation.

During the financial year under-reporting, Maphumulo Municipality was able to deliver on some of its performance targets, although more could still be achieved with more determination and cooperation. There were good achievements under economic development and planning, with human settlements projects such as the Maqumbi Housing Development under construction. Numerous engagements with the Provincial Department of Human Settlements to unblock various projects that had been delayed for more than five years are now in their final stages. The unlocking of these projects will have a huge impact on the

area in terms of local economic development, poverty reduction, and employment generation. There were several other successful interventions by the Economic Development and Planning (EDP) Department, for instance, in terms of facilitating the socio-economic recovery plan, managing title-deed projects, etc.

There was also a noticeable turnaround in our EPWP Programme with an increase in the number of participants and beneficiaries as well as the actual allocation from the National Department of Works.

An aggressively effective environmental management programme centred around the "Keeping Maphumulo Town Clean" campaign was launched by the Municipality. Local SMMEs were prioritised in municipal tenders to ensure sustainable local economic growth.

As highlighted by the Mayor in his foreword, the Technical and Infrastructure Services Department was able to deliver on numerous projects, although there is still room for improvement in terms of its overall performance, in particular on implementation.

In terms of challenges for the Municipality, the issue of budget limits will always be challenge number one for us; the issue of ICT connectivity has improved but has not reached a satisfactory level; the issue of a good corporate culture where productivity is key; the issue of employee-related costs and their impact on the budget.

I wish to thank Council, the management team, and the entire Maphumulo staff for the support and commitment displayed in ensuring that we deliver services to the community, even during the most difficult times.

1.3 MAPHUMULO MUNICIPAL VISION

"To be a liveable municipality where socio-economic wellbeing and quality of life are realised by 2035."

VISION THEME

To be a Liveable Municipality: We want to achieve a situation where people and youth in particular do not leave Maphumulo to look for a better life in other areas. We want to increase the population.

Self-Sustenance: We believe in the spirit of "uKuzakha nokuzenzela", the Municipality must empower people to be self-sustainable.

Partnership with Amakhosi: We see Amakhosi as a key partner in developing our communities. Ninety-nine (99)% of Maphumulo communities reside under Traditional Leadership, to develop them you cannot bypass Amakhosi.

Partnership with other Stakeholders: We believe that through partnerships with all relevant stakeholders, Sector departments, our District Municipality, NGOs, and the private sector we can overcome the challenges of development.

1.4 MISSION STATEMENT

Maphumulo Municipality aims to work towards achieving its long-term vision as follows:

- To build a resilient and self-sustainable next generation (communities) by providing the necessary support and services in partnership with Amakhosi and other stakeholders through uBuntu/Botho;
- To empower the community to be self-sustainable;
- To provide servant and accountable leadership;
- To be a respectable and accountable institution built on integrity and the values of Ubuntu/ Botho;
- To build a resilient next/future generation through:
 - The promotion of skills and technology;
 - The promotion of relevant facilities and giving hope for the future; and
 - To develop small farmers and businesses (SMMEs).

1.5 MUNICIPAL LOCATION AND DEMOGRAPHIC OVERVIEW

Maphumulo Local Municipality (KZ294) is one of the four Local Municipalities located within iLembe District Municipality (DC29). Maphumulo Municipality is bounded to the north by the Tugela River and extends approximately 30km to its southern boundary with Ndwedwe Local Municipality (KZ293). It is situated on the R74 Road from KwaDukuza to Kranskop, bordered by Ndwedwe on the south, and linked through the P711. The primary administrative centre of Ceto Municipality is the town of Maphumulo, which is located approximately 38 kilometres northwest of KwaDukuza Municipality.

Other key defining features of Maphumulo Municipality:

- Maphumulo is characterised by its predominantly rural character, with agriculture as the main economic activity to such an extent that 50% (10,048) of the households are involved in agricultural activities.
- Most of the land is associated with the Ingonyama Trust, followed by private ownership, and a very small percentage is directly under the control of the Municipality.
- It is characterised by numerous tourism opportunities, including many natural assets such as the main rivers, UThukela, which meanders along KwaShushu, the UMvoti River, and the Die Kop Mountain.
- Other prospects the Municipality is branded with include the cultural resources, namely the nine Iron Age sites, the historical sites of Cetshwayo's grave, and a world battle site of the Bambatha Rebellion where Zwide of the Ndwandwe clan was defeated by Shaka and his lika Ntunjambili.

1.6 STRUCTURE OF THE MUNICIPALITY

Maphumulo Local Municipality is classified as a Category B Municipality in terms of the Municipal Structures Act 1998 (Act No. 117 of 1998) and comprises mostly of rural areas governed by Traditional Authorities. Tenure is under the Ingonyama Trust, and a very small percentage is directly under the control of the Municipality. Equally, there are 11 Traditional Authorities and 12 Wards.

Below is a list of all Traditional Councils within Maphumulo Municipality

NO	TRADITIONAL AREA	AMAKHOSI
1	Amangcolosi	Bhengu
2	Amambedu	Khuzwayo
3	Kwamkhonto	Ntuli
4	Kwahlongwa	Hlongwa
5	Kwazubane	Zubane
6	Kwacele	Cele
7	Emaqadini	Ngcobo
8	Kwanodunga	Zulu
9	Mabomvini	Ngubane
10	Mthandeni	Qwabe
11	Embo	Mkhize

1.7 DEMOGRAPHIC PROFILE

The latest demographic statistics are technically due to be released this year as Census 2021. However, due to administrative delays, Statistics SA is still currently conducting data capturing and analysis, and the statistics are expected to be released late in the year 2023. Therefore, the current analysis of South Africa's demographic profile as well as the Municipality's, included in subchapters 3.2 and 3.3, will be compiled using statistics from the Statistics SA Community Survey 2016 and Census 2011. The latest demographic statistics will be included in the next municipal IDP review once Statistics SA has released the data.

According to the Community Survey 2016, there has been a major increase in South Africa's population. In 2011, it was recorded at 51.7 million, and it has increased to 55,6 million in 2016. The analysis by age groups indicates the largest increase in population amongst those aged 5–9 years (from 4,8 million in 2011 to 5,6 million in 2016). The sex ratio has remained comparatively stable (95 in 2011 and 95 in 2016). Education is one of the five priorities of the National Government

in that it can be regarded as human capital that will ensure economic growth in the future. According to the Community Survey 2016, there is a decrease in the number of persons with no schooling across all age groups. The number of people aged 75 years and older with no schooling has decreased slightly by 31 876 within 20 years, while that of those with at least Bachelor's Degrees has increased by 23 756. The number of households in the country increased from 14 450 161 in 2011 to 16 923 309 in 2016. The average household size has decreased from 3, 8 in 2011 to 3, 3 in 2016. The Census 2011 and Community Survey 2016 results indicate that almost 59% of households are male-headed. On the other hand, females dominate households headed by older persons. There has been an increase in the number of households living in formal dwellings over time, from 68, 5 % in 2001, to 77, 6% in 2011, and to 79, 2% in 2016. The percentage of households living in traditional dwellings has decreased slightly from 16,2% in 1996 to 13% in 2016. This is an indication that people are improving their shelters. The number of flushed toilets connected to sewerage in the country increased to 60,6% in 2016 from 57% in 2011. The proportion of households whose main source of drinking water is piped water inside the yard has almost doubled from 16,6% in 1996 to 30% in 2016. There has been continued growth in the percentage of households that use electricity for cooking, heating, and lighting. These statistics have an impact on what happens at a local level.

Maphumulo Municipality has also shown some negative and positive trends between 2001 and 2011 (*Source: Statistics South Africa, Population Censuses 2001 and 2011 and Community Survey 2016*).

1.8 POPULATION

According to the Community Survey 2016, the population of Maphumulo Municipality has experienced a decline when compared to Census 2001 and 2011. The census count of 2011 revealed that the total population was 96 724 which decreased to 89 969 during the Community Survey count of 2016. This translates to a negative population growth of -2.21 in 2011 and a negative population growth of -7 in 2016.

The decline of the Maphumulo population could be triggered by the migration of people to neighbouring towns such as KwaDukuza and eThekweni for better opportunities such as jobs and tertiary education or by the increased mortality rates, which might be caused by nutrition or epidemic diseases. There is an immediate need to provide basic services that can attract people to stay and investors to do business.

The Community Survey 2016 recorded the population at 89 969.

YEAR	1996	2001	2011	2016
POPULATION	124 677	120 643	96 724	89 969

1.9 NUMBER OF HOUSEHOLDS

By 2011, there were 19 973 households in Maphumulo, compared to 22 149 in 2001. This occurrence confirms a decline in the population, either through outward migration or due to deaths and other causes. A decline in households undermines the development of the area as, among other things, they provide the most needed human resources, buying power, and consumption of basic services that are provided by the Municipality. According to the Community Survey 2016, the total number of households within the municipal area has increased from 19 973 households in 2011 to a total of 20 524 households in 2016.

1.10 HOUSEHOLD SIZE

The household size in Maphumulo has experienced a decline, as it was standing at 4,8 in 2011. The 2016 Community Survey has also highlighted that the average household size in Maphumulo has declined to 4.4 in 2016. However, the average household size in Maphumulo is still larger compared

to KwaZulu-Natal and South Africa, which were 4 and 3.6 in 2011. During the 2016 Community Survey, the average household size in Maphumulo was still greater than in KwaZulu-Natal.

1.11 DEPENDENCY RATIO

The dependency ratio expresses how many people below 16 years of age and older (above 65 years) depend on people of working age (i.e., people between 15 and 64 years). This is an important indicator for strategic decisions. In 2016, the Community Survey showed a decline of 85% in the dependency ratio. In 2011, the dependency ratio stood at 89.2%, which was a decline compared to 2001, which was 101.4%. Even though there was a decline, the dependency ratio is still high.

1.12 UNEMPLOYMENT RATE

The unemployment rate in Maphumulo has shown a significant decline, as it was recorded at 49% in 2011 from 76% in 2001. This decline, however, may not mean that the population has been absorbed in the labour market but may mean that it has not been absorbed by outward migration and deaths. Out of the 49% that are unemployed, 58% are youth. The number of youth that is unemployed is alarming and poses a great challenge for the Municipality. If this category of the population does not secure employment, it is vulnerable to engagement in social evils such as drug abuse, crime, prostitution, alcoholism, etc. The Municipality will continuously engage itself in development projects that are likely to curb unemployment and poverty.

1.13 KEY FINDINGS

- The majority (52.9%) of the population is between the ages of 15 and 64 years old;
- There is a high dependency ratio in Maphumulo;
- There are more females than males (100:83);
- In terms of income levels, the main sources of income in the Municipality are social service work in the manufacturing sector, trade, and farming;
- Unfortunately, the proposed job initiatives do not seem to be accommodating the number of unemployed people. Out of 44 085 unemployed people, only 120 may be absorbed permanently, while only 3 360 could be accommodated temporarily;
- Areas with no access to piped water are in Ward 9, Ward 3 (Mahlongwa and KwaZubane), Ward 11 (Ocheni), as well as Mantanjeni in Ward 8;
- Areas with no access to sanitation are Ward 2 (Ekhatha) and Ward 3 (Mahlongwa and KwaZubane);
- Areas with no access to refuse removal are in Ward 2 (Ekhatha), Ward 06, and Ward 08 (Umvoti);
- Areas with no access to electricity are in Ward 2 (Ekhatha and KwaShushu) as well as Ward 5;
- 58% of the youth are unemployed; an
- Maphumulo is experiencing a population decline.

1.14 SERVICE AND INFRASTRUCTURE ANALYSIS

WATER AND SANITATION BACKLOGS

ILembe District Municipality performs the function of Water Services Authority for all the Local Municipalities. Maphumulo Municipality plays a coordination role, and regular meetings are attended at the District level to sensitise and influence the ILembe district on issues relating to water and sanitation.

1.15 WATER BACKLOGS

The population in Maphumulo is still facing hardships in accessing piped water. By 2011, only 6.3% of the population in the municipal area had piped water inside their dwellings, which was a strong improvement compared to 2001 (0.64%).

A 2017 Community Survey shows that there was a further decline in the number of people with access to piped water. This might be the result of old water supply infrastructure that has broken down and is unable to supply water to households, or this might be because of the drought that was experienced in the previous year.

The following table shows the status of access to water:

Piped (tap) water inside dwelling	254	1.2%
Piped (tap) water inside yard	2 829	13.8%
Piped water on communal stand	4 688	22.8%
Borehole in yard	58	0.3%
Rain-water tank in yard	874	4.3%
Neighbours tap	277	1.3%
Public/communal tap	1 579	7.7%
Water-carrier/tanker	853	4.2%
Borehole outside yard	115	0.6%
Flowing water/stream/river	8 818	43.0%
Spring	117	0.6%
Other	61	0.3%

From what is contained in the table above, it is evident that the Municipality still faces a water backlog challenge. Lack of access to piped water may lead to the community sourcing for other unhealthy and untreated alternative sources such as streams, rivers, and wells. These sources of water are vulnerable to contamination that can cause serious waterborne outbreaks in society.

1.16 SANITATION BACKLOGS

The 2017 Community Survey also reveals a decline in the number of households with flush toilets. In 2011, this was at 2.16 %, but currently, it stands at 1.4%. This might be a result of new houses being built without flush toilets. This means that the majority of households in the municipal area use latrines and other unsanitary types of toilets, which are prone to contaminate water sources in the area.

The following table shows the status of access to water:

Flush toilet (sewage system/sceptic tank)	270	1.4%
Chemical toilet	8 588	43.0%
Pit latrine (with/without) ventilation	10 263	51.4%
Ecological toilet (e.g., urine diversion, enviro-loo)	0	0.0%
Bucket toilet (collected by Municipality/emptied by household)	829	4.2%

Note: Because the latest census statistics that were undertaken in 2021 have not yet been published, we are still relying on and using the outdated statistics obtained in 2011.

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CHAPTER 2

GOVERNANCE

2.1. POLITICAL GOVERNANCE STRUCTURE

Following elections that were held on 1 November 2021, the new Council was elected and inaugurated on 25 November 2021. Previously the Council comprised 22 Councillors as follows:

WARD NO	NAME	POLITICAL PARTY	GENDER
1	CLLR N SITHOLE	IFP	MALE
2	CLLR ML NGIDI	IFP	MALE
3	CLLR T MCHUNU	IFP	MALE
4	CLLR SZM NZUZA	ANC	FEMALE
5	CLLR SH ZULU	ANC	MALE
6	CLLR KM XHAKAZA	ANC	MALE
7	CLLR T MATHIBELA	ANC	MALE
8	CLLR FM NCALANE	ANC	MALE
9	CLLR NS NTULI	ANC	MALE
10	CLLR HM KHOZA	ANC	FEMALE
11	CLLR ZW NINELA	ANC	MALE

PR COUNCILLORS			
CLLR ZF KHUZWAYO- DLAMINI (MAYOR)	ANC	FEMALE	
CLLR CZ NCALANE- MHLONGO	ANC	FEMALE	
CLLR CS SHANGE (SPEAKER)	ANC	MALE	
CLLR ML NGIDI (EXCO MEMBER)	IFP	MALE	
CLLR TR NGEMA	ANC	MALE	
CLLR JM KHATHI	IFP	MALE	
CLLR TJ ZUNGU	IFP	FEMALE	
CLLR HN NGCOBO	ANC	FEMALE	
CLLR JN NTULI	ANC	FEMALE	
CLLR SZ NYATHIKAZI	IFP	MALE	
CLLR ZG MTHEMBU	IFP	MALE	

Note:

The above list is for Councillors whose terms ended on 31 October 2021.

There were then elections on 1 November 2021 and the new Council was elected and constituted as follows:

WARD NO	NAME	POLITICAL PARTY	GENDER
1	CLLR N SITHOLE	IFP	MALE
2	CLLR ML NGIDI	IFP	MALE
3	CLLR MP BHENGU	ANC	MALE
4	CLLR IM BIYELA	IFP	MALE
5	CLLR SH ZULU	ANC	MALE
6	CLLR BE GUMEDE	IFP	MALE
7	CLLR T MATHIBELA	ANC	MALE
8	CLLR WMS NTANZI	IFP	MALE
9	CLLR NS NTULI	ANC	MALE
10	CLLR ES MAPHUMULO	IFP	MALE
11	CLLR ZC KHUZWAYO (DECEASED- SEPT 2022)	ANC	MALE
12	CLLR FB KHUZWAYO	ANC	FEMALE

PR COUNCILLORS		
CLLR SZ NYATHIKAZI (MAYOR)	IFP	MALE
CLLR ST CHILI (DEPUTY MAYOR)	EFF	FEMALE
CLLR ZF KHUZWAYO- DLAMINI (EXCO MEMBER)	ANC	FEMALE
CLLR CS SHANGE (EXCO MEMBER)	ANC	MALE
CCLR SF PHUNGULA	IA	FEMALE
CLLR NL MILONGA	IFP	FEMALE
CLLR NM MHLONGO	IFP	MALE
CLLR MH KHOZA	ANC	FEMALE
CLLR NL NKOSI	ANC	FEMALE
CLLR NN NGIDI	IFP	FEMALE
CLLR CZ NCALANE- MHLONGO	ANC	FEMALE

During this financial year, Council held 15 meetings, most of which were special meetings.

The following table depicts the list and attendance of Council meetings by Councillors:

DATE AND TIME	VENUE	CLLR IN ATTENDANCE	CLLRS ABSENT WITH LEAVE	CLLRS ABSENT WITHOUT LEAVE
06 July 2021 @ 10h00	Council Chambers	Cllrs: CS Shange (Speaker), ZF Khuzwayo-Dlamini (Mayor), CZ Ncalane-Mhlongo (Deputy Mayor), TR Ngema, HN Ngcobo, MH Khoza, JM Khathi, T Mchunu, T Mathibela, ZG Mthembu, FM Ncalane, ML Ngidi, ZW Ninela, NS Ntuli, N Sithole, SZ Nyatikazi, KM Xhakaza, TJ Zungu and S Zulu	Cllr MH Khoza and Cllr SZM Nzuzza	Cllr KP Ninela
29 July 2021 @ 10h00	MS Teams	Cllrs: CS Shange (Speaker), ZF Khuzwayo-Dlamini (Mayor), CZ Ncalane-Mhlongo (Deputy Mayor), TR Ngema, MH Khoza, JM Khathi, T Mathibela, FM Ncalane, MH Ngcobo, ML Ngidi, ZW Ninela, NS Ntuli, JN Ntuli, SZM Nzuzza, N Sithole, SZ Nyatikazi, KM Xhakaza and TJ Zungu.	NONE	Cllr SH Zulu, Cllr T Mchunu, Cllr ZG Mthembu
02 September 2021 @ 10h00	MS Teams	Cllrs: CS Shange (Speaker), ZF Khuzwayo-Dlamini (Mayor), CZ Ncalane-Mhlongo (Deputy Mayor), TR Ngema, MH Khoza, JM Khathi, T Mathibela, FM Ncalane, HN Ngcobo, ML Ngidi, ZW Ninela, NS Ntuli, JN Ntuli, SZM Nzuzza, N Sithole, SZ Nyatikazi, KM Xhakaza and TJ Zungu.	NONE	Cllr ZG Mthembu, Cllr SH Zulu, Cllr T Mchunu
14 September 2021 @ 10h00	MS Teams	Cllrs: CS Shange (Speaker), ZF Khuzwayo-Dlamini (Mayor), CZ Ncalane-Mhlongo (Deputy Mayor), TR Ngema, MH Khoza, JM Khathi, T Mathibela, FM Ncalane, MH Ngcobo, ML Ngidi, ZW Ninela, NS Ntuli, JN Ntuli, SZM Nzuzza, N Sithole, SZ Nyatikazi, KM Xhakaza, TJ Zungu and SH Zulu.	NONE	Cllr ZG Mthembu,
22 October 2021 @ 10h00	Maphumulo Town Hall	Cllrs: CS Shange (Speaker), ZF Khuzwayo-Dlamini (Mayor), CZ Ncalane-Mhlongo (Deputy Mayor), TR Ngema, MH Khoza, JM Khathi, T Mathibela, MH Ngcobo, ML Ngidi, SZM Nzuzza, N Sithole, SZ	Cllr ZW Ninela and Cllr NS Ntuli	Cllr FM Ncalane, Cllr N Ntuli, Cllr T Mchunu, Cllr ZG Mthembu and Cllr SH Zulu.

		Nyatikazi, KM Xhakaza and TJ Zungu		
23 November 2021 @ 10h00	Maphumulo Town Hall	Cllrs: IM Biyela, MP Bhengu, ST Chili, ZF Dlamini, BE Gumede, MH Khoza, ZC Khuzwayo, FB Khuzwayo, ES Maphumulo, TC Mathibela, NL Mhlongo, NM Mhlongo, CZ Ncalane, NL Nkosi, ML Ngidi, NM Ngidi, WMS Ntanzu, NS Ntuli, SZ Nyatikazi, SF Phungula, CS Shange, N Sithole and SH Zulu	None	None
25 November 2021 @ 10h00	Maphumulo Council Chambers	Cllrs: IM Biyela, MP Bhengu, ST Chili, ZF Dlamini, BE Gumede, MH Khoza, ZC Khuzwayo, FB Khuzwayo, ES Maphumulo, TC Mathibela, NL Mhlongo, NM Mhlongo, CZ Ncalane, NL Nkosi, ML Ngidi, NM Ngidi, WMS Ntanzu, NS Ntuli, SZ Nyatikazi, SF Phungula, CS Shange, N Sithole and SH Zulu	None	None
07 December 2021 @ 13h00	Council Chamber	Cllrs; ML Ngidi (Speaker), SZ Nyatikazi (Mayor), ST Chili (Deputy Mayor), IM Biyela, MP Bhengu, ZF Khuzwayo-Dlamini (Exco member), BE Gumede, MH Khoza, ZC Khuzwayo, FB Khuzwayo, ES Maphumulo, TC Mathibela, NL Mhlongo, NM Mhlongo, CZ Ncalane, NL Nkosi, NN Ngidi, WMS Ntanzu, NS Ntuli, SF Phungula, CS Shange (EXCO member), N Sithole and SH Zulu	NONE	NONE
23 December 2021 @ 11h00	Council Chamber	ML Ngidi (Speaker), SZ Nyatikazi (Mayor), ST Chili (Deputy Mayor), IM Biyela, MP Bhengu, ZF Khuzwayo-Dlamini (Exco member), CS Shange (Exco member), BE Gumede, MH Khoza, ZC Khuzwayo, FB Khuzwayo, ES Maphumulo, TC Mathibela, NL Mhlongo, NN Mhlongo, CZ Ncalane-Mhlongo, NL Nkosi, NM Ngidi, WMS Ntanzu, NS Ntuli, SF Phungula, N Sithole and SH Zulu	NONE	NONE
25 January 2022 @ 16H00	Ebandla Hotel	ML Ngidi (Speaker), SZ Nyatikazi (Mayor), ST Chili (Deputy Mayor), IM Biyela, MP Bhengu, ZF Khuzwayo-Dlamini, BE Gumede, MH Khoza, ZC Khuzwayo, FB	NONE	NONE

		Khuzwayo, ES Maphumulo, TC Mathibela, NL Mhlongo, NM Mhlongo, CZ Ncalane-Mhlongo, NL Nkosi, NN Ngidi, WMS Ntanzi, NS Ntuli, SF Phungula, CS Shange, N Sithole and SH Zulu		
10 February 2022 @ 9h00	Council Chambers	ML Ngidi (Speaker), SZ Nyatikazi (Mayor), ST Chili (Deputy Mayor), ZF Khuzwayo- Dlamini (EXCO member), CS Shange (Exco member), IM Biyela, MP Bhengu BE Gumede, MH Khoza, ZC Khuzwayo, FB Khuzwayo, ES Maphumulo (WHIP of Council), TC Mathibela, NL Mhlongo, NM Mhlongo, CZ Ncalane-Mhlongo, NL Nkosi, NN Ngidi, WMS Ntanzi, NS Ntuli, SF Phungula, N Sithole and SH Zulu	NONE	NONE
28 February 2022 @ 9h00	Council Chambers	ML Ngidi (Speaker), SZ Nyatikazi (Mayor), ST Chili (Deputy Mayor), ZF Khuzwayo- Dlamini (EXCO member), CS Shange (Exco member), IM Biyela, MP Bhengu, BE Gumede, MH Khoza, ZC Khuzwayo, FB Khuzwayo, ES Maphumulo (WHIP of Council), TC Mathibela, NL Mhlongo, NM Mhlongo, CZ Ncalane-Mhlongo, NL Nkosi, NN Ngidi, WMS Ntanzi, NS Ntuli, SF Phungula, N Sithole and SH Zulu	Cllr MH Khoza and Cllr NL Nkosi	NONE
03 May 2022 @ 10h00	Council Chambers	ML Ngidi (Speaker), SZ Nyatikazi (Mayor), CS Shange (Exco member), IM Biyela, MP Bhengu, BE Gumede, ZC Khuzwayo, ES Maphumulo (WHIP of Council), TC Mathibela, NL Mhlongo, NM Mhlongo, NL Nkosi, NN Ngidi, WMS Ntanzi, NS Ntuli, SF Phungula, N Sithole and SH Zulu	Cllr ZF Khuzwayo Dlamini	NONE
30 May 2022 @ 10h00	Council Chambers	ML Ngidi (Speaker), SZ Nyatikazi (Mayor), CS Shange (Exco member), ZF Khuzwayo – Dlamini (Exco member), IM Biyela, MP Bhengu, BE Gumede, ZC Khuzwayo, ES Maphumulo (WHIP of Council), TC Mathibela, NL Mhlongo, NM Mhlongo, NL Nkosi, NN Ngidi, WMS Ntanzi,	NONE	Cllr ZC Ncalane – Mhlongo

		NS Ntuli, SF Phungula, N Sithole and SH Zulu		
29 June 2022 @ 10h00	Council Chambers	ML Ngidi (Speaker), SZ Nyatikazi (Mayor), CS Shange (Exco member), ZF Khuzwayo – Dlamini (Exco member), IM Biyela, MP Bhengu, BE Gumede, ZC Khuzwayo, ES Maphumulo (WHIP of Council), TC Mathibela, NL Mhlongo, NM Mhlongo, NL Nkosi, NN Ngidi, WMS Ntanzu, NS Ntuli, N Sithole and SH Zulu	None	None

Maphumulo Municipality uses the collective executive mayoral system, which makes the Executive Committee collectively responsible for decision-making.

The EXCO Committee is made up of 3 members and 1 ex-officio.

Executive Committee meetings were also held to deliberate on day-to-day Council matters.

The following table depicts lists and attendance of EXCO meetings by Councillors:

DATE AND TIME	VENUE	CLLRS IN ATTENDANCE	ABSENCE WITH LEAVE	ABSENCE WITHOUT LEAVE
21 July 2021 @ 10h00	MS Teams	Cllr ZF Khuzwayo-Dlamini (Chairperson/Mayor), Cllr CZ Ncalane-Mhlongo (Deputy Mayor) and Cllr ML Ngidi	NONE	NONE
19 August 2021 @ 10h00	MS Teams	Cllr ZF Khuzwayo-Dlamini (Chairperson/Mayor), Cllr CZ Ncalane-Mhlongo (Deputy Mayor) and Cllr ML Ngidi	NONE	NONE
17 February 2022 @ 10h00	Council Chambers	Cllr SZ Nyatikazi (Chairperson/His Worship the Mayor), Cllr ST Chili (Deputy Mayor) and Cllr CS Shange	Cllr ZF Khuzwayo-Dlamini	NONE
22 March 2022 @ 10h00	Council Chambers	Cllr SZ Nyatikazi (The Chairperson/His Worship the Mayor), Cllr SZ Nyatikazi, Cllr ST Chili (Deputy Mayor), Cllr CS Shange and ZF Khuzwayo-Dlamini	NONE	NONE
21 April 2022 @ 10h00	Council Chambers	(The Chairperson/His Worship the Mayor), Cllr SZ Nyatikazi, Cllr ST Chili (Deputy Mayor), Cllr CS Shange and ZF Khuzwayo-Dlamini	NONE	NONE

Portfolio Committees are also in place to correspond to municipal powers and functions and expedite decision-making. Portfolio Committees deliberate on specific matters and make

recommendations to the Executive Committee and then to the full Council to make decisions.

The sitting of Portfolio Committee meetings was as follows:

COMMITTEE NAME	DATE AND TIME	VENUE	CLLRS IN ATTENDANCE	ABSENCE WITH LEAVE	ABSENCE WITHOUT LEAVE
ECONOMIC DEVELOPMENT PLANNING AND COMMUNITY SERVICES	12 August 2021 @ 10h00	MS Teams	Cllr TR Ngema, Cllr HN Ngcobo, JM Khathi and Cllr JN Ntuli	NONE	Cllr FM Ncalane
ECONOMIC DEVELOPMENT PLANNING AND HUMAN SETTLEMENT	23 March 2022 @ 12h30	Main Boardroom	Cllr CS Shange (Chairperson), Cllr BE Gumede, Cllr NN Ngidi and Cllr ES Maphumulo	NONE	Cllr FB Khuzwayo
	07 June 2023 @ 10h00	Main Boardroom	Cllr CS Shange (Chairperson), Cllr BE Gumede, Cllr NN Ngidi, FB Khuzwayo and Cllr ES Maphumulo	NONE	NONE
COMMUNITY SERVICES	18 March 2022 @ 10h00	Council Chambers	Cllr ZF Khuzwayo-Dlamini (Chairperson), TC Mathibela, Cllr NL Mhlongo and Cllr MP Bhengu	NONE	NONE
	19 April 2022 @ 12h30	Council Chambers	Cllr ZF Khuzwayo-Dlamini (Chairperson), IM Biyela and Cllr MP Bhengu	NONE	NONE
TECHNICAL AND INFRASTRUCTURE	22 July 2021 @ 10h00	MS Teams	Cllr ZF Khuzwayo-Dlamini (Chairperson), Cllr NS Ntuli, Cllr SZM Nzuza and Cllr ZW Ninela	ML Ngidi and N Sithole	
	9 March 2022 @ 10h00	Main Boardroom	Cllr ST Chili (Chairperson), Cllr N Sithole, Cllr NM Mhlongo, Cllr	NONE	NONE
			NS Ntuli, Cllr NL Nkosi and Cllr SH Zulu		

FINANCE AND CORPORATE SERVICES	28 August 2021 @ 10h00	MS Teams	Cllr CZ Ncalane-Mhlongo (Chairperson), Cllr SZ Nyatikazi, Cllr T Mathibela, Cllr KM Xhakaza and TJ Zungu	NONE	NONE
	17 September 2021 @ 8h00	MS Teams	Cllr CZ Ncalane-Mhlongo (Chairperson), Cllr SZ Nyathikazi, Cllr T Mathibela, Cllr KM Xhakaza and TJ Zungu	NONE	Cllr MH Khoza and Cllr ZG Mthembu
	24 February 2022 @ 10h00	Council Chambers	Cllr SZ Nyatikazi (Chairperson, His Worship the Honorable Mayor), Cllr WMS Ntanzi, Cllr CZ Ncalane-Mhlongo, Cllr ZC Khuzwayo, and SF Phungula	Cllr MH Khoza	NONE
	28 March 2022 @ 8h00	Council Chambers	Cllr SZ Nyatikazi (Chairperson, His Worship the Honorable Mayor), Cllr WMS Ntanzi, Cllr CZ Ncalane-Mhlongo, Cllr ZC Khuzwayo and Cllr MH Khoza	NONE	Cllr SF Phungula
	28 April 2022 @ 10h00	Council Chambers	Nyathikazi (Chairperson, His Worship the Honorable Mayor), Cllr WMS Ntanzi, Cllr S Phungula, Cllr ZC Khuzwayo and Cllr MH Khoza	Cllr CZ Ncalane-Mhlongo	NONE

2.2. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

This is a Section 80 Committee and reports directly to Council. As per the terms of reference, the functions of the Committee shall be to interrogate the following financial aspects dealt with in the MFMA:

- (a) Unforeseen and unavoidable expenditure;
- (b) adjustment budget;
- (c) unauthorised, irregular, or fruitless expenditure;
- (d) certification, recovery, and writing off of expenditure;
- (e) criminal and civil action instituted;
- (f) quarterly report by the Mayor on the implementation of the budget /SDBIP;
- (g) recommendations on adjustments and other matters;
- (h) monthly budget statements;
- (i) recommendations on the report;
- (j) report to the Council, through the Speaker, on any of the financial statements and reports as stated above;
- (k) develop the annual oversight report based on the annual report;
- (l) initiate any investigation in its area of competence;
- (m) perform any other function assigned to it by resolution of the Council.

The MPAC is fairly functional and held its meetings as follows:

DATE	VENUE	COUNCILLORS IN ATTENDANCE	COUNCILLORS ABSENT WITH LEAVE OF ABSENCE	COUNCILLORS ABSENT WITHOUT LEAVE
15 September 2021 @ 10h00	MS Teams	ZW Ninela (Chairperson), FM Ncalane, SZ Nyatikazi and HN Ngcobo	NONE	ZG Mthembu
10 March 2022 @ 10h00	Council Chambers	NL Mhlongo (Chairperson), ES Maphumulo, CZ Ncalane-Mhlongo, NS Ntuli and TC Mathibela	NONE	NONE

2.3. ADMINISTRATIVE GOVERNANCE STRUCTURE

The Administration is headed by the Municipal Manager. As per the approved organogram, there are 5 Directorates and Line Managers who report to Senior Managers. All Senior Management positions are filled.

The Municipal Manager is the accounting officer of the Municipality and the head of administration. According to the approved organogram, the accounting officer is assisted by Directors who report directly to him.

2.4. PERFORMANCE AGREEMENTS

For purposes of accountability and enhanced service delivery, the performance agreements were signed by Senior Managers as per the requirements of Section 52 of the MFMA. The following managers signed 2021/22 performance agreements:

NAME OF OFFICIAL	POSITION	DATE PERFORMANCE AGREEMENT SIGNED
Mr PN Mhlongo	Municipal Manager	30 JULY 2021
Mr T Khuluse	Director: Corporate Services	30 JULY 2021
Mr N Duma	Chief Financial Officer	30 JULY 2021
Mr CS Mhlongo	Director: Community Services	30 JULY 2021
Mrs SYTP Mhlongo	Director: Technical Services	30 JULY 2021
Mr S Mngoma	Director: EDP	30 JULY 2021

2.5. INTERGOVERNMENTAL RELATIONS

Maphumulo Municipality is participating in various forums as a means to engage and share good practices amongst various stakeholders. These forums are also attended by other government departments. The Municipality participates in the following forums:

- Mayors Forum
- Municipal Managers Forum
- CFOs Forum
- Risk Management Forum
- Planning Development Forum
- Local Economic Development Forum
- Performance Management Forum
- Technical Services Forum
- Disaster Management Forum
- Corporate Services Forum
- Communicators Forum

2.6. PUBLIC ACCOUNTABILITY AND PARTICIPATION

Maphumulo Local Municipality subscribes to the principles of participative democracy and public participation. We communicate with our communities through Ward Committee structures, community newspapers, public meetings, and other relevant structures. Public meetings were held by Ward Councillors within their respective Wards to update and engage community members on Ward developments as well as receive community input.

2.7. IDP/MAYORAL IZIMBIZO

The IDP is a key document that outlines all developmental programmes and projects. It is part of an integrated system of planning and service delivery and includes issues such as the municipal budget, local economic development, institutional development, performance indicators, etc.

The IDP document was compiled based on community needs received during IDP Izimbizos.

2.8. WARD COMMITTEE MEETINGS

Ward Committees are established in terms of Chapter 4 of the Municipal Structures Act of 1998. The Ward Committee is one of the structures that attempt to promote public participation at the local level. A Ward Committee is meant to be an advisory body, a representative structure, an independent structure, and an impartial structure that must perform its duties without fear, favour, or prejudice. They are there to serve community interests and work hand in hand with their respective Ward Councillors.

Ward Committee meetings are scheduled to sit monthly to deliberate on matters pertaining to a particular Ward.

2.9. CORPORATE GOVERNANCE RISK MANAGEMENT

The Municipality has an obligation to minimise and eliminate all possible risks that might affect the functioning of the Municipality as per the requirements of Section 62 of the MFMA.

The Municipality identified potential risks and developed a risk plan for each department. Identified risks led to the Municipality developing various policies and strengthening its internal controls as a means to mitigate and eliminate those risks. A Risk Management Committee, consisting of all MANCO members, was established and held meetings quarterly. The implementation of risk mitigation action plans progressed fairly during the year under review.

2.10. ANTI-CORRUPTION AND FRAUD

There is a concerted effort to conduct fraud risk assessments, focusing on processes such as Supply Chain Management, internal controls, and compliance with laws and regulations so that the Municipality can implement appropriate systems of controls to either prevent or detect incidents of fraud, corruption, and theft.

The Fraud and Prevention Plan as well as the Whistle Blowing Policy are also in place as important tools that assist in fighting fraud and corruption. Fraud risk registers were also developed for departments to implement.

2.11. SUPPLY CHAIN MANAGEMENT

The Municipality subscribes to the principles of BBBE, and through its SCM policy, various local businesses have benefited from municipal tenders. The Municipality strives to ensure that big businesses share their skills and expertise with local businesses. We do this through our compulsory requirement clause, which requires tenders with a value greater than R6 000 000.00 to be subcontracted to local SMMEs.

The Municipality always promotes transparency, accountability, and fair treatment in all its tendering transactions.

The Municipality is also working tirelessly to reduce and eliminate irregular expenditures, deviations, and fruitless and wasteful expenditures. We are also committed to improving our compliance with various legislations regulating SCM.

2.12. INTERNAL AUDIT

Section 165 of the MFMA requires the Municipality to have an internal audit unit whose main functions will be to:

- Give management assurance on the workings of the Municipality's internal controls;
- recommend improvements where the internal controls are found to be deficient;
- give assurance on the workings of the performance management system, loss control, internal audit, accounting procedures and practices, and risk management of the Municipality.

The internal audit of the Municipality is currently performed by an external service provider that performs quarterly audits on the following areas:

- PMS Standards
- Supply Chain Management
- Risk Management
- Auditor General Follow-Ups

The findings and recommendations of the internal audit are discussed at MANCO meetings. An action plan is developed, and each manager is allocated tasks relating to the implementation plan that seeks to address such findings.

2.13. BYLAWS AND POLICIES

The Municipality developed various policies in the current FY. There are also municipal bylaws that were developed and approved by Council. The process of gazetting those bylaws is underway.

2.14. MUNICIPAL WEBSITE

The IT Unit is under the Corporate Services Department. It offers, among other things: the provision of IT support to the Municipality, updating of the municipal website, etc.

The official municipal website page is regularly updated by our IT Unit. All available tenders, vacancies, Council meetings, municipal documents, and any other Council activities are advertised and published on the municipal website. Community members and other stakeholders are urged to regularly visit our website for any information relating to our Municipality.

2.15. PUBLIC SATISFACTION SURVEY

The Municipality conducted a public satisfaction survey to establish the level at which the Municipality is content with the level of services offered by the Municipality as well as the pace at which we deliver those services. The survey looked into various areas to ensure that we improve the standards of our services.

We also have a suggestion box at the main entrance (reception) where community members rate the level of service received. Based on that, we can say the overall satisfaction level is average and commit ourselves to more improvement.

2.16. AUDIT COMMITTEE

Section 166 (1) of the Municipal Finance Management Act requires Municipalities to establish Audit Committees that should advise the Council and Municipality on matters relating to financial controls, risk management, policy matters, performance management, governance, etc.

A functional Audit Committee is in place, and quarterly meetings are held to discuss municipal issues relating to risk, performance, financial management, SCM, and other issues regarding our operations.

MAPHUMULO MUNICIPALITY

ANNUAL REPORT

2021/22

CHAPTER 3

SERVICE DELIVERY
PERFORMANCE

3.1 SUMMARY OF THE PERFORMANCE MANAGEMENT PROCESS

The Performance Management System of a Municipality is regulated in Chapter 6 of the MSA. Municipalities are required to establish performance systems that are commensurate with and best suited for their circumstances.

In line with this requirement, the Municipality has a PMS policy in place to provide clarification and assist in implementing performance management in the best possible way that suits us, but in line with legislation.

The process of performance management starts with the development of a 5- year Council vision which serves as the cornerstone for all that the council seeks to achieve during its 5-year term. The vision is contained in the municipal IDP and is translated into municipal strategies, which are then implemented via projects or programmes. All the projects to be undertaken by the Municipality are recorded and should appear on the municipal IDP under specific Key Performance Areas (KPAs) ; namely: basic service delivery and infrastructure development; financial viability and management; municipal transformation and institutional development; socio-local economic development; good governance and public participation; and spatial planning and environmental management.

The projects/ programmes are then linked and allocated budget for that particular financial year. Once the projects/programmes are on the IDP and have been allocated a budget, the organisational scorecard/Service Delivery and Budget Implementation Plans (SDBIPs) are then developed for each KPA, which are then allocated to specific departments. The SDBIPs are approved by the Mayor/ Council after the approval of the budget.

The SDBIPs contain annual targets that are broken down into quarterly targets for each project/programme for the financial year; measured by performance indicators.

After the end of the quarter, a consolidated performance report detailing the status towards achieving specific targets and challenges in terms of achieving such targets is compiled. After the end of the financial year, the annual report on the performance of the Municipality is then prepared.

All quarterly reports and annual reports are submitted to the following structures:

Internal Audit: To audit the authenticity and reliability of the report. The report is submitted together with supporting POE for all achieved indicators.

Audit Committee: To discuss the report and provide advice or recommendations on the challenges identified.

Council: For oversight, accountability, and decision-making purposes.

Auditor General: To audit the performance report and issue an audit opinion.

Public and other Stakeholders: The reports are posted on the municipal website for transparency, feedback, and accountability.

All Senior Managers sign annual performance agreements as a commitment to ensuring that the Council's vision (through the annual projects/programmes) is achieved.

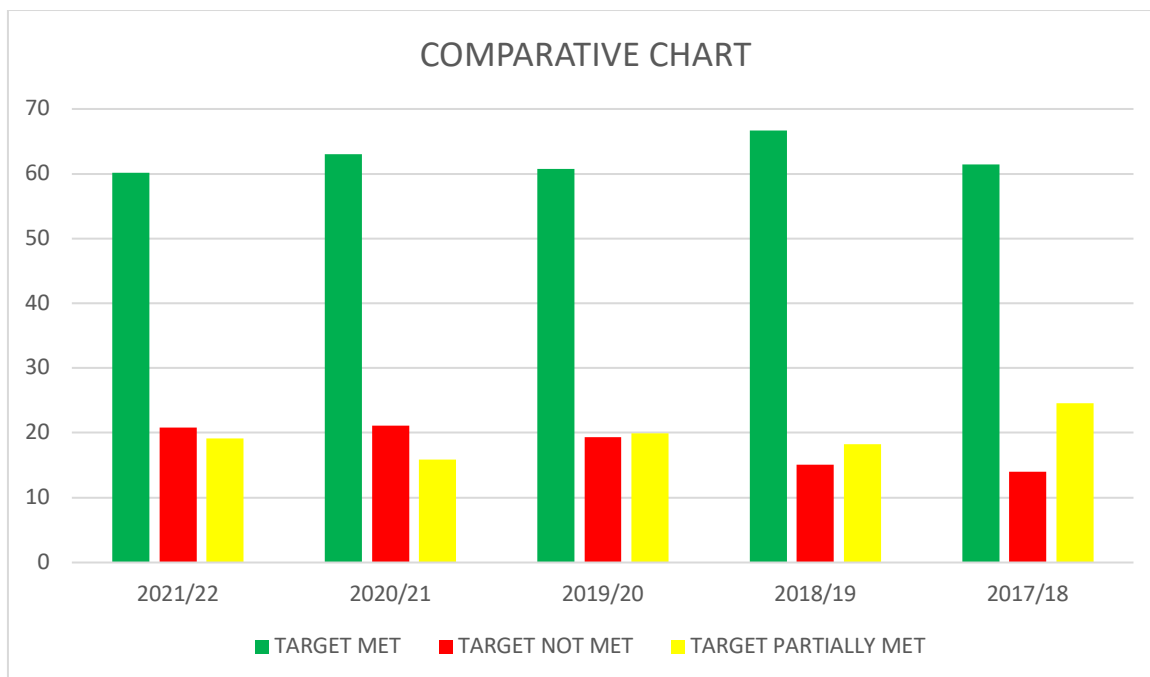
3.2 OVERALL PERFORMANCE COMPARATIVE TABLE AGAINST PREVIOUS YEARS

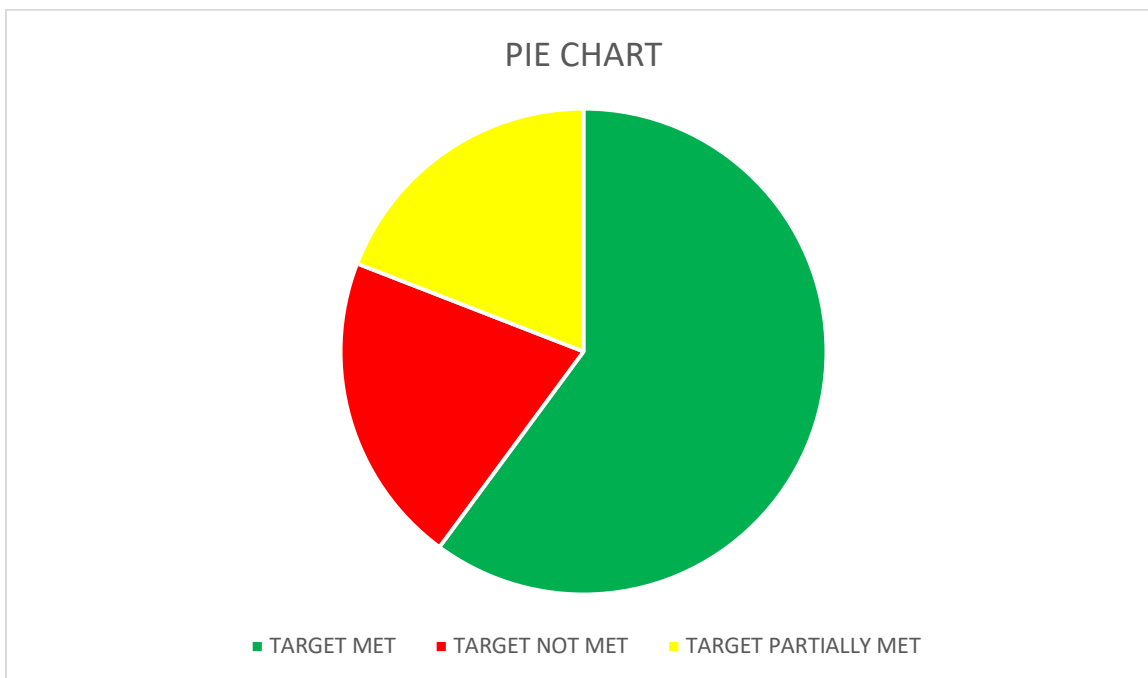
The following table is a comparison of current target achievements with previous financial years for the municipal transformation indicators:

FINANCIAL YEARS	TARGET MET	TARGET NOT MET	TARGET PARTIALLY MET	TOTAL KPIS
2021/22	107=60.11%	37= 20.79%	34= 19. 10%	178
2020/21	143= 63%	48=21, 15%	36= 15, 86%	227
2019/20	116=60.73%	37= 19.37%	38=19.89%	191
2018/19	84= 66,66%	19= 15,07%	23= 18,25%	126
2017/18	70= 61.4%	16=14.04%	28=24.56%	114

A decline by a total of 2.89% in the overall attainment of targets when compared to the last FY was noted. The total number of indicator targets for the FY decreased from 227 to 178 respectively.

COMPARATIVE GRAPHS





MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

The Corporate Services Directorate champions most of the indicators within this KPA. Corporate Services had 33 indicator targets. Of those targets, 12 were fully achieved, 10 were not achieved, and 11 were partially achieved.

3.3 HIGHLIGHTS OF ACHIEVEMENTS

Training of staff to build internal capacity was undertaken in line with the WSP that was developed and submitted to LGSETA. A council policy workshop was also held to improve understanding of the Municipality's policies.

New staff members were appointed and inducted on various legislations governing the Municipality.

Various policies were also developed for approval by Council and for implementation thereafter.

The number of females occupying management positions within the Municipality is quite stable. This is in line with our Employment Equity Plan adopted by the Municipality.

Council meetings were also held, and agendas were delivered on time.

IT backup and software renewal were undertaken by our IT Unit. Building capacity (human resources as well as infrastructure) within the IT Unit has been prioritised to ensure that Maphumulo Municipality keeps up with constant technological advancements and developments.

3.4 HIGHLIGHTS OF CHALLENGES

Challenges were noted in the issue of holding meetings that were partially or not attended (Ward Committees, departmental meetings, and portfolio meetings) . Delays in the establishment of portfolio committees disrupted the normal functioning of the Municipality. Postponement and cancellation of Council meetings affect the functioning of the Municipality, as such, some policies were developed and formed part of the Council agenda but did not sit.

The issue of the non-submission of reports to MANCO was noted.

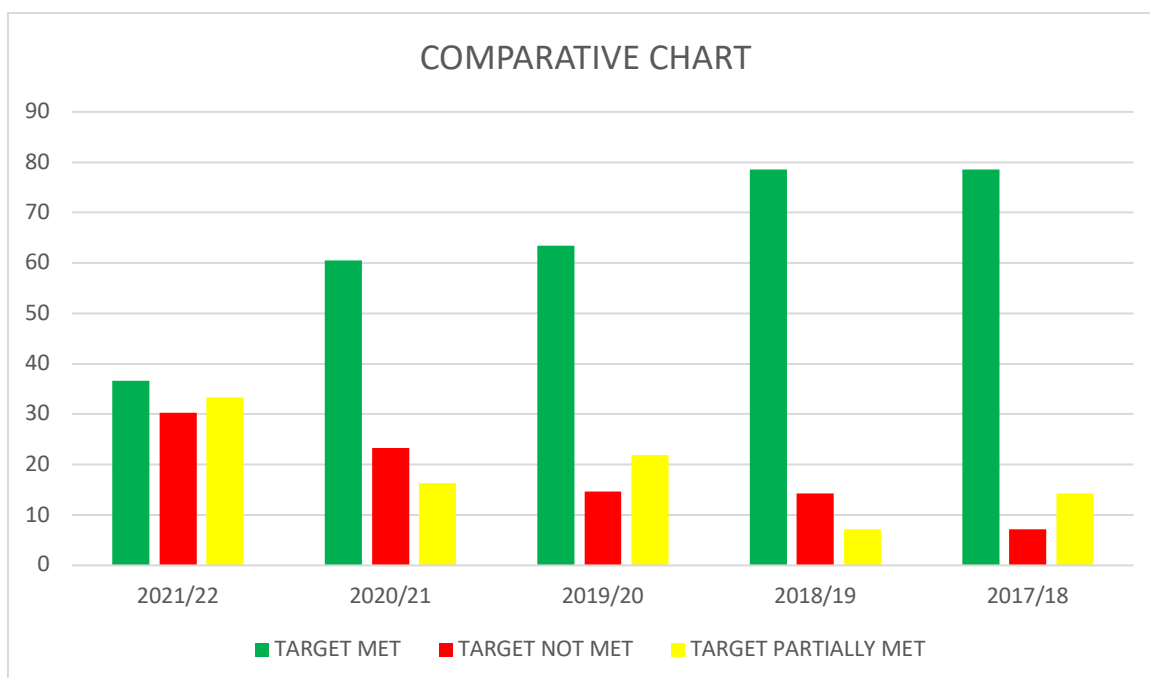
3.5 INDICATOR PERFORMANCE COMPARATIVE TABLE FOR MUNICIPAL TRANSFORMATION

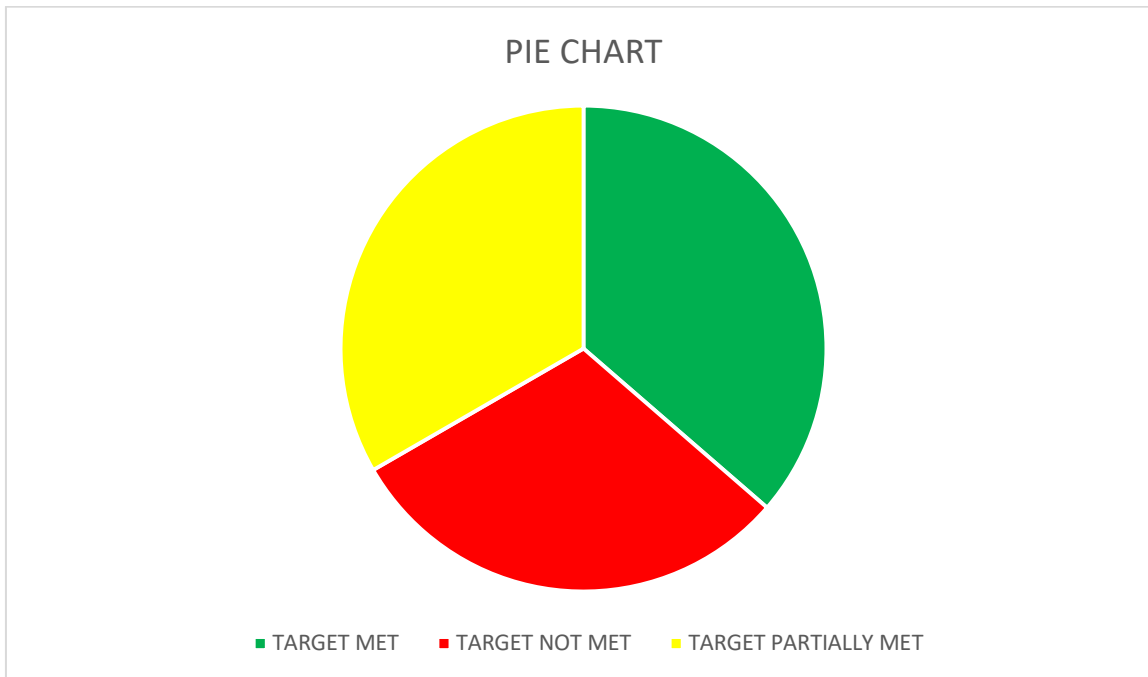
The following table is the comparison of current target achievements with previous financial years for municipal transformation indicators:

FINANCIAL YEARS	TARGET MET	TARGET NOT MET	TARGET PARTIALLY MET	TOTAL KPIS
2021/22	12= 36.66%	10= 30.30%	11= 33.33%	33
2020/21	26= 60, 47%	10= 23.26%	7= 16.28%	43
2019/20	26= 63.41%	6= 14.63%	9= 21.95%	41
2018/19	11= 78, 57%	2= 14,28%	1= 7,14%	14
2017/18	11=78.57%	1=7.14%	2=14.28%	14

A notable decline by a total of 28.31% in the attainment of targets when compared to the last FY was noted. The reason for this decline is contained here above as well as on the departmental SDBIP.

COMPARATIVE GRAPHS





3.6 MEASURES TO IMPROVE PERFORMANCE

Policies were developed and will be tabled before the Council for approval. Statutory reports will be tabled at MANCO meetings to ensure compliance. COVID-19 afforded us new means of operating, and as such, we are now using virtual platforms to hold our meetings. Training of Ward Committees will be undertaken to ensure their functioning.

For detailed information on indicators under this KPA, refer to the Corporate Services SDBIP attached to this report.

3.7 BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

The Technical Services Department champions most of the indicators related to this KPA. Technical Services spearheads all infrastructure-related service delivery projects.

Technical Services had a total of 28 indicator targets. Of those targets, a total of 15 were fully achieved, 7 were not, and 6 were partially achieved.

3.8 HIGHLIGHTS OF ACHIEVEMENTS

The Municipality worked tirelessly to improve the lives of citizens by undertaking various service delivery projects as approved by Council. Various projects were completed, and others are currently underway.

The following projects were constructed to completion, and some are still in progress:

PROJECT NAME	WARD NO	PROJECT STATUS
Okhukho Road	4	COMPLETE
Congo/ Etsheni Electrification	1	COMPLETE
Esele Electrification	2	COMPLETE
Nkonjane Electrification	3	COMPLETE
Mzulwini Electrification	4	COMPLETE
Vulamehlo Electrification	5	COMPLETE
Zagqayini/ Mafahleni Electrification	8	COMPLETE
Phakade/ Mazisi Electrification	9	COMPLETE
Dabangu Electrification	7	COMPLETE
Completion of Designs of Sabuyaze Sports Ground	10	COMPLETE
Mvozane Community Centre	8	In progress, towards completion
Ngwadumane/ Nkolovuzane Electrification	7	In progress, towards completion
Wome/ Sinamfu Electrification	8	In progress, towards completion
Electrification of Mphise, Esihlushwaneni, Mangongo & Mbulwini Phase 2	3	In progress, towards completion

3.9 HIGHLIGHTS OF CHALLENGES

Delays in the appointment of contractors had a negative impact on the completion of projects. Proper planning may eliminate this.

The overall decline in the number of targets achieved is also a cause for concern since the nature and functions of this department impact directly on service delivery.

3.10 INDICATOR PERFORMANCE COMPARATIVE TABLE FOR BASIC SERVICE DELIVERY

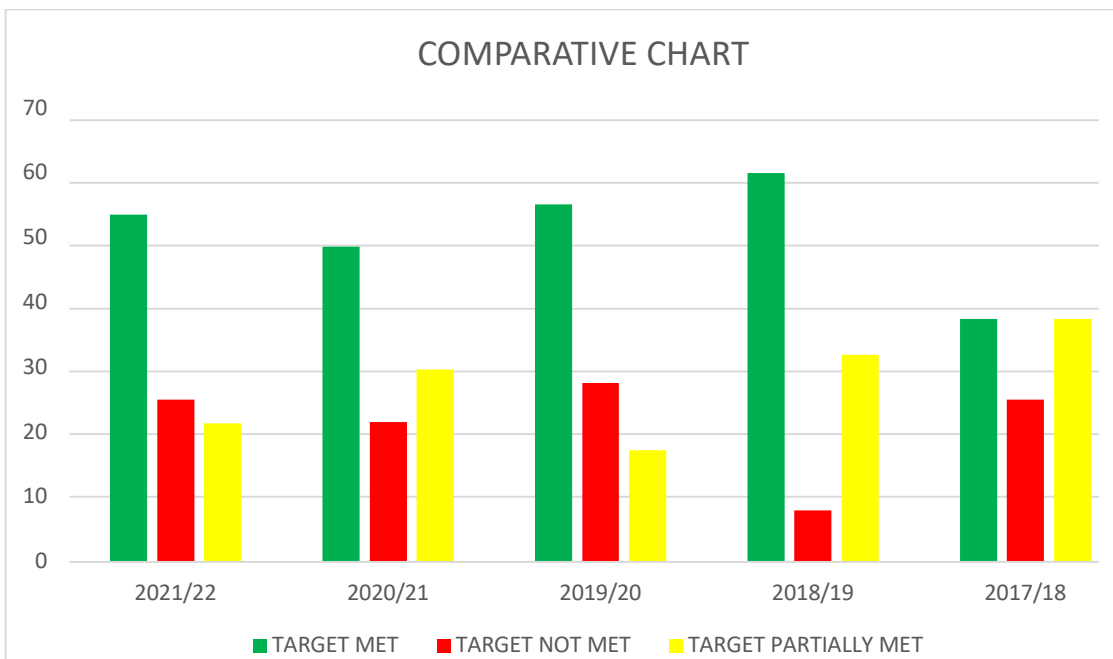
The following table is the comparison of current target achievements with previous financial years for basic service delivery indicators:

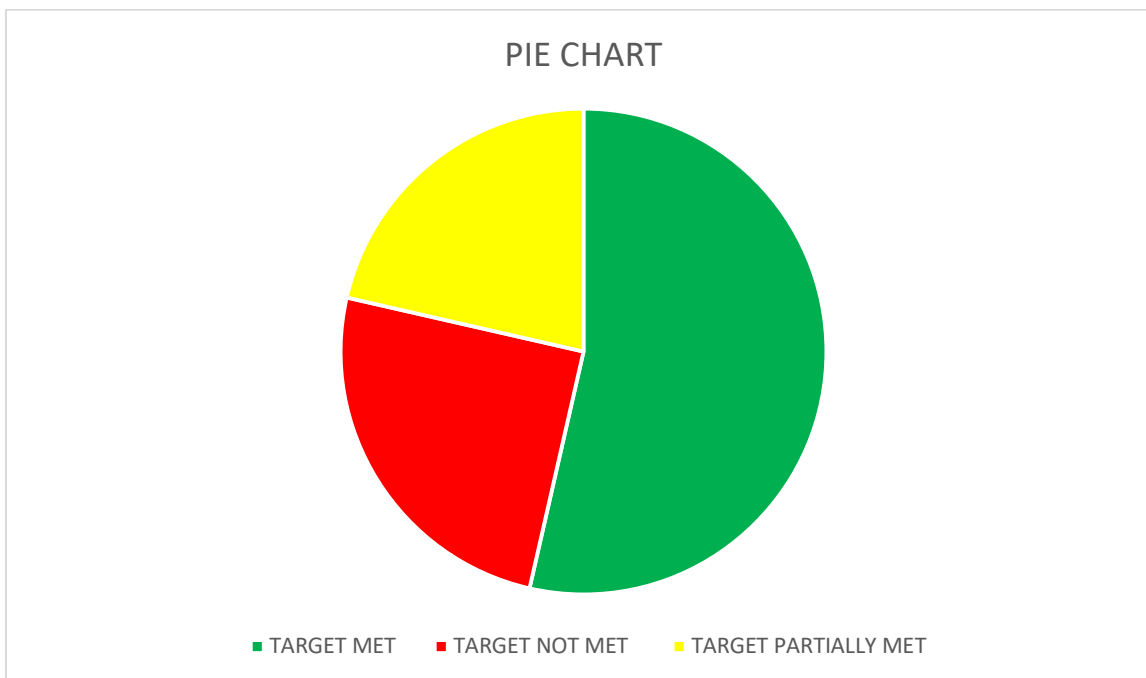
FINANCIAL YEARS	TARGET MET	TARGET NOT MET	TARGET PARTIALLY MET	TOTAL KPIs
2021/22	15= 53.57%	7= 25%	6= 21.43%	28
2020/21	18= 48.65%	8= 21.62%	11= 29, 73%	37
2019/20	16=55.17%	8= 27.58%	5= 17.24%	29
2018/19	15=60%	2=8%	8= 32%	25
2017/18	6=37.50%	4=25%	6= 37.50%	16

Table: Comparative Target Achievement Information

A notable increase of 4.92% in the attainment of targets when compared to the last FY was noted. The reasons for this decline are contained here above as well as on the departmental SDBIP.

COMPARATIVE GRAPHS





3.11 MEASURES TO IMPROVE PERFORMANCE

- Regular meetings and close monitoring of projects are now done to ensure that they are completed on time.
- Monthly project progress reports are to be tabled to MANCO to early identify and rectify possible challenges on each project.
- Conducting a monthly performance assessment evaluation of contractors and consultants and tabling it to MANCO.

For detailed information on indicators under this KPA, refer to the Technical Services SDBIP attached to this report.

• OFFICE OF THE MUNICIPAL MANAGER

The office of the Municipal Manager had a total of 33 indicator targets that were set. Of those, 22 were fully achieved, 8 were not met, and 3 were partially achieved.

3.12 HIGHLIGHTS OF ACHIEVEMENTS

Compliance in terms of PMS legislated timeframes was met within regulated timeframes.

The Audit Committee is in place and meets as required. Risk Management is also in place to assist with issues of risk management and mitigation.

Various sporting and social events (i.e., the Mayoral Cup) were held as a means to achieve social cohesion amongst our communities.

Matric extra classes as well as the Matric Excellence Awards were also held to encourage our students to do even better and represent Maphumulo in various fields of education. Those students who excel and get good grades in their matriculation results are offered financial assistance in the form of a reduced registration fee for their tertiary education.

Sports equipment was procured and handed over to various sporting fraternities to promote sports and recreation among our youth. Eighty-five (85) young people benefited from our driving license programmes, and others benefited from the financial support we give to local youth businesses.

3.13 HIGHLIGHT OF CHALLENGES

Record keeping is a challenge, as there are no records for the sitting of departmental meetings, whereas these meetings were held. Delays in the formulation of Council meetings affected the sitting of the MPAC Committee; however, this has been resolved and the Committee is now sitting.

3.14 INDICATOR PERFORMANCE COMPARATIVE TABLE

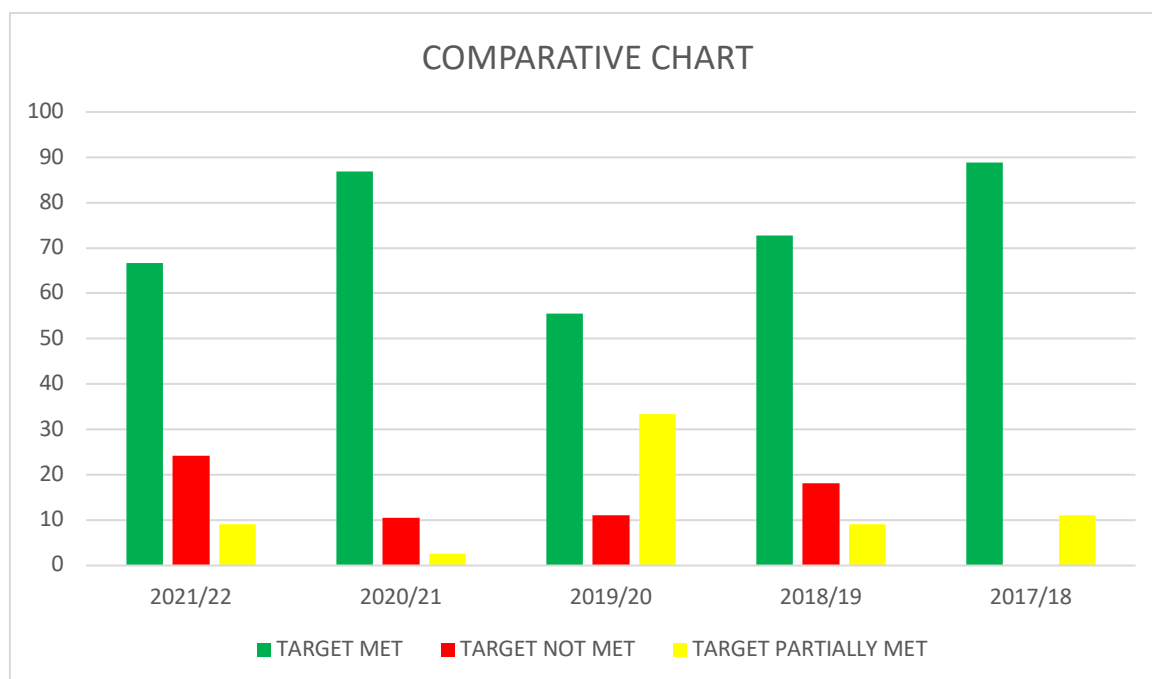
The following table is the comparison of current target achievements with previous financial years:

FINANCIAL YEARS	TARGET MET	TARGET NOT MET	TARGET PARTIALLY MET	TOTAL KPIs
2021/22	22= 66.67%	8= 24.24%	3= 9.09%	33
2020/21	33= 86.84%	4= 10, 53%	1=2.63%	38
2019/20/	15= 55.55%	3= 11.11%	9= 33.33%	27
2018/19	32= 72.72%	8= 18,18%	4= 9, 09%	44
2017/18	16= 88.89%	0= 0%	2= 11.11%	18

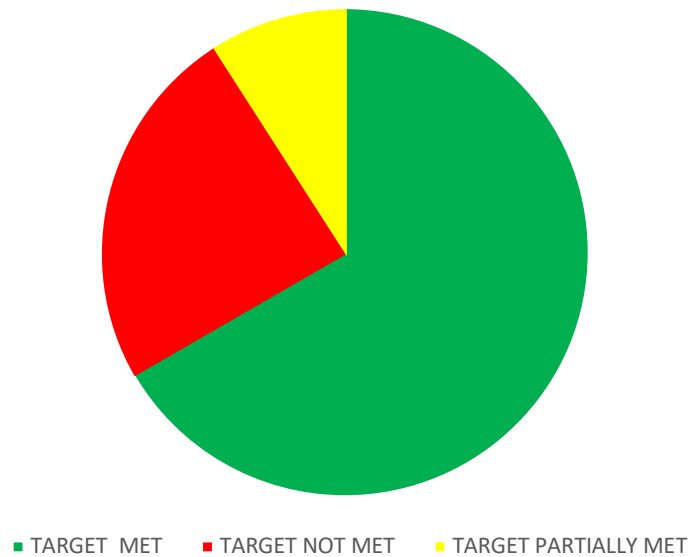
Table: Target Achievement Information

A notable decrease of 20.17% in the attainment of targets when compared to the last FY was noted. The reasons for this decline are contained here above as well as on the departmental SDBIP.

COMPARATIVE GRAPHS



PIE CHART



3.15 MEASURES TO IMPROVE PERFORMANCE

- The elimination of outstanding risk mitigation actions has been prioritised.
- Risk management is now a standing agenda item for all departmental meetings.
- Youth development has been prioritised.
- Compliance issues form part of the agenda for all MANCO meetings.

For detailed information on indicators within the office of the Municipal Manager, refer to the SDBIP attached hereto.

- **FINANCIAL MANAGEMENT AND VIABILITY**

The Budget and Treasury Department champions most of the indicators relating to this KPA.

Budget and Treasury had 30 indicator targets that were set. Of those targets, 24 were fully achieved, 3 were not achieved, and 3 were partially achieved.

3.16 HIGHLIGHTS OF ACHIEVEMENTS

Effective and adequate financial management is a priority as the Municipality continues to work towards achieving clean administration and a clean audit. All budget development processes were followed to ensure credible budgeting. Our budget was approved within the legislated timeframe and funded.

An increase in the amount collected by the Municipality through property rates, rentals, and waste removal has increased. We billed a total amount of R23 627 425. 04 and collected an amount of R24 406 361. 42.

This is a positive achievement, more so for our Municipality as we are a small Municipality that is highly dependent on grants. Statutory reports were timeously submitted to Treasury as required by legislation.

All risk mitigation targets on the risks register were achieved.

The Municipality prioritised the awarding of tenders to local SMMEs as an attempt to boost the local economy. A total of 93 local SMMEs were awarded tenders within this financial year. We will continue to ensure that even more people are benefiting to ensure that the economy of Maphumulo benefits its people, therefore creating job opportunities and encouraging entrepreneurship. A decrease in fruitless and wasteful expenditure amounts was noted.

HIGHLIGHTS OF CHALLENGES

Delays in the adjudication of tenders were noted. The average turnaround time to adjudicate tenders is about 17 working days after the evaluation. This has a negative impact on service delivery as it delays the initial commencement of the project.

INDICATOR PERFORMANCE COMPARATIVE TABLE

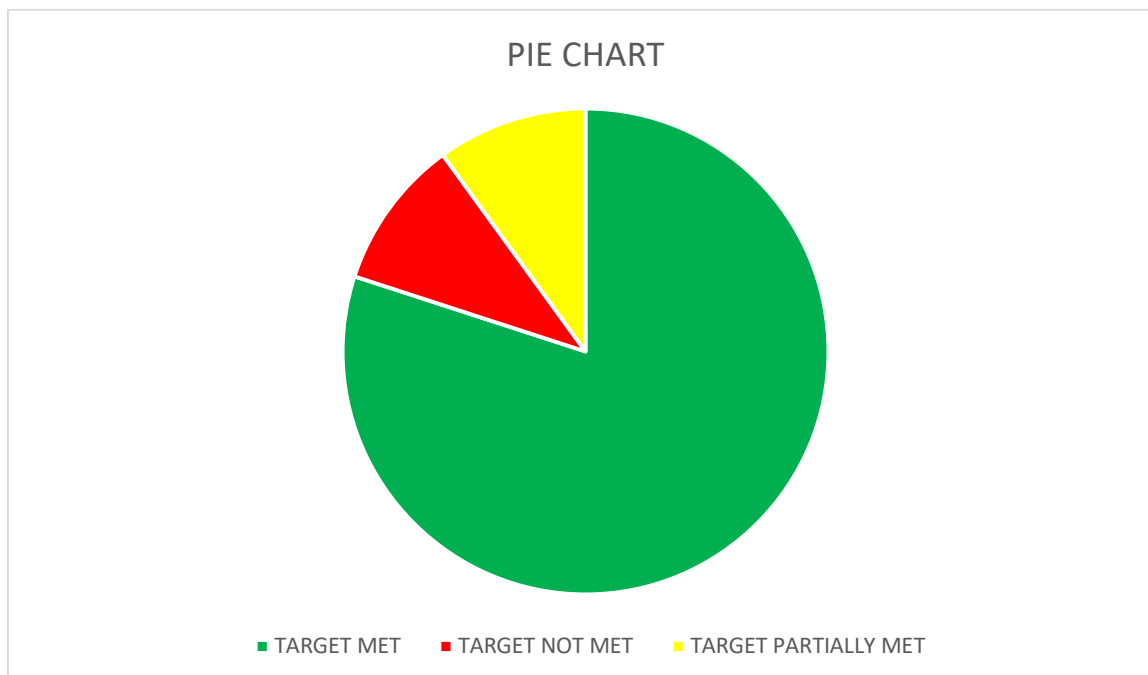
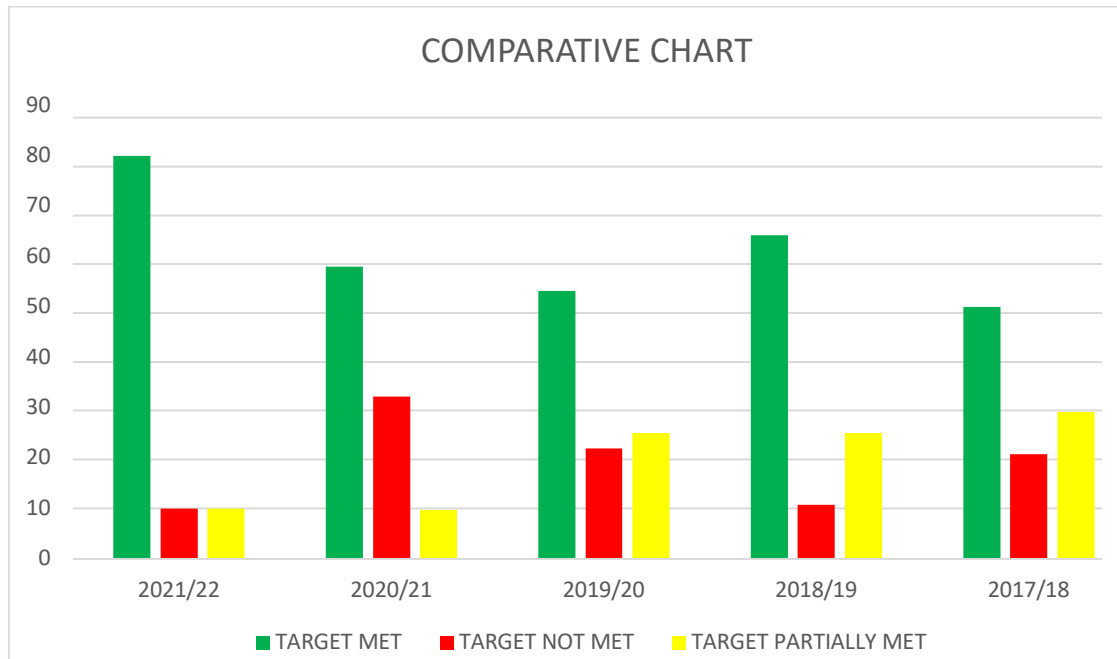
The following table is the comparison of current target achievements with previous financial years for financial viability and management:

FINANCIAL YEARS	TARGET MET	TARGET NOT MET	TARGET PARTIALLY MET	TOTAL KPIS
2021/22	24= 80%	12= 10%	3=10%	30
2020/21	18= 58.06%	10= 32.26%	3= 9.68%	31
2019/20	17=53.12%	7= 21.87%	8= 25%	32
2018/19	18= 64,28%	3= 10,71%	7= 25%	28
2017/18	12=50%	5=20.83%	7=29.17%	24

Table: Comparative Target Achievement Information

A notable increase of 21.94% in the attainment of targets when compared to the last FY was noted. The reasons for this decline are contained here above as well as on the departmental SDBIP.

COMPARATIVE GRAPHS



3.17 MEASURES TO IMPROVE PERFORMANCE

- Filling the position of SCM Manager for the unit to function properly.
- Developed a procurement plan to ensure the timely procurement of services.
- Timeously table statutory reports to relevant Council structures.
- Proper planning to ensure that the budget is properly and sufficiently allocated.
- To strengthen internal controls to reduce and subsequently eliminate deviations, and irregular, fruitless and wasteful expenditure.

For detailed information on most indicators within this KPA, refer to the Budget and Treasury SDBIP attached to this report.

- **SOCIO-LOCAL ECONOMIC DEVELOPMENT**

The Community Services Department champions most of the indicators under this KPA.

Community Services had a total of 25 indicator targets that were set. Of those targets, a total of 16 were fully achieved, 2 were not achieved, and 7 were partially achieved.

3.18 HIGHLIGHTS OF ACHIEVEMENTS

The Municipality attended to disastrous events within 36 hours after they were reported. This ensured that we assisted those affected by such events. This was the case, especially for the victims of the floods that were experienced throughout KZN in April 2022.

Clean-up campaigns were also held quarterly to encourage and teach our communities about caring for the environment, which contributes to a healthy lifestyle. This is in line with the IWMP document that was approved by Council on 31 March 2022.

Seventy-three (73) job opportunities were created through the EPWP Programme as a short-term solution to the high unemployment rate. Many more opportunities were also created through various infrastructure projects that are currently underway within the Municipality (i.e., housing projects, construction of halls, electrification and road infrastructure projects, etc.).

Women's Day was held by the Municipality to celebrate the role of women in our society. We also organised and held a sports day for people living with disabilities. A Christmas event for vulnerable groups was also held. Forum meetings for sectors in our society were held to discuss, identify challenges, and recommend solutions to problems faced by each sector within their communities. The Municipality considers those recommendations during budget allocation.

Disaster Management Forum meetings are also being held with various stakeholders to devise strategies for minimising and eliminating disasters. This is all in line with our Disaster Management Strategy that was reviewed and approved by Council in the last financial year. The strategy provides a solution to our challenges regarding disaster management and implementation within Maphumulo.

3.19 HIGHLIGHTS OF CHALLENGES

Disaster Management Forum meetings were not held as only 2 of 4 meetings took place. These are important meetings, considering the high impact disastrous events have on our community. It is through these meetings that various stakeholders meet to devise strategies for minimising and eliminating disasters.

3.20 INDICATOR PERFORMANCE COMPARATIVE TABLE

The following table is the comparison of current target achievements with previous financial years for socio-local economic indicators:

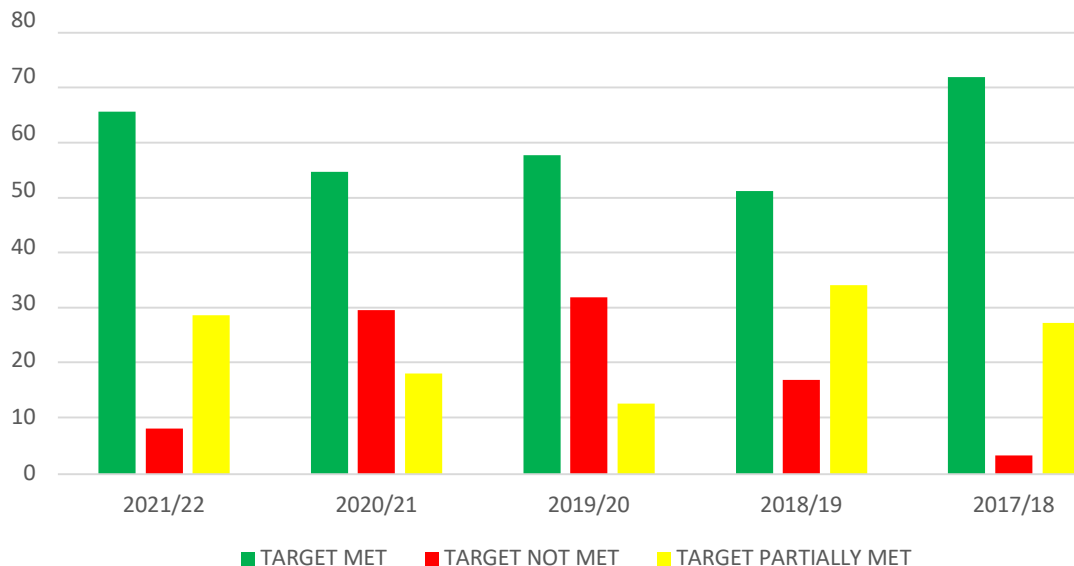
FINANCIAL YEARS	TARGET MET	TARGET NOT MET	TARGET PARTIALLY MET	TOTAL KPIS
2021/22	16= 64%	2= 8%	7=28%	25
2020/21	24= 53.33%	13=28.89%	8=17.78%	45
2019/20	18= 56.26%	10=31.25%	4= 12.50%	32
2018/19	3= 50%	1=16, 66%	2= 33,33%	6
2017/18	21= 70%	1=3.33%	8=26.67%	30

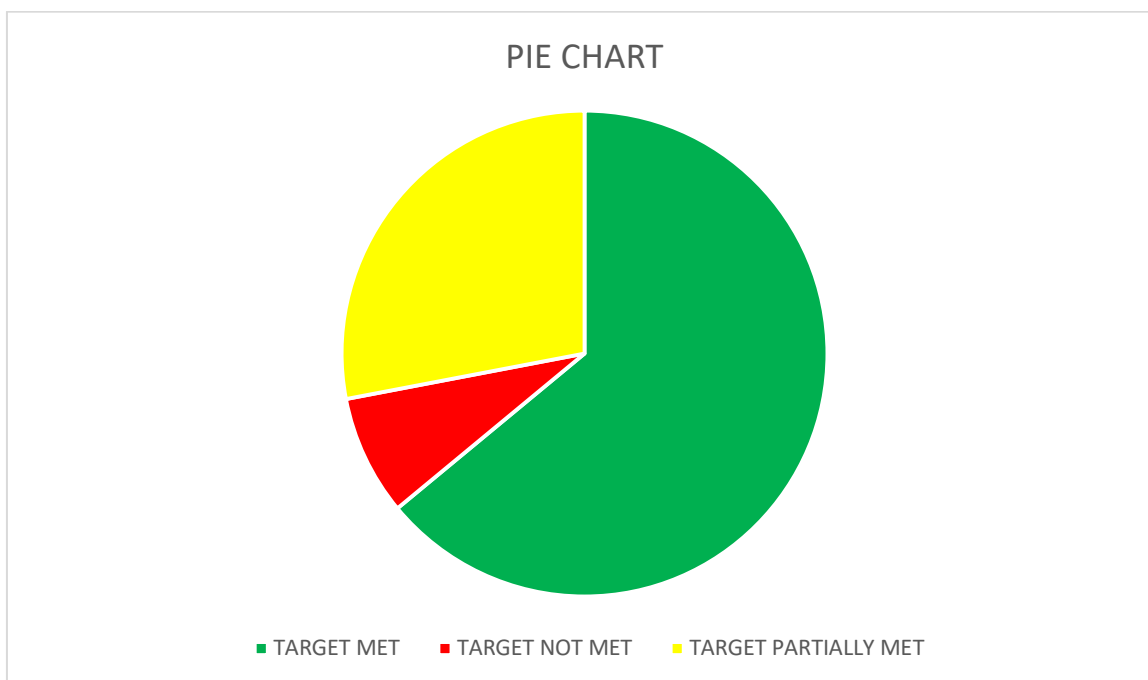
Table: Comparative Target Achievement Information

A notable increase of 10.67 % in the attainment of targets when compared to the last FY was noted. The reasons for those targets that were not met are contained here above as well as on the departmental SDBIP.

COMPARATIVE GRAPH

COMPARATIVE CHART





MEASURES TO IMPROVE PERFORMANCE

- Continuous monitoring of departmental target indicators to ensure achievement of targets.
- Departmental meetings are to be held regularly to ensure the timely identification of potential problems and foster teamwork.
- Service provider to supply material for disaster victims to avoid delays when incidents occur.
- Undertaking disaster awareness campaigns to avoid unnecessary loss of life.

For detailed information on most indicators within this KPA, refer to the Community Services SDBIP attached to this report.

3.21 SPATIAL PLANNING AND ENVIRONMENTAL MANAGEMENT

The EDP Department champions indicator targets under this KPA. EDP had a total of 29 indicator targets that were set. Of those targets, 18 were fully achieved, 7 were not achieved, and 4 were partially achieved.

HIGHLIGHTS OF ACHIEVEMENTS

To ensure integrated planning within the Municipality, the IDP was reviewed and successfully adopted for implementation. The IDP document was developed after community consultations, during which public input was received and incorporated into the final IDP.

The Land Use Management Scheme (LUMS) was developed and adopted by Council. The document seeks to guide land use development within the Municipality.

All SPLUMA applications that were received were timely processed by the Municipality.

Town Development Forum meetings as well as Planning Forums were held and attended. These meetings seek to address, among other things, the development of Maphumulo Town.

Assistance, including the drawing of business plans for local SMMEs, was provided to ensure that local businesses can access available grant funding and, therefore, grow and be able to compete and participate in the broader economy. SMME development is one of our priorities, as we believe that they play a huge role in job creation and therefore reduce government dependency on the local community.

HIGHLIGHTS OF CHALLENGES

Most of the unachieved targets were partly due to the late establishment of Portfolio Committees, which then affected the submission of reports to those committees. Also, the postponement of Council meetings had an impact on the achievement of some targets.

INDICATORS PERFORMANCE COMPARATIVE TABLE

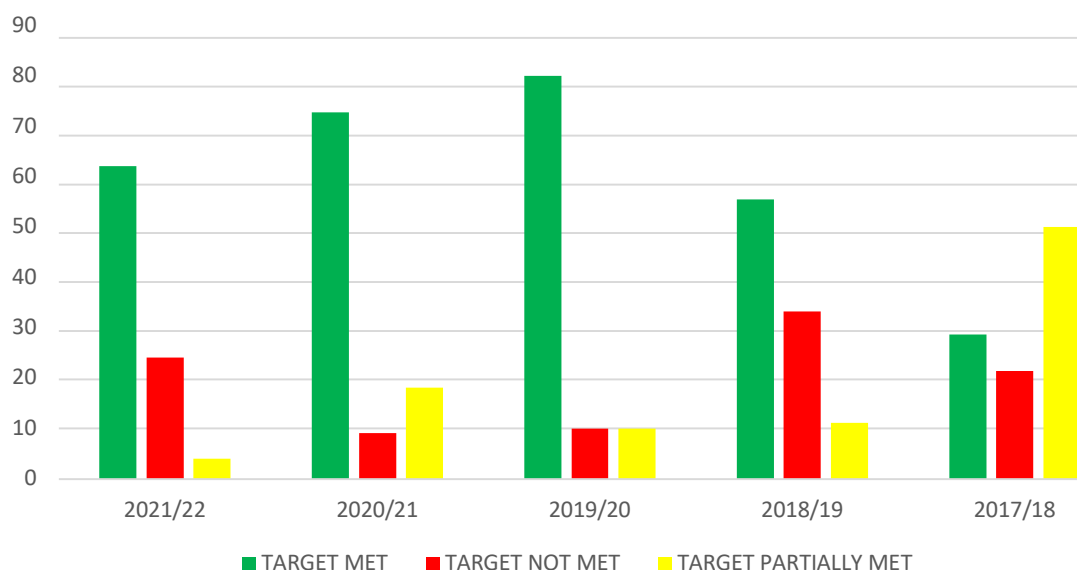
The following table is the comparison of current target achievements with previous financial years for spatial planning and environmental management indicators:

FINANCIAL YEARS	TARGET MET	TARGET NOT MET	TARGET PARTIALLY MET	TOTAL KPIS
2021/22	18= 62.07%	7= 24.14%	4= 4%	29
2020/21	27= 72.73%	3= 9.09%	6=18.18%	33
2019/20	24=80%	3= 10%	3= 10%	30
2018/19	5=55.55%	3= 33.33%	1= 11, 11%	9
2017/18	4=28.75%	3=21.43%	7=50% 14	14

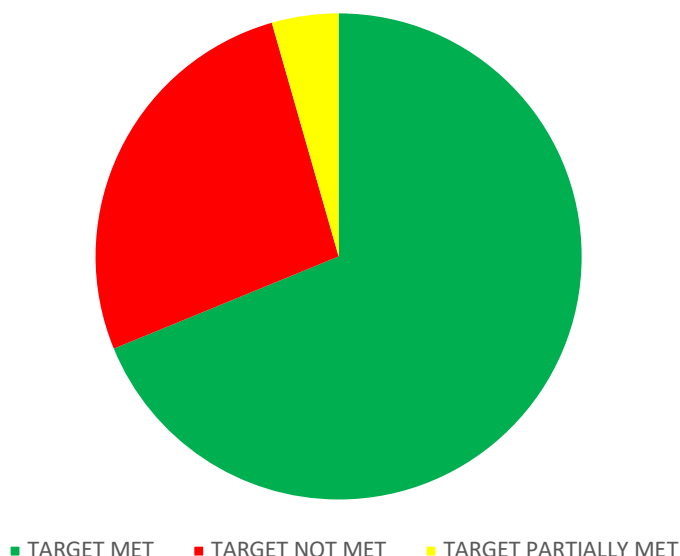
A notable decline of 10.66% in the attainment of targets when compared to the last FY was noted. The reasons for those targets that were not met are contained here above as well as on the departmental SDBIP.

COMPARATIVE GRAPHS

COMPARATIVE CHART



PIE CHART



MEASURES TO IMPROVE PERFORMANCE

- Functional LED Unit to assist local SMMEs. Several programmes have been launched in this regard.
- Prioritisation of town development agenda to attract investors and grow the local economy.
- Support of local agricultural activities to ensure food security and business.
- Speed up the transfer of title deeds for households with sites within Maphumulo Town.

For further information on most indicators within this KPA, refer to the EDP SDBIP attached to this report.

3.22 OVERALL SUMMARY OF CHALLENGES

The following challenges were noted from all departments and require intervention by both the political leadership and management:

- Some of the targets are met after their due date.
- Statutory reports were not submitted to relevant structures (portfolios, MANCO, Council, etc).
- Portfolio meetings are not sitting consistently as scheduled.
- Incurring unnecessary deviations, irregularities, and fruitless and wasteful expenditure (i.e., late payment of SARS, etc.)
- Delays in the appointment of service providers for projects subsequently delaying the whole project value chain.
- Delays in the completion of service delivery projects.

3.23 PERFORMANCE OF SERVICE PROVIDERS

The Municipality employs various service providers to provide skills and resources that the Municipality does not have adequate capacity to undertake. The service providers that are employed by the Municipality include (but are not limited to) security services, cleaning services, internal auditing, etc.

Section 116 (2b) of the Municipal Finance Management Act No. 56 of 2003 requires that the performance of the employed service providers be monitored. The Municipality monitors service providers through monthly activity reports as well as through the municipal staff, who supervise and monitor them daily. Such monitoring aims to ensure that services received by the Municipality are of the highest value and quality.

Only service providers with long-term contracts with the Municipality were rated.

For service providers' performance rating purposes, the rating criteria used is as follows:

PERFORMANCE WEIGHTING		
1	POOR	Performance did not meet most contractual requirements and contains serious problems.
2	SATISFACTORY	Performance did not meet some contractual requirements
3	GOOD	The contractor's performance contains some minor problems that can be corrected.
4	VERY GOOD	Performs and meets contractual requirements.
5	EXCELLENT	Performance meets contractual requirements and, to a certain extent, exceeds expectations.

The performance ratings of service providers performing the day-to-day functions of the Municipality are as follows:

SERVICE PROVIDER PERFORMANCE ASSESMENT REPORT						
2020/21 ANNUAL PERFORMANCE RATINGS						
COMPANY NAME	TYPE PF SERVICES RENDERED	EXCELLEN T (9-10)	VERY GOOD (7-8)	GOOD (6)	AVERAG E (5)	POO R (1-4)
DOLPHIN COAST WASTE MANAGEMENT	Collection and transportation of waste to landfill site		X			
MDELA TRADING	Cleaning of the taxi rank		X			
SLINJABULO	Dislodging of municipal septic tank		X			

TRADING						
GIJIMA KM SECURITY	Security services			X		
KONIKA MINOLTA	Printing machines		X			
NGUMUSA (PTY) LTD	Provision of hygiene services and sanitary bins			X		
MASEKO MBATHA & PARTNERS	Provision of legal services		X			
MTN	Provision of telecommunication services			X		
CAMELSA CONSULTING GROUP	Pastel evolution (accounting system)			X		
AYANDA MBANGA COMMUNICATIONS	Newspaper advertising			X		
BRAND PARTNERS	Communication management			X		
NGUBANE & COMPANY	Compilation of fixed asset register		X			
HARVEY WORLD TRAVEL	Travelling agency			X		
NTSHIDI & ASSOCIATES	Auditing functions		X			
EPITOME CONSULTING	Professional services for electrification of Nothweni Area in Ward 11		X			
ESETHU ISIPHO CONSTRUCTION	Electrification of Nothweni Area in Ward 11			X		

BI INFRASTRUCTURE	Professional services for the construction of Okhalweni Road		X			
MAGUBANE PLANT & CONTRACTORS	Construction of Okhalweni Road			X		
BI INFRASTRUCTURE	Professional services for the construction of Mnawe/ Phozomane Road			X		
KUHLE & LWANDLE PROJECTS	Construction of Mnawe/ Phozomane Road			X		
NDLELAZOKO CONSULTING	Professional services for the construction of Okhukho Road		X			
UMZULU OJAMA JV	Construction of Okhukho Road		X			
THOKOMELA TRADING	Professional services for electrification of Esihlushwaneni, Mphise, Mangongo & Mbulwini			X		
NHLANSI TRADING JV	Electrification of Esihlushwaneni, Mphise, Mangongo & Mbulwini			X		
NAJA ELECTRICAL	Professional services for electrification of Mankayiyana & Otimati			X		
APHELELE LTD	Electrification of Mankayiyana & Otimati			X		
EPITOME	Professional services for electrification of Wome & Sinamfu			X		

ALEXANDRA THIRD LTD	Electrification of Wome & Sinamfu			X		
THOKOMELA TRADING	Professional Services for electrification of Etsheni, Congo, Sese & Nkonjane			X		
R BUSISIWE & BEST GUYS	Electrification of Etsheni, Congo, Sese & Nkonjane			X		
ETILWENI PTY LTD	Professional services for electrification of Mzulwini/ Vulamehlo			X		
ESETHU ISIPHO CONSULTING	Electrification for Mzulwini/ Vulamehlo			X		
NSF CIVIL ENGINEERING & PROJECTS	Professional services for electrification of Dabangu, Zagqayini/ Mafahleni, Mazisi/ Phakade			X		
SINOTHO ELECTRICAL	Electrification of Dabangu, Zagqayini/ Mafahleni, Mazisi/ Phakade			X		
DARTINGO CONS ENG	Professional Services for the construction of Mvozane CSC			X		
USWAZI CONSTRUCTIO N	Construction of Mvozane CSC			X		

MAPHUMULO MUNICIPALITY

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CHAPTER 4

ORGANISATIONAL
DEVELOPMENT
PERFORMANCE

4.1 EMPLOYMENT EQUITY

The Municipality developed an employment equity plan, which was adopted by Council in the 2016/17 financial year and is reviewed every financial year. This plan seeks to ensure the representation of previously disadvantaged individuals at all municipal levels in line with the requirements of the Employment Equity Act of 1998.

Currently, we have a staff complement of 123 employees, and 3 of them are persons living with disabilities. That makes a total of 3.7%, and the prescribed percentage norm is 2%.

It is also noted that the Municipality has improved in terms of women's representation at the management level, as we now have 5 females at the Middle Management Level and an additional 1 female at the Directorship Level.

4.2 WORKFORCE LEVELS OF REPORTING

The Municipality has heads of departments who directly report to the Municipal Manager. These are Line Managers who manage staff performance. Officers are directly responsible for junior-level employees.

Most posts are now filled, and that brings stability to the Municipality thus improving service delivery.

Staff meetings were held as a means of reporting and information sharing to identify and address possible challenges that may affect the functioning of staff.

4.3 CAPACITATING MUNICIPAL WORKFORCE

Various training offered by either private institutions or government departments is attended by staff members to enhance their skills. All these training programmes are done in line with our work skills plan, which outlines areas employees should be trained on.

The Municipality also provides bursaries to its employees who wish to enrol in formal courses related to their line of work. It is in our policy requirements that, should an employee fail his or her studies, bursary funds paid on behalf of the employee will be recovered from such an employee.

4.4 JOB EVALUATION AND REMUNERATION

The Municipality is currently using job evaluation outcomes that were issued by the South African Local Government Bargaining Council (SALGBC) for implementation as at July 2010. The municipal employees are paid on a task grading system, excluding Senior Managers, whose remunerations are regulated in terms of the 2016 Upper Limits for Senior Managers. As of now, the Municipality complies and is in line with local government remuneration standards in terms of categorisation and pay scales.

4.5 BENEFITS

The Municipality offers standard benefits to all employees in accordance with its policies. Benefits accessible to all employees include medical aid, pension/provident fund, and funeral plan. Over and above these benefits, managers qualify for locomotive and cell phone allowances.

4.6 INJURY ON DUTY

The Municipality has tried by all means to comply in every respect with all provisions of the Health and Safety Act. We have established an OHS Committee, and regular meetings are held to discuss OHS issues.

During the review period, no employee was injured while on duty. We have first aid as well as an OHS representative as a first response to any injuries that may arise to our employees while on duty.

4.7 LABOUR RELATIONS

The relationship between employer and employees has been good. The primary factors that contributed to the establishment and maintenance of good relations were the semi-annual refresher workshops on labour relations issues and the meetings of the Local Labour Forum (LLF).

4.8 LEAVE DAYS

According to the KwaZulu-Natal Conditions of Service Collective Agreement and the Main Collective, municipal employees are entitled to various types of leave. Employees are entitled to 24 annual leave days per year and must take at least 16 mandatory days per year. Employees also have sick leave, special leave, family responsibility leave, and study leave. Leave-taking by employees within the Municipality follows proper procedures and is under control (approval granted by immediate supervisors).

5.1 FINANCIAL PERFORMANCE

The political executive of the Municipality provided adequate political oversight and ensured that Council objectives were implemented. Financial reports were also submitted to the responsible Portfolio Committee for oversight purposes.

The national priorities of the government as contained in the NDP were taken into account during the formulation of the 2021/22 IDP and budget. These two documents were aligned and implemented through our municipal SDBIP.

We still have an infrastructural backlog in terms of electricity, internal roads, water, and other basic needs. However, positive strides are being made to improve the situation. We are grateful for the grant funding that we receive from other government departments, both at the national and provincial levels.

The annual financial statements were compiled and submitted within the legislated timeframes. These financial statements include the financial performance of the Municipality, its financial position, and cash flow management.

5.2 OTHER FINANCIAL MATTERS

5.3 ASSET MANAGEMENT

Accountability for the operation and maintenance of capital assets is the function of the Municipal Manager, which is delegated to the Chief Financial Officer. The Municipality has an Asset Management Unit that ensures proper management. Various legislations and processes guide the movement and utilisation of municipal assets efficiently, economically, and transparently.

Asset management requirements include key asset management functions such as asset safeguarding, asset maintenance, accounting, and an information system that accounts for the Municipality's assets. Maphumulo Municipality has introduced internal controls to prevent inappropriate losses of assets. Municipal assets include buildings, yellow plant machinery, trucks, vehicles, furniture, limited land, etc.

5.4 FLEET MANAGEMENT

Fleet management is the function delegated to the Director of Corporate Services. Various plans have been put in place to strengthen the management and the utilisation of the municipal fleet to avoid abuse and damage. The Municipality currently has 6 yellow plant, 4 trucks and several other vehicles.

Much has been done to improve fleet management. However, more still needs to be done in this regard. The Fleet Management Policy document is reviewed annually and implemented as one of the control mechanisms.

5.5 SUPPLY CHAIN MANAGEMENT

Maphumulo Municipality reviewed and adopted its SCM Policy to ensure a free, equitable, transparent, competitive, and cost-effective procurement of municipal goods and services. Our policy also prioritises local economic development, whereby every tender above R6 million is required to subcontract 30% of its tender value to local contractors. This is done to ensure skill sharing and the empowerment of local people. Assurance of compliance with SCM policies is done through our Risk and Compliance Office. As a result, we have managed to reduce our irregular, fruitless, and wasteful expenditure. We are now working towards maintaining that position and minimising unnecessary deviations.

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CHAPTER 5 FINANCIAL PERFORMANCE



All officials within the SCM Unit meet the prescribed minimum competency levels as required by legislation. All officials dealing with SCM bids are required to sign a declaration of interest and a code of ethics. The Municipality prepared a procurement plan that assists the Municipality in procuring goods and services on time and enabling all departments to meet their service delivery targets.

Bid Committees are in place and were trained in all SCM areas to fully equip them with the skills and expertise to effectively undertake their functions. The Pastel System was installed and is used for requisition requests and processing.

5.6 INDIGENT HOUSEHOLDS

The Municipality has an indigent register that was developed during the 2021/22 FY but was not approved by Council. The register has 6147 indigents who meet all the criteria and qualify as indigents. This was taken from a pool of 10,000 applicants. The process that was followed when we developed our indigent register was household visits. The threshold, according to the policy, is two old age grants.

The Municipality is currently subsidising households with free basic electricity (solar). Some households also receive free basic waste removal services paid for by the Municipality.

N o.	FINDING NAME	AUDIT FINDING	ROOT CAUSE	AUDIT RECOMMENDATION	MANAGEMENT PLANNED ACTION	TARGET DATE	POE	DEPARTMENT
1	Irregular Expenditure not prevented	A review of the annual financial statements coupled with the audit revealed that Municipality could not prevent irregular expenditure as required by the legislation.	<p>Management did not perform adequate monitoring and review to ensure that goods and services are procured in accordance with the Municipal SCM Regulations.</p> <p>Further to that adequate budget controls were not implemented to ensure that the Municipality prevents budget overspending on contracts.</p>	<p>The accounting officer needs to implement stricter controls to ensure that the budget is not exceeded.</p> <p>Management needs to ensure that they implement an effective, efficient and transparent process to ensure that goods and services are procured in line with the applicable supply chain management regulations.</p> <p>The irregular expenditure needs to be investigated to determine whether any official is liable for losses incurred as a result of this expenditure. Disciplinary steps must be taken against officials who caused or permitted the irregular expenditure and losses incurred must be recovered from the person liable.</p>	<p>Adequate monitoring and review to ensure that goods and services are procured in accordance with the Municipal SCM Regulations.</p> <p>Adequate budget controls will be implemented to ensure that the Municipality prevents budget overspending on contracts.</p>	31-Mar-23	Report to MANCO AND MANCO Minutes	Budget and Treasury Office
2	Prior year fruitless and wasteful	Sufficient evidence has not been	The accounting officer	The accounting officer should	Management will again table this	31-Mar-23	Council Resolution	Budget and Treasury

<p>expenditures not investigated</p>	<p>provided that amounts of irregular expenditure incurred in prior years and fruitless and wasteful expenditure were not investigated to determine if any person is liable for expenditure incurred</p>	<p>has not implemented processes to ensure that all irregular and fruitless and wasteful expenditure incurred in prior years is investigated and followed up to determine if a person is liable for the irregular, fruitless and wasteful expenditure, as required by the MFMA.</p>	<p>ensure that the expenditure incurred as per the register of all irregular, fruitless and wasteful expenditure is investigated by the municipal council committee to determine if a person is liable for such expenditure and that there is adequate consequence management and accountability for non-compliance with policies and regulations.</p> <p>The MPAC should investigate all Instances of irregular, fruitless and wasteful expenditure to determine if any person is liable for the expenditure and recommend the irregular and fruitless and wasteful expenditure write-off to council after being certified are irrecoverable.</p>	<p>item to MPAC for investigations and new recommendations to Council</p>		<p>Office/ OMM</p>
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3	<p>Extension of Offices: Reversal of Fruitless and Wasteful Expenditure and Impairment</p>	<p>Work-in-progress assets were identified by the auditors as being impaired during the 2019/20 audit. These assets had been work-in-progress for a number of years and have not been completed.</p> <p>Therefore, since the management is of the view that the office extension project will continue, the fruitless and wasteful expenditure and impairment loss that was raised in the 2019-20 financial year should be reversed.</p>	<p>Management did not exercise sufficient oversight over financial reporting to ensure that all transactions and the effects thereof are adequately reflected in the financial statements submitted for audit based on the underlying information.</p>	<p>Management should reverse the fruitless and wasteful expenditure that was raised in the 2019-2020 audit and disclose a reversal of impairment loss in the prior period error note and further adjust the accumulated surplus and work-in-progress for the impact of the above.</p> <p>Management should ensure that the annual financial statements submitted for audit are accurate and complete. The necessary adjustments should be processed on the financial statements to correct the above-mentioned misstatements</p>	<p>Management will reverse the fruitless and wasteful expenditure that was raised in the 2019-2020 audit. and will disclose a reversal of impairment loss in the prior period error note and further adjust the accumulated surplus and work-in-progress.</p>	13-Oct-02	<p>Report on the engagement of an external service provider/ internal Audit to review AFS</p>	Budget and Treasury Office
4	<p>FAR and AFS: Differences in opening and closing balances</p>	<p>During the audit of the property plant and equipment, it was discovered that the opening and closing balances on the fixed asset register for specific categories of assets did not agree with the balances on</p>	<p>Management did not exercise sufficient oversight over financial reporting to ensure that amounts as per the fixed assets register agree to the amounts</p>	<p>Management should investigate the reasons for all of the above discrepancies to identify the causes of the differences between the FAR and the AFS as well as the notes to the AFS and the face of the statement of financial position.</p>	<p>Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	31-Mar-23	<p>Reconciliation of FAR vs AFS both opening and closing balance</p>	Budget and Treasury Office

		the annual financial statements for 30 June 2022.	per trial balance and annual financial statements, as well as to ensure that amounts on the face of the financial statements agree to the amounts for the underlying notes supporting the financial statement representations.	Management must update the fixed assets register and make sure that the amount disclosed in the annual financial statement and general ledger agrees with the amount as per FAR. Furthermore, management should make the necessary adjustments to ensure that the amounts in the underlying notes to the financial statements regarding property, plant and equipment reflect what is on the face of the statement of financial position.				
5	Property, Plant and Equipment: Damaged/Obsolete assets not impaired	During the physical asset verification process, we inspected a sample of assets to confirm their existence and assess their condition thereof. We identified some assets as included below that were in a poor condition and physically damaged. This provided physical evidence of obsolescence and physical damage	Management did not exercise sufficient oversight over financial reporting to ensure that carrying amount of assets reported in fixed asset register and annual financial statements reflect their true value taking into account	Management should ensure that conditional assessments performed on assets at the Municipality are performed accurately to ensure that all instances of assets are accounted for and all instances where assets have diminished in terms of their service potential have been adequately assessed and their	The conditional assessment will be done for all the assets on the FAR	31-May-23	Assessment report	Budget and Treasury Office

			<p>the application of relevant GRAP standards. Furthermore, management did not provide effective leadership to ensure that the assets of the Municipality are maintained in the required condition to ensure that they are used effectively, efficiently and economically.</p> <p>Furthermore, adequate monitoring and reviews controls are not designed and implemented to ensure that all MFMA compliance requirements affecting the management of Municipality resources are adhered to.</p>	<p>recoverable service amount determined and the adequate impairment adjustments processed.</p> <p>Management should conduct an impairment assessment taking into account the above assets and all of the assets of the Municipality to determine a reasonable recoverable service amount based on taking into account all of the observable sources of information which provides indicators of impairment. The outcome of this assessment should be used to adjust the AFS so that the carrying values reflect the true value after deducting the impairment losses so that the carrying value is reflective of the recoverable service amount.</p> <p>Management should apply the required safeguards and implement controls such</p>			
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			<p>Inadequate monthly processing, reconciling, and controls implemented to monitor contract management for the payment made to service providers and to follow the appropriate steps after contract values have been exceeded.</p>	<p>as monthly asset counts and regular conditional assessments over assets to ensure that they are maintained in a good condition and are able to be utilised for the manner for which they are intended by the public. Management should implement processes to ensure that the risk of circumvention of SCM processes is sufficiently managed and contracts with suppliers are not extended in perpetuity and that extensions are based on instances where it is not reasonably possible to engage in competitive bidding processes.</p> <p>Reasons substantiating the extensions should be drafted in a detailed manner to allow for adequate assessment of the justifiability thereof, including the assessment of the detailed actual cost of</p>			
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				the extensions in line with the original contracts				
6	Investment Property not reflected at Fair Value as at 30 June 2022	Investment property not being fair valued no fair value adjustment was recognised in the statement of financial performance and on 30 June 2022 non-current assets are significantly misstated.	Management did not exercise sufficient oversight over financial reporting to ensure that all transactions and the effects thereof are adequately reflected in the financial statements submitted for audit based on the underlying information, in this case the valuator report.	Management should adjust the amounts disclosed for the investment property balance taking into account the report of the independent valuator report as also adjust the statement of financial performance to reflect the impact of the adjustment to the fair value. Management should ensure that the annual financial statements submitted for audit are accurate and complete. The necessary adjustments should be processed on the financial statements to correct the above-mentioned misstatements.	The necessary adjustments will be processed on the financial statements to correct the misstatements. Management will prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.	31-May-23	Valuation report	Budget and Treasury Office
7	Misstatements noted on commitments disclosure	During the audit of commitments, we have noted that the recalculated commitments amount as at 30 June 2022 did not agree to the amounts as per the commitments schedule.	Management did not implement controls to track spending on these contracts and keep the commitments schedule updated accurately to reflect	Management should ensure that all the spending on contracts are monitored to ensure that the commitments schedule is updated on a regular basis and is accurate. Management should ensure	Management will implement controls to track spending on contracts and keep the commitments schedule updated accurately on a monthly basis.	31-Jan-23	Report to MANCO AND MANCO Minutes	Budget and Treasury Office

			the commitment after subtracting the spending from the contracted values.	that the annual financial statements submitted for audit are accurate and complete. The necessary adjustments should be processed on the financial statements to correct the above-mentioned misstatements.				
8	Principal vs Agent relationship not disclosed	During the audit of payables from exchange transactions it was noted that the Municipality received a human settlement receipt (hereinafter referred to as receipt) from the Provincial Department of Human Settlements KwaZulu-Natal. The disclosure of Note 40 - Accounting by principals and agents is misstated as it has not included the disclosure requirements of the above-mentioned principal-agent arrangement.	Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information. Sufficient monitoring of controls were not implemented to support accurate financial reporting in certain cases to ensure that all disclosures in the financial statements are in line with the requirements of GRAP 109.	The accounting officer should investigate the above instances which were discovered by the internal audit unit and reasons thereof and ensure that the disclosures for fruitless and wasteful expenditure have been accordingly updated on the AFS	Management should disclose the above mentioned principal – agent arrangement in accordance with GRAP 109 – Accounting by principals and agents. Monitoring controls should be enhanced to support accurate financial reporting.	30-Jun-23	AFS Reviewed by Internal Auditors	Budget and Treasury Office

9	Payments not made within 30 days	Contrary to the above during the audit of expenditure it was noted that the following invoices were not paid within 30 days	Adequate monitoring and review controls are not designed and implemented to ensure that strict payment timelines are adhered to as required by the MFMA.	<p>Management should consider implementing the invoice receipts register, where follow-up could be undertaken to ensure that payments are processed on time as required by legislation and also avoiding incurring fruitless and wasteful expenditure in the form of interest and penalties.</p> <p>Furthermore, monthly reports detailing the reason why payments were not made on time should be submitted to management.</p> <p>Expenditure management must conduct monthly analysis on these submissions to identify areas of deficiencies in the payment processes and implement corrective actions</p>	Management will adequately monitor and review controls to ensure strict implementation on resulting in payment of invoices within 30 days. payment timelines	31-Jan-23	Monthly reports	Budget and Treasury Office
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10	Suppliers in service of the state: False declarations of interest submitted	During the audit of procurement and contract management conflicts of interests, the below suppliers were identified to have been in service of another state institution. None of the below suppliers have declared the interests in the respective MBD4 documents provided in the bidding documents for the respective awards resulting in the declarations submitted being false.	Internal control processes of the Municipality are not efficient in identifying instances where awards are made to persons in service of other state institutions Sufficient procedures have not been exercised by the Supply Chain Management unit over the identifying of conflicts of interests in suppliers in order to ascertain instances where false declarations have been submitted.	Supply Chain Management processes should be strengthened to require suppliers, on an annual basis for contracts and on submission of quotations for once-off procurement, to include a valid MBD4 declaration. Suppliers should be made aware that false declarations may invalidate a quotation and where false declarations have been identified, a quotation or bid should not be included as part of the evaluation processes. Furthermore, prior to all awards, supply chain management should perform the required searches to enable the identification of instances that may result in conflicts of interests. In addition, management should conduct an investigation of the entire population to identify similar	Supplier will be encouraged to declare MBD4 truthfully.	31-Jan-23	Bid documents	Budget and Treasury Office
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				instances including the items above to ensure that the adequate corrective measures are implemented to prevent the on-compliance noted.				
1 1	Use of consultants	<p>During the audit, it was noted that the Municipality does not have a consultancy reduction plan in place and this increases the over reliance on consultants where they are used for permanent/full time needs/requirements for which internal staff must be trained or upskilled.</p> <p>It was further noted that the Municipality does not perform a gap analysis prior to the appointment of consultants, which is to identify gaps between the current available human resources and human resources required to complete a specific project.</p>	Management did not exercise sufficient review and monitoring of compliance with the Municipal Cost Containment Regulations.	<p>Management should consider the following: Put in place control procedures to ensure the gap analysis is performed before a consultant is appointed to identify skills shortages and skills that are available to the Municipality which are not utilised.</p> <p>The Municipality must have consultancy reduction plan in place to reduce the over reliance on consultants where they are used for permanent/full time needs/requirements for which internal staff must be trained or upskilled.</p>	<p>Develop a control procedure to ensure a gap analysis is performed before appointing a consultant.</p> <p>Develop a consultancy reduction plan.</p>	30-Jun-23	Control procedure and consultancy reduction plan tabled at MANCO.	Budget and Treasury Office / Corporate Services
1 2	Cash Flow Statement Discrepancies	During our audit of the statement of cash flow and	Reviews over the information included	Management should correct the statement of cash flow by	Timely preparation of AFS and review by	15-Aug-23	Report of AFS reviewal	Budget and Treasury Office

		<p>related disclosure – cash generated from operations, we identified differences in the calculations of the change in the following amounts: Prepayments for 2022. Receivables from non-exchange transactions for 2022. Furthermore, in the statement of cash flow note disclosure, the following differences were identified which ties up with the difference identified in the cash generated from operations note.</p>	<p>on the cashflow statement are inadequate as they did not identify discrepancies to the underlying records. Management has not taken adequate steps to ensure accuracy of the statement of cash flow.</p>	<p>adjusting the calculations of cash receipts from ratepayers, government and others and cash paid to suppliers according to the differences identified above. It has been identified that the movement in prepayments from the prior to the current year has been calculated incorrectly and management should use the correct signs when calculating all movements.</p>	Internal Auditors			
13	Expenditure recorded including Value Added Tax	<p>During the audit of general expenses, we identified expenditure amounts recorded in the general ledger inclusive of VAT.</p>	<p>Management did not exercise sufficient oversight over transactions captured on the general ledger to ensure that all expense transactions are captured exclusive of VAT.</p>	<p>Management should correct the general expenses by adjusting the expenditure amount in the general ledger to exclude Value Added Taxation.</p> <p>Furthermore, the management must put in place control procedures that ensure that VAT is excluded from the general ledger when</p>	<p>Management will exercise sufficient oversight over transactions captured on the general ledger to ensure that all expense transactions are captured exclusive of VAT.</p>	31-Jan-23	Report to MANCO AND MANCO Minutes	Budget and Treasury Office

				an expense is recorded.				
14	Property Rates as disclosed in the annual financial statements misstated	During the year it was discovered that the amounts disclosed on the annual financial statements for Property rates, (Rates received) State and less: income forgone are understated.	Management did not implement proper record keeping to ensure that all the property rates has been included in the billing report and properly disclosed in the annual financial statements and shown separately from income forgone (rebate) even if the net impact is nil.	Management must update the annual billings report and Note 25 Property Rates to include all omitted property rates charges and income forgone (rebate) and ensure that the amounts disclosed in the annual financial statements agrees with the annual billings report. Furthermore, management must have control procedures in place that enables the inclusion of all property rates even if the rebate is 100%.	Management will implement proper record keeping to ensure that all the property rates has been included in the billing report and properly disclosed in the annual financial statements and shown separately from income forgone (rebate).	30-Jun-23	Report to MANCO AND MANCO Minutes	Budget and Treasury Office
15	Accounting Policies omitted from current year AFS	During the annual financial statements review for the Maphumulo Local Municipality, the below accounting policy findings were identified to have been omitted from the AFS where a policy existed in the prior year.	Reviews over financial information are inadequate in that they have not identified instances where accounting policies have been omitted and have not ensured that all policies as included in the prior	Management must implement the adequate controls and / or completeness checklists over the disclosure of accounting policies and over the review of the annual financial statements prior to submission for audit to ensure that accounting policies are	Timely preparation of AFS and review by Internal Auditors	15-Aug-23	Internal Auditors AFS review report	Budget and Treasury Office

			year AFS have been included in the current year, and any changes have been accounted for in terms of the applicable standards.	accurate and complete.				
16	Omission of paragraph within accounting policy	During the annual financial statements review for the Maphumulo Local Municipality, the below paragraph from the prior year employee benefits accounting policy was identified to have been omitted from the annual financial statements in the current year.	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. Reviews over financial information are inadequate in that they have not identified instances where paragraphs within accounting policies have been omitted and have not ensured that all policies as included in the prior year annual	Management must implement the adequate controls and / or completeness checklists over of the disclosure of accounting policies and over the review of the annual financial statements prior to submission for audit to ensure that accounting policies are accurate and complete.	Timely preparation of AFS and review by Internal Auditors	15-Aug-23	Internal Auditors AFS reviewal report	Budget and Treasury Office

			financial statements have been included in the current year, and any changes have been accounted for in terms of the applicable standards.					
17	Employee benefit obligation note not updated	During the annual financial statements review for the Maphumulo Local Municipality, we have noted that employee benefits obligation note 45 was not updated for the latest valuation date and actuarial names. indicating that these assets still have a value and useful life attached to them as the assets are still in a fair condition and being utilised by the Municipality	Reviews over financial information are inadequate as employee benefits obligation note was not updated to ensure accurate and fair presentation.	Management must implement the adequate controls and / or completeness checklists over of the disclosure notes and over the review of the annual financial statements prior to submission for audit to ensure that disclosure notes are accurate and complete.	Timely preparation of AFS and review by Internal Auditors	15-Aug-23	Internal Auditors AFS reviewal report	Budget and Treasury Office
18	Difference between employee payroll report and the general ledger	During the annual financial statements review for the Maphumulo Local Municipality it was identified that the Principal Agent disclosure was inadequate	Management did not prepare regular, accurate and complete financial and performance reports that are supported	Management should perform reconciliations of the employee payroll report and the general ledger on a monthly basis to ensure that there is no difference	Management will perform reconciliations of the employee payroll report and the general ledger on a monthly basis.	31-Jan-23	Monthly reconciliations	Budget and Treasury Office

		<p>due to the following: No Accounting policy was disclosed in the financial statements</p> <p>No proper explanation and application of the principal agent arrangement included in the financial statements.</p>	<p>and evidenced by reliable information.</p> <p>Management did not implement controls over daily and monthly processing and reconciling of transactions.</p>	<p>between the amounts on these documents.</p>				
19	Inadequate disclosure: Principal agent transaction	<p>On assessment of investment property, it was identified that the Thusong Centre was not valued separately as was done in prior years by the external valuers of the Municipality. This results in the possibility that the Thusong Centre is not shown at fair value in the AFS</p>	<p>Reviews over financial information are inadequate in that they have not identified instances where accounting policies have been omitted and have not ensured that all policies as included in the prior year AFS have been included in the current year, and any changes have been accounted for in terms of the applicable standards.</p> <p>Furthermore, the review</p>	<p>Management must further implement the adequate controls and / or completeness checklists over of the disclosure of accounting policies and over the review of the annual financial statements prior to submission for audit to ensure that accounting policies are accurate and complete.</p>	<p>Timely preparation of AFS and review by Internal Auditors</p>	15-Aug-23	Internal Auditors AFS reviewal report	Budget and Treasury Office

			<p>processes have also not picked up instances where fair presentation in line with GRAP standards has not been achieved resulting in misstatements taken on no implementation of the applicable GRAP requirements.</p>					
20	<p>Misstatements noted on statement of budget versus actual</p>	<p>During the auditing process on the financial statements of the Maphumulo Municipality it was identified that in the statement of comparison of Budget and Actual amounts as the actual capital expenditure was not included in the statement.</p>	<p>Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p> <p>Reviews over the statement of comparison of Budget and Actual amounts were inadequate and management did not ensure the</p>	<p>Management must implement the adequate controls and / or completeness checklists and the review of the annual financial statements prior to submission for audit to ensure that the notes are accurate and complete.</p> <p>Management must identify the actual capital expenditure in the current financial year and include it in the statement of comparison of budget vs actual amounts to</p>	<p>Timely preparation of AFS and review by Internal Auditors</p>	<p>15-Aug-23</p>	<p>Internal Auditors AFS reviewal report</p>	<p>Budget and Treasury Office</p>

			accuracy and completeness of the statements.	rectify the misstatement.				
21	Assets under construction : Non-disclosure of delayed projects	It was noted that there was no movement in the current year for the projects under construction listed below. However, management did not disclose separately the carrying amounts of the assets in question including reasons for the delay as required by SA GRAP Standards. Kindly see below details of the projects in question.	Reviews over financial information are inadequate in that they have not identified instances where delayed projects disclosure have been omitted and accounted for in terms of the applicable standards. Furthermore, the review processes have also not picked up instances where fair presentation in line with GRAP standards has not been achieved resulting in misstatements taken on non-implementation of the applicable GRAP requirements.	Management must further implement the adequate controls and / or completeness checklists over of the disclosure of property, plant and equipment, and over the review of the annual financial statements prior to submission for audit to ensure that property, plant and equipment disclosures are accurate and complete. Management must include a disclosure with the carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delays.	AFS will be updated to include a disclosure with the carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delays. Timely preparation of AFS and review by Internal Auditors	15-Aug-23	Internal Auditors AFS reviewal report	Budget and Treasury Office
22	Incomplete related party disclosure	During the audit of the financial statements, it		Management must implement the adequate	Timely preparation of AFS and review by	15-Aug-23	Amended policy	Budget and Treasury Office

		was noted that the related party disclosure was not accurate and complete due to the following.		controls and / or completeness checklists over of the disclosure of accounting policies and over the review of the annual financial statements prior to submission for audit to ensure that accounting policies are accurate and complete.	Internal Auditors			
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MAPHUMULO MUNICIPALITY

ANNUAL REPORT

2021/22

CHAPTER 6

AG FINDINGS

ACTION PLAN TO ADDRESS
2021/22 AG FINDINGS

**REPORT OF THE AUDITOR-GENERAL
OF SOUTH AFRICA**

For the year ended 30 June 2022

Maphumulo Local Municipality



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Report of the auditor-general to KwaZulu-Natal Provincial Legislature and the council on Maphumulo Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Maphumulo Municipality set out on pages... to. . . , which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Maphumulo Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No. 9 of 2021) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Contingencies

7. With reference to note 48 to the financial statements, the municipality is the defendant in litigation brought by two suppliers on claims for refuse removal and electrical installation services provided to the municipality. The outcome of these matters was not determinable at year-end and no provision for any liability that may result was made in the financial statements.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and 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.
11. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

12. 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.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected key performance area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the basic service delivery and infrastructure development key performance area presented in the municipality's annual performance report for the year ended 30 June 2022.

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected key performance area.

Other matters

1 C I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages...to...for information on the achievement of planned targets for the year.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of basic service delivery and infrastructure development key performance area. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of property, plant and equipment, investment property and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Reasonable steps were not taken to prevent irregular expenditure amounting to R586 864 as disclosed in note 43 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with section 116 (1) of the MFMA.

Consequence management

26. Irregular and 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

27. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected key performance area presented in the annual performance report that have been specifically reported in the auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive this information prior to the date of this 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

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
32. Management did not exercise adequate monitoring and oversight over compliance with relevant laws and regulations on expenditure and consequence management.
33. Furthermore, management did not perform a review of the supporting information for disclosures of the account balances and transactions in a regular manner to ensure the amounts included in the annual financial statements was accurate and complete.

Material irregularities

34. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities identified during the audit

35. The material irregularities identified are as follows:

Suspected material irregularity: Impairment of costs incurred on Maphumulo new office extension

36. For the financial year ended 30 June 2020, an amount of R1,871,886.06 (excluding VAT) was written off relating to payments made on the Maphumulo New Office Extension project. The project was commissioned in 2011 but was never completed. The appointment was

made on 09 May 2011 to Mageba Consulting Engineers for the costing, design, tender stage and monitoring of the contractor during the construction stage of the project. The amount was impaired and disclosed as fruitless and wasteful expenditure under note 41 to the 2019-20 annual financial statements of the municipality.

37 The accounting officer was notified of the material irregularity on 04 March 2022 and responded on 7 July 2022. The following actions and commitments by the accounting officer, have led me to conclude that appropriate actions have been taken to address the suspected material irregularity:

- ❶ The accounting officer located and provided the evidence for the original designs which were completed before the project was halted, and committed that the project will be revived and continued, using the original designs.
- ❷ The amounts previously impaired and recognised as fruitless and wasteful expenditure were reversed in the annual financial statements for the year ended 30 June 2022.

38. I will follow up on the status of the project in the next years audit to confirm that the designs have been utilised in the continuation thereof, in order to enable a conclusion that the matter has been fully resolved.

Other reports

39. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

40. The municipality requested the services of the provincial treasury to conduct two separate investigations into irregular expenditure relating to the 2015-16 and 2016-17 financial years. The investigations are still in progress at the date of this report.

14vp *ITUR - GENERAL*

Pietermaritzburg

30 November 2022



SOUTH AFRICA

Auditing to build public confidence

Annexure Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

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

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

Communication with those charged with governance

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

4. I also provide the accounting officer with a statement that have complied with relevant ethical requirements regarding independence, and to 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.

The Honourable Speaker
Maphumulo Local Municipality
MR 711 Lot No. 152
Maphumulo
4470

REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE TO THE COUNCIL OF MAPHUMULO MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2022

The Audit and Performance Committee (“Audit Committee”) hereby submits this report to the Council of Municipality. This report is submitted in terms of the provisions of sections 121 (3) (j), 166(2) (b) and 166(2) (c) of the Municipal Finance Management Act of 2003 (“the MFMA”) and covers the financial year from 1 July 2021 to 30 June 2022.

The legal responsibilities of the Audit Committee are set out in terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166) read in conjunction with the National Treasury’s MFMA Circular 65.

Audit Committee members and attendance at meetings

The Audit Committee was appointed on 1 January 2020 and is comprised of four (4) independent, external members.

The Committee is required to meet at least four times per annum as per the Audit Committee Charter and the MFMA. However, additional meetings may be called as the need arises. Members’ attendance at the meetings is listed below:

Name	Meetings scheduled	Meetings Attended
Ms S Gertze (<i>appointed on 21/01/2021</i>)	7	6
Mr L Hlengwa (<i>appointed on 21/02/2021</i>)	7	5
Ms N Mchunu (<i>AC chairperson appointed on 21/01/2021</i>)	7	7
Mr Z Zulu (<i>appointed on 21/01/2021</i>)	7	7

The following are standing invitees to the Audit Committee Meetings.

Representative from Office of the Auditor-General (AG)

Representatives from Provincial Treasury and COGTA

Honourable Mayor

Honourable Deputy Mayor

MPAC Chairperson

Risk Committee Chairperson

Internal Audit Manager

The Municipal Manager (MM) Chief

Financial Officer (CFO)

Executive Directors

Audit Committee responsibility

The Audit Committee has been set up in accordance with the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and operates within the terms of the Audit Committee Charter which has been approved by the Council of the Maphumulo Municipality.

Section 121(4) (g) of the Municipal Finance Management Act, No. 56 of 2003 also requires that the annual report must include any recommendations of the Municipality's Audit Committee.

In the conduct of its duties, the Audit Committee has performed the following statutory duties:

1. Reviewed internal financial control and internal audits

For the purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Charter, the Audit Committee relies on the work performed by the Internal Audit Unit in line with the approved risk-based annual audit plan.

The Audit Committee at each meeting assesses performance against the plan and reviews the plan to assess whether critical risks relating to the administration and operations of Maphumulo Municipality are identified and addressed.

The Audit Committee was presented with the progress on the Internal Audit Action Plan for audits conducted during the 2020/21 financial year. Audit areas covered included ITGC, HR and Payroll, SCM, OHS and Expenditure and Fleet Management.

The area that was most concerning was Fleet Management, as approximately 40% of the findings were partially resolved.

Further to the above, reports for audits completed, during the 2021/22 financial year, were tabled to the Audit Committee in meetings held during the reporting period and the outcomes were rated from low to high-risk exposure.

The audit outcomes, from the audits conducted, indicated that while the Municipality has existing controls in the above areas management intervention is required in areas where weaknesses were identified. This indicated that the Municipality was still exposed to risk for areas that were assessed as High, and management made commitments to address the findings. The committee will follow up on these in the 2022/23 financial year.

As at the end of June 2022, the implementation of the annual audit plan had not been completed. This was predominantly impacted by the delays in the commencement audit to the adjusted AG audit timelines and the non-submission of information and management responses by management. The two projects that are impacted are 1) Fleet Management and testing of IT Governance and Controls. This was discussed with management extensively and the Accounting Officer has been urged to urgently address this matter.

It is important to note that the maintenance of an effective system of internal control and risk management, remains the responsibility of management. Leadership both political and administration are accordingly urged to hold those charged with a duty of responsibility to account when it comes to non-compliance with the internal processes and non-implementation of recommendations made.

2. Risk Management

The MFMA requires the accounting officer of the Municipality to take all reasonable steps to ensure that the Municipality has and maintains effective, efficient, and transparent systems of financial, risk management and internal control.

Risk management is the identification, assessment and prioritisation of risks and the application of resources to minimise, monitor and control the probability and/or impact of the risks. The Audit Committee is responsible for the oversight of the internal and external audit function as well as financial reporting. The assessment of internal controls over financial reporting is risk-based, and as a result, the Audit Committee is responsible for overseeing management's risk policies and discussing the Municipality's key risk exposure and management.

The Municipality currently has a system of managing risk, as required in terms of S 62 of the MFMA. This function involves an annual assessment of municipal risk, and periodic risk reviews conducted by management and the Risk Committee and relevant personnel at the Municipality.

The Risk Management Reports were presented to the committee and areas requiring attention included, but are not limited to the following:

- Imbedding of risk management as part of daily processes.
- The Municipality must assess its risk exposure and state of readiness in dealing with natural disasters, unrest, and other related incidents. Business continuity and risk-adjusted strategies are a business imperative.

3. Review of financial statements and Accounting Policies.

The Audit Committee has the obligation to review the Municipality's Annual Financial Statements and provide the Council with an authoritative and credible view of the Municipality's financial position, performance, and cash flow position. To do this, the Audit Committee relies on the work conducted by the Internal Auditors, and therefore such reviews have been provided for in the Annual Internal Audit Plan.

The Audit Committee sat to review the Annual Financial Statements for 30 June 2022 in a meeting that sat on 29 August 2022.

The following key matters to note included the following:

- The Municipality's current liabilities exceeded current assets, which raises concerns about the ability of the Municipality to fulfil its day-to-day financial obligations.
- Unspent grants of R 1 million were fully cash backed.
- The Municipality was still struggling with the recoverability of outstanding debtors in general due to the geographical location, and this has worsened due to the impact of the global economic downswing.
- Irregular expenditure amounting to R 40 million as at year-end is still to be investigated by Council and this must be prioritised. Further to that it was noted with concern that the Irregular expenditure incurred during the year increased from R 160 000 in 2021 to R 587 000 in 2022.
- Fruitless and Wasteful expenditure amounted to R 1,6 million as at year-end, and this must also be investigated by Council in line with S32 of the MFMA. It is important to note that this amount was predominantly made up of opening balances from the previous year.

4. The adequacy, reliability and accuracy of financial reporting and information

The Audit Committee is also required to advise Council on the adequacy, reliability and accuracy of financial reporting and information in accordance with S 166 of the MFMA.

Internal audit conducted audits covering the various cycles supporting reported information in the Municipality. Findings from the audits were reported to the Audit Committee, and management was urged to focus on areas that still required intervention in improving systems and financial reporting.

Further to the above, management presented the status of the AG action plan throughout the year. There were 32 findings, and some remained unresolved and these included the following:

- **UIFW** - Investigations into the prior year's irregular expenditure were not conducted and finalised in line with S32 of the MFMA.
- **Presentation and disclosure (AFS)** - There were numerous errors identified in the AFS submitted for audit due to inadequate reviews by management and oversight structures.

Council and management must prioritise the implementation of action plans to address Internal audit and AG findings timeously, to improve control systems in the Municipality.

Performance Management

The Audit Committee also serves as the Performance Audit Committee for Maphumulo Municipality. The legal responsibilities of the Audit Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001.

The Committee was furnished with the quarterly Performance Management Reports throughout the year and sat to review the Annual Performance Report on 29 August 2022. The following was established from the above reviews:

- 60% of Maphumulo Municipality's key performance targets set for the year were achieved.
- Reasons for non' achievement included, but are not limited to:
 - Non-availability of suitable evidence.
 - Non-sitting of committee meetings.
 - Delays in the SCM processes and late appointment of service providers.

The above matters have been previously reported and must be addressed urgently. The Accounting Officer and Council must implement consequence management for non – submission of information and avoidable delays in the procurement of goods and services, especially in relation to service delivery programmes.

Further to the above the Municipality has not held performance evaluations for the financial years ending 2020/21 and 2021/22. This is also a cause for concern as this implies that municipal performance is not adequately monitored and evaluated as required by the MFMA and Municipal Systems Act. This process may have also assisted with identifying early warning signals and improving the performance processes in the Municipality.

It is recommended that Council and Management exercise stricter oversight in this area to ensure achievement targets and adherence to PMS processes.

5. Effective Governance

The Audit Committee fulfils an oversight role regarding the Municipality's reporting process, including the system of internal financial control. It is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the Municipality to enable it to discharge its duties. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors and serves as a link between the Council and these functions.

The internal and external auditors have unlimited direct access to the Audit Committee, primarily through its Chairperson.

Further to the above, the committee has been made aware that the employment contracts for the directors were about to come to an end. Council must have plans in place to ensure that business continuity is not affected by a vacuum at the Senior Management Level.

6. Compliance with Legislation and Ethics

The Audit Committee noted instances of non-compliance with policies and procedures, the Municipal Finance Management Act and other related legislation.

The Audit Committee was furnished with the report on SCM deviations and unauthorised, irregular, fruitless and wasteful expenditure.

It was noted that there were instances where the procurement of goods and services was in contravention of the SCM Regulations and related prescripts. Although these were approved and classified as irregular expenditures, UIFW expenditure must be investigated in terms of the S32.

Most importantly Council has the responsibility to prevent the incurrence of UIFW, and it seems that some of the non-compliances could have been prevented.

Further, the above Council and Management must assess whether any material financial losses were incurred by the Municipality (this includes Revenue not collected, impairment of assets etc). Items that meet these criteria may be viewed as a Material Irregularity by the AG and therefore subjected to the Public Audit Act amendments.

The Audit Committee was also furnished with the Compliance Checklist which revealed compliance items that required intervention by Council these included, but is not limited to:

- *The instability in the sitting of Council Meetings*
- *AG Action plans not being fully implemented by year-end.*
- *Performance evaluation for S56/57 employees not being conducted.*

It is recommended that management continues to monitor compliance with Laws and Regulations.

7. Recommendations

- **Audit Action Plans** – Council and Management to continuously monitor the implementation of action plans to address AG findings.
- **Risk Management** – Portfolio Committees to actively engage and play oversight over the implementation of Risk Management Strategies, including:
 - *Review of the status of risk action plans,*
 - *Review the effectiveness of the risk action plans in terms of mitigation of risk in their respective areas of responsibility.*
 - *Engage with Management in respect of emerging risks, e.g., disaster management, and assess management strategies to mitigate this.*
 - *Continuously assess the risk of Fraud and Corruption, by engaging with management on any potential exposure.*
- **Revenue Collection** – Council and management to continue to implement initiatives to improve revenue collection.
- **Internal Controls** – Council and Portfolio Committees to engage Management on the following areas:
 - **Fleet Management** – *implementation of stricter controls on the use of fleet, updating of records, use of petrol cards and monthly reconciliations (including the use of tracker reports) . Further to that management must report on how instances of non-adherence have been dealt with. Where there are capacity constraints, the Municipality must consider using interns to assist with the Fleet Management processes (these can be funded SETA's)*
 - **SCM and Expenditure Management** – *Council to exercise oversight over the following:*
- *Timeliness of SCM processes. Management must account for avoidable delays encountered.*
- *Reduction of SCM deviation through proper planning, and management to account for any such expenditure that could have been avoided.*
 - **OHS** – Management to present a status report on the address occupational, health and safety matters to the Portfolio Committee and Council. This must be monitored on an ongoing basis.
 - **HR and Payroll** – Council and management to strengthen controls over:
 - **Leave Management** – leave must be approved in line with the municipal policies, and properly accounted for.
 - **Time and attendance** – directors must ensure that attendance registers are completed and signed, and absenteeism must be dealt with in line with municipal processes.
 - **Adequate reviews** – there must be adequate reviews by the directors within their responsibility areas and non-adherence to the policies must be dealt with in line with municipal processes.
- **UIFW** – Council and Management must investigate and address all the UIF items (including opening balances), and this will entail:

- *Investigation of UIFW opening balances and current items by MPAC (Cogta also assists with this process)*
 - *Keeping adequate records to support the recommendations made by MPAC and resolutions taken by Council, including proof of consequence management implemented. (Council must also consider using the Disciplinary Board to assist with investigations and consequence management).*
 - *Council must take resolutions in relation to the recommendations made by MPAC.*
- **Performance Management** – Council and management to strengthen oversight over the achievement of targets and adherence to general PMS processes. This must include:
 - o **Submission of evidence** - Timeous submission of suitable evidence. Consequence management must be implemented for non-adherence to PMS processes.
 - **Risk alignment** - There must be a risk alignment for all projects to ensure that the risk of projects not being completed on time is identified and addressed at the onset. This will include any risk of delays in procurement, unrest (by the community or business forums, inclement weather etc).
 - **Oversight** – timeous sitting of meetings to enable seamless operations in the Municipality.
 - **Performance reviews and monitoring** – municipal performance must be evaluated quarterly, including the sitting of performance evaluation panels for the second and final quarter of each financial period. 2020/21 and 2021/22 must be performed.
 - **Compliance Management** – Management to continue to monitor compliance matters including the investigation of UIFW and to implement consequence management where necessary.
 - **Risk and compliance** – this function is currently not adequately capacitated and is, therefore, not able to function to an optimum level. The Municipality must make resources available.

8. Conclusion

The implementation and maintenance of proper systems of internal controls, risk management, the prevention of fraud and errors, safeguarding of the assets of the Municipality and compliance with relevant laws and regulations, are the responsibility of Council. The role of the audit committee is to monitor the efficiency of the procedures and mechanisms which Council has put in place to ensure that its policies and procedures are adhered to.

To this end, the Audit Committee would like to congratulate Maphumulo Municipality for achieving an unqualified audit opinion from the AG. It is through hard work and dedication by Council, Management and all involved that this was possible.

The Audit Committee confirms its commitment to assist Council in making progress towards a clean administration and wishes to thank Council, management, and internal and external audit for their support and contributions.

On behalf of the Audit Committee



Ms N Mchunu

On behalf of the **Audit, Risk and Performance Audit Committee**

Date: 30 January 2023



MAPHUMULO MUNICIPALITY

ANNUAL REPORT

2021/22

ANNEXURE:

RECOMMENDATIONS OF ANNUAL AUDIT COMMITTEE

- Appendices
- Appendix 1 (i)
- Appendix 1 (ii)

APPENDIXES

APPENDIX A: Councillors, Committee Allocation, and Council Attendance

WARD NO	NAME	POLITICAL PARTY	GENDER
1	CLLR N SITHOLE	IFP	MALE
2	CLLR ML NGIDI	IFP	MALE
3	CLLR MP BHENGU	ANC	MALE
4	CLLR IM BIYELA	IFP	MALE
5	CLLR SH ZULU	ANC	MALE
6	CLLR BE GUMEDE	IFP	MALE
7	CLLR T MATHIBELA	ANC	MALE
8	CLLR WMS NTANZI	IFP	MALE
9	CLLR NS NTULI	ANC	MALE
10	CLLR ES MAPHUMULO	IFP	MALE
11	CLLR ZC KHUZWAYO (DECEASED- SEPT 2022)	ANC	MALE
12	CLLR FB KHUZWAYO	ANC	FEMALE

PR COUNCILLORS		
CLLR SZ NYATHIKAZI (MAYOR)	IFP	MALE
CLLR ST CHILI (DEPUTY MAYOR)	EFF	FEMALE
CLLR ZF KHUZWAYO- DLAMINI (EXCO MEMBER)	ANC	FEMALE
CLLR CS SHANGE (EXCO MEMBER)	ANC	MALE
CCLR SF PHUNGULA	IA	FEMALE
CLLR NL MHLONGO	IFP	FEMALE
CLLR NM MHLONGO	IFP	MALE
CLLR MH KHOZA	ANC	FEMALE
CLLR NL NKOSI	ANC	FEMALE
CLLR NN NGIDI	IFP	FEMALE
CLLR CZ NCALANE- MHLONGO	ANC	FEMALE

APPENDIX B: COMMITTEE AND ITS PURPOSE

The Municipality established various portfolios whose functions are as follows:

PORTFOLIO NAME	FUNCTIONS
ECONOMIC DEVELOPMENT PLANNING AND HUMAN SETTLEMENT	Housing
	Consideration of environment health
	Consideration of the IDP Process Plan
	Consideration of the annual review of IDP
	Consideration of the annual review SDF
	Ensure holding IDP consultations and

	meetings
	Consider planning development applications
	Land use management
	Town development issues
	Long-term lease agreement (Ingonyama Trust)
	Geographic Information System issues
	Intergovernmental coordination issues
	Undertake in-depth investigations in relation to planning issues as requested by the Executive Committee
TECHNICAL AND INFRASTRUCTURE	Consider technical services issues
	Consider issues relating to electricity
	Consider issues relating to sanitation
	Consider issues relating to community access roads and provincial roads
	Consider issues relating to construction and maintenance of buildings
	Constructions and maintenance of all Municipality properties e.g., offices, market stalls, etc.
	Project management issues
	Undertake in-depth investigation in related to infrastructure issues are request by Executive Committee
3.FINANCE AND CORPORATE SERVICES	Preparation and consideration of annual budget by Council
	Preparation and consideration of AFS
	Ensure that municipal property rates are collected
	Preparation and consideration of valuation roll
	Management of debtors owing the Municipality
	Ensure that monthly, quarterly and half-yearly financial reports are compiled and submitted
	Human resource development
	Attend to labour relation issues
	Local public administration
	Consider the Section 14 manual (PALA)
	Consider the development and review of Municipality policies and by-laws
	Attend to labour relation issues
	Consider Unemployment Equity Plan
	Consider issues relating to it by LLF
	Consider health and safety issues
	Consider the development and approval of the Workplace Skills Plan
	Consider the Performance Management System of the Municipality
	Consider training issues of municipal staff and councillors

	Undertake in-depth investigation in relation to administration and labour relations issues requested by the Executive Committee
4.COMMUNITY SERVICES	Abattoirs
	Fresh produce markets
	Promotions of a safe and healthy environment
	Local tourism
	Agriculture
	Job creation
	Social empowerment
	Cultural upliftment
	Attend community facilities
	Attend issues related to Sports and Recreation
	Attend issues relating to Disaster Management
	Cemeteries and crematories
	Poverty alleviation programmes
	5. SUB-COMMITTEES
Youth affairs	

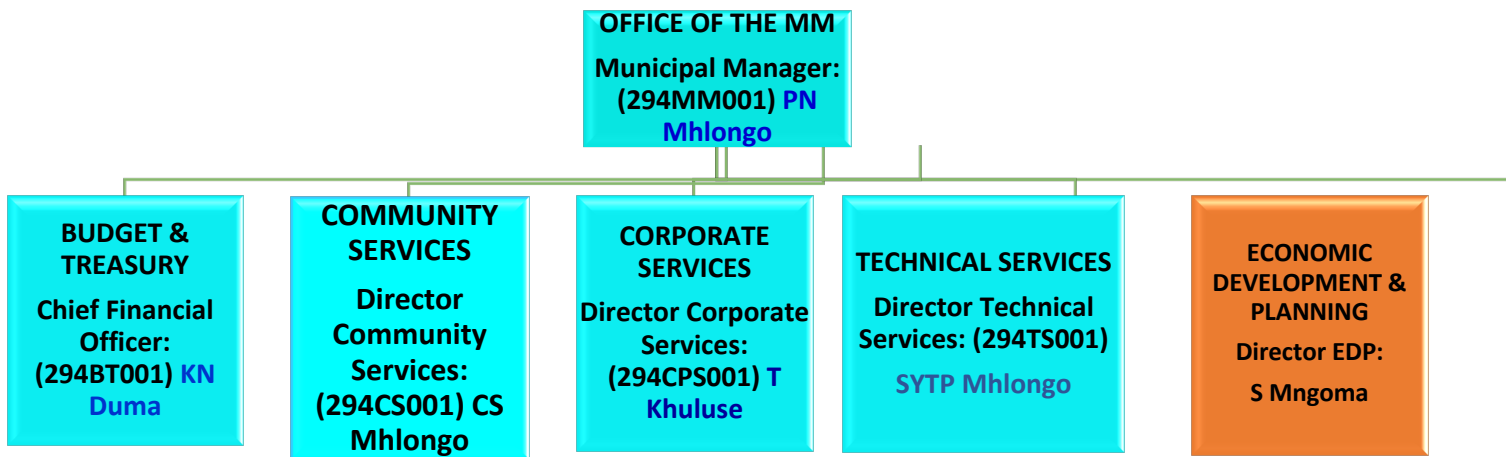
APPENDIX C: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The Municipality established MPAC in terms of the Section 80 Committee. As per terms of reference, the functions of the Committee shall be to interrogate the following financial aspects dealt with in the MFMA:

- (a) unforeseen and unavoidable expenditure;
- (b) adjustment budget;
- (c) unauthorised, irregular or fruitless expenditure;
- (d) certification, recovery, writing off of expenditure;
- (e) criminal and civil action instituted;
- (f) quarterly report by the Mayor on the implementation of the budget /SDBIP;
- (g) recommendations on adjustments and other matters;
- (h) monthly budget statements;
- (i) recommendations on report;
- (j) report to the Council, through the Speaker, on any of the financial statements and reports as stated above;
- (k) develop the annual oversight report based on the annual report
- (l) initiate any investigation in its area of competence;
- (m) perform any other function assigned to it by resolution of the Council.

APPENDIX D: THIRD-TIER ADMINISTRATIVE STRUCTURE

There are 6 senior management positions and all of them have been filled. Plans are underway to fill other vacant positions at lower levels.



APPENDIX E: FUNCTIONS OF THE MUNICIPALITY

In terms of the RSA Constitution, Maphumulo Municipality falls under Category B1 Municipality and performs the following functions:

- Building regulations
- Childcare facilities
- Local tourism
- Trading regulations
- Billboard and display advertisement
- Cleaning
- Control of public nuisances
- Fencing and fences
- Local amenities
- Local sports amenities
- Markets
- Municipal roads
- Public places

APPENDIX F: WARD REPORTING

After the local government elections on 1st November 2022, Maphumulo will have 12 wards as opposed to the 11 wards that it previously had. Subsequently, committee members were elected to work with their respective Ward Councillors in order to speed up service delivery. Ward Committees meet monthly to

discuss service delivery issues affecting their communities. Issues discussed and reported by community members to Ward Committees are formally submitted to the Municipality in the form of a monthly report.

Most notable from Ward Committee reports was that all wards have challenges with water, electricity, sanitation, and access roads. These reports assist the Municipality in its future planning.

APPENDIX G: RECOMMENDATIONS OF MUNICIPAL AUDIT COMMITTEE

The Audit Committee held its meetings, and the recommendations provided were implemented by the Municipality. The minutes of the Audit Committee will be an Annexure to this report.

APPENDIX H: MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

As per the approved municipal IDP, the Municipality prioritised and allocated funds for the following indicator projects:

1. Electrification Projects: These were undertaken in various wards. The Municipality's ability to electrify more households is hampered by a lack of funding.
2. Road Maintenance: Construction of roads in various wards was prioritised in line with community needs identified through our IDP Izimbizos. Blading and grading of municipal access roads are also prioritised.
3. Community Amenities: These were constructed in various Wards in the form of sports grounds, community centres, etc.

APPENDIX I: DISCLOSURE OF FINANCIAL INTERESTS

Clause 5(1) of Schedule 2 of the Municipal Systems Act, Act 32 of 2000, requires any staff member of a Municipality who, or whose spouse, partner, business associate, or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the Municipality, must disclose in writing full particulars of the benefit to the Municipal Manager. The following is the list of declaration statuses for S56 Managers within the Municipality:

NAME OF OFFICIAL	POSITION	ANY FINANCIAL INTEREST AS PER SIGNED FORM
Mr PN Mhlongo	Municipal Manager	No
Mr N Duma	CFO	No
Mr S Duma	Director: EDP	No
Mr T Khuluse	Director: Corporate Services	No
Mr CS Mhlongo	Director: Community Services	No
Mrs SYTP Mhlongo	Director: Technical Services	No

APPENDIX J: REVENUE COLLECTION PERFORMANCE

Appendix I (I): Revenue Collection Performance by Vote

SOURCE	2021/22
Rates	R 23 135 218,75
Rental	R 1 036 669,30
Tender Documents	R 134 082
Hall Hire	R 17 857
Refuse	R 234 473,47
License	R 13 768
Sundry Income	R 802 047
Admin Fee and Commission	R 57 653

APPENDIX J (II): REVENUE COLLECTION PERFORMANCE BY SOURCE

Please see the attachment in K(i) for information on municipal revenue collected by source.

APPENDIX J: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

NAME OF GRANT	DEPARTMENT PROVIDING GRANT	INITIAL BUDGET	ADJUSTMENT BUDGET	GRANT CONDITIONS
FMG	TREASURY DEPARTMENT	R 1 850 000	nil	<ul style="list-style-type: none">• Strengthening capacity and up-skilling officials in the Budget and Treasury office, internal audit and Audit Committees.• A total of five interns in local municipalities and three interns in metropolitan

				and district municipalities must be appointed over a multi-year period.
LIBRARY GRANT	DEPARTMENT OF ART & CULTURE	R 2 550 000	nil	<ul style="list-style-type: none"> • Grant to assist with the operations based on the business plans.
EPWP	DEPARTMENT OF PUBLIC WORKS	R 1 786 000	nil	<ul style="list-style-type: none"> • The EPWP grant shall strictly be used for employment of temporary personnel on a contract basis for labour intensive projects.
INEP	DEPARTMENT OF ENERGY	R 16 250 000	nil	<ul style="list-style-type: none"> • Shall be strictly for electrification projects as prioritised by municipalities in their Integrated Development Plans (IDPs) before being approved for INEP (Eskom) Grant Funding.

APPENDIX K: CAPITAL EXPENDITURE- UPGRADE/ RENEWAL PROGRAMME

Due to municipal capacity, we do not renew/ upgrade assets. Instead we acquired new assets.

APPENDIX L: CAPITAL PROGRAMME BY PROJECT BY WARD CURRENT YEAR

The following is the list of capital projects per ward for the year under review, indicating whether the work was completed or not:

DEPARTMENT	PROJECT NAME	BUDGET AMOUNT	PROJECT STATUS
TECHNICAL DEPARTMENT	Okhalweni B/T Road	R 7 299 395,51	In progress, 35% complete
TECHNICAL DEPARTMENT	Okhukho B/T Road	R 13 887 549,37	In Progress, 45% complete
TECHNICAL DEPARTMENT	Phozomane/Mnawe	R 4 727 837,72	Completed
TECHNICAL DEPARTMENT	Sabuyaze Sport Field	R 1 373 912,48	Design stage
TECHNICAL DEPARTMENT	Electrification of Mphise/ Mbulwini Ward 3	R 3 168 492,83	In progress, 90% complete
TECHNICAL DEPARTMENT	Electrification of Mankayiyana/ Otimati	R500,000. 00	In progress, 45% complete
TECHNICAL DEPARTMENT	Electrification of Wome/ Sinamfu	R2, 500 000. 00	In progress, 65% complete
TECHNICAL DEPARTMENT	Electrification of Ngwadumane/ Nkolovuzane	R6, 250 000. 00	In progress, 73% complete

APPENDIX M: SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

This section provides backlogs for schools and clinics within Maphumulo. This information is required to assist National and Provincial government in improving planning, budgeting, and implementation.

WARD NO	NAME OF FACILITY	BACKLOG SERVICES
1.	Ntunjambili Primary School	Fencing and sports ground
	Kranskop High School	Water, leaking roof
	Vusisizwe Primary School	Water and sports ground
	Vuleka Primary School	Sports ground
	Ngcolosi School	Sports ground
2	Mehlomlungu High School	No water, hall, class shortage, laboratory and library
	Ndandathweni Primary School	Admin block, No water, fencing and sports ground
	Dingizwe Combined School	Water, electricity and toilets
3.	Mphise Primary School	Water and proper toilets
	Nomakhalathi Primary School	Water, electricity and proper toilets
	Mbusweni Primary School	Water and proper toilets
	Ekunqobeni Primary School	Water and proper toilets
	Esihlushwaneni Primary School	Water and proper toilets
	Mbulwini Primary School	Water, electricity and proper toilets
	Ethala Primary School	Water and proper toilets

	Emangongo Primary School	Water
	Enyokeni Primary School	Water and proper toilets
	Mbitane Primary School	Water and proper toilets
	Jonase High School	Water and proper toilets
	Nkonjane High School	Water, electricity and proper toilets
	Mzwangedwa High School	Water and proper toilets
	Lethuxolo High School	Water
	Mphise Clinic	Water and proper toilets
4	Nsungwini Primary School	Water and electricity
	Mvumase Primary School	Water and electricity
	Mpungeni Primary School	Water and electricity
5	Menyezwayo High School	Water, proper toilets and class shortages
	Phezukomkhono High School	Water, proper toilets, administration block and class shortages
	Nhlokozi High School	Water and class shortages
	Theo Hlalanathi High School	Proper toilet, access road to the school and class shortages
	Ndukende High School	Proper toilets and class shortages
	Isibani Primary School	Proper toilets and classes
	Usizolwethu Primary School	Water, proper toilets and classes
	Ngqungqushu Primary School	Proper toilets and hall
	Mthombeni Primary School	Proper toilets and hall
	Ogagwini Primary School	Proper toilets
	Khomba Primary School	Proper toilets and class shortages
	Mbhekaphansi Clinic	Consulting rooms
6	Vukuzenzele Primary School	Water and electricity
	Hlomakancane Primary School	No water, proper toilets
	Mpangele Primary School	No water, proper toilets
	Womoyi Primary School	No water, proper toilets
	Balcomb Primary School	No water, proper toilets
	Bonginkosi Primary School	No water, proper toilets
	Thandayiphi Secondary School	No water, proper toilets
	Masiwela Combined School	No water, proper toilets
	Tsutshutshu Secondary School	No water, proper toilets
	Maphuphesizwe Secondary School	No water, proper toilets
8	Mancengeza Secondary School	Water and proper toilets
	Nkolovuzan Primary School	Water, proper toilets and class shortages
	Moyamuhle Primary School	Water
	Mvozane Primary School	Water and proper toilets
	Khusane Primary School	Water and proper toilets
	Hlonono High School	Water, proper toilets and electricity
	Mushane Primary School	Water
	Mpumulwane Primary School	Water
	Mnawe Primary School	Water, shortage of classes and admin block

9	Sayizi Ntuli Primary School	Water, electricity and access road to the school
	Nyamazane Primary School	Regular water supply
	Sabuyaze High School	Regular water supply
	Woza Primary School	Regular water supply
	Siphinhlanhla High School	No water
	Phakade Combined School	No water
	Ndleleni Primary School	No water, access road to the school
	Khulambedu Primary School	No water, access road to the school
	Diudla Primary School	No water
	Ukukhanyakwezwe High School	No water, access road to the school
	Mazisi Ntuli Primary School	No water, access road to the school
	Magojolo Clinic	Regular water supply, access road to the clinic
10	Maphumulo Clinic	No proper toilets
	KwaNdaba Primary School	No proper toilets and electricity
	Nsongansonga Primary School	No proper toilets
	Mqungebe Secondary School	No proper toilets
	Zamazisa Primary School	No proper toilets
11	Ocheni Primary School	Water and proper sanitation
	Skhonjwa high School	Water
	Macaphuna School	Water and proper sanitation
	Hlimbithwa Primary School	Water
	Nothweni Primary School	Water
	Siphamandla Primary School	Water
	Zephania Secondary School	Water
	Maphumulo Combined School	Water
	Velangezwi School	Water, Proper sanitation and class shortages
	Isithundu Primary School	Proper sanitation
	Isiqhohweni Primary School	Water
Sindi Primary School	Water	

APPENDIX N: SERVICE BACKLOGS BY OTHER SPHERES OF GOVERNMENT

During our IDP roadshows, community members highlighted various challenges and requested assistance in various forms. The following backlogs were identified and highlighted by community members:

SERVICE NEED	RESPONSIBLE DEPARTMENT
CLINICS AND HEALTHCARE FACILITIES	Department of Health
PROPER ROADS	Department of Transport

HOUSING	Department of Human Settlement
ELECTRICITY	Department of Energy; and Eskom
WATER	Ilembe District

APPENDIX O: DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

There are no persons (councillors and staff members) receiving any form of grant or loan from the Municipality.

APPENDIX P: DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

The Municipality timeously prepared and submitted all monthly S71 reports to all legislated recipients. Reports were also presented to the Portfolio Committee and Council for oversight purposes.

APPENDIX Q: NATIONAL AND PROVINCIAL OUTCOME FOR LOCAL GOVERNMENT

The Municipality submits quarterly PMS assessment tools and reports to provincial COGTA as a means for provincial COGTA to provide assistance and intervention where there are shortcomings. These reports also assist the Municipality in continuously monitoring the identified situation and ensuring improvement.

MAPHUMULO MUNICIPALITY

ANNUAL REPORT

2021/22

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2022

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

General Information

Mayoral committee

Mayor

Cllr S.Z. Nyathikazi (IFP) (25 November 2021 - 30 June 2022) & Councillor (1 July- 24 November 2021)

Cllr Z.F. Khuzwayo Dlamini (ANC) (01 July - 08 November 2021) & Exco Member (25 November 2021 -30 June 2022)

Councillors

Cllr S.T. Chili (EFF) Deputy Mayor (25 November 2021 - 30 June 2022)

Cllr C.Z. Ncalane (ANC) Deputy Mayor (01 July - 08 November 2021)

Cllr M.L. Ngidi (IFP) Speaker (25 November 2021 - 30 June 2022) and Exco Member (01 July - 08 November 2021)

Cllr C.S. Shange (ANC) Speaker (01 July 2021 - 08 November 2022) & Exco Member (25 November 2021-30 June 2022)

Cllr M.H. Khoza (ANC) Councillor

Cllr N.S. Ntuli (ANC) Councillor

Cllr N. Sithole (IFP) Councillor

Cllr. S.H. Zulu (ANC) Councillor

Cllr T.C. Mathibela (ANC) Councillor

Cllr M.P. Bhengu (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr I.M. Biyela (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr B.E. Biyela (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr W.M.S. Ntanzu (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr E.S. Maphumulo (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr Z.C. Khuzwayo (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr F.B. Khuzwayo (ANC) Councillor (09 November 2021- 30 June 2022)

Cllr L.N. Nkosi (ANC) Councillor (09 November 2021- 30 June 2022)

Cllr N.M. Mhlongo (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr N.N. Ngidi (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr N.L. Mhlongo (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr S.F. Phungula (IA) Councillor (09 November 2021- 30 June 2022)

Grading of local authority

Three

Accounting Officer

P.N. Mhlongo

Chief Finance Officer (CFO)

N. Duma

Business address

MR 711 LOT 152
Maphumulo
4470

Postal address

Private Bag X9205
Maphumulo
4470

Bankers

Nedbank Limited
198765

Auditors

Auditor General of South Africa

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Index

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

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Statement of Comparison of Budget and Actual Amounts	8 - 12
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Abbreviations used:

MFMA	Municipal Finance Management Act
UNISA	University of South Africa
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
SAIPA	South African Institute of Professional Accountants
IRMSA	Institute of Risk Management South Africa
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
SACPLAN	The South African Council for Planners

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

I, as the accounting officer acknowledges i am 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 me to meet these responsibilities, I have 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.

I am 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.

I have had reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, I 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 they 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 on the 31 August 2022 and were signed on its behalf by:

Accounting Officer
PN Mhlongo

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Receivables from exchange transactions	2	231 036	113 184
Receivables from non-exchange transactions	3	430 081	-
VAT receivable	4	4 399 029	7 624 673
Prepayments	5	1 153 398	279 152
Rental Debtors straight lining	6	25 426	20 444
Staff Debtors	7	18 650	20 045
Cash and cash equivalents	8	6 297 228	8 191 629
		12 554 848	16 249 127
Non-Current Assets			
Investment property	9	30 625 000	26 026 000
Property, plant and equipment	10	324 729 078	293 992 727
Intangible assets	11	234 015	357 958
		355 588 093	320 376 685
Total Assets		368 142 941	336 625 812
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	19 936 385	16 858 813
Unspent conditional grants and receipts	13	1 076 385	1 615 351
Provisions	14	148 508	180 000
		21 161 278	18 654 164
Non-Current Liabilities			
Provisions	14	2 734 137	2 126 000
Total Liabilities		23 895 415	20 780 164
Net Assets		344 247 526	315 845 648
Reserves			
Revaluation Surplus		5 320 000	-
Accumulated surplus		338 927 526	315 845 648
Total Net Assets		344 247 526	315 845 648

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Refuse removal	15	201 509	268 084
Rental of facilities and equipment	16	906 036	1 155 710
Interest charged on trade and other receivable	17	187 486	349 904
Agency services	18	171 576	171 892
Licences and permits	19	13 768	37 985
Reversal of impairment	20	1 275 371	-
Reversal of leave provision	21	278 097	-
Other income	22	1 034 907	1 237 225
Interest received - investment	23	973 721	692 740
Fair value adjustments	24	-	3 360 389
Total revenue from exchange transactions		5 042 471	7 273 929
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	22 059 434	17 940 417
Transfer revenue			
Government grants and subsidies	26	137 046 966	152 426 856
Government contributions and donations	27	4 677 139	-
Total revenue from non-exchange transactions		163 783 539	170 367 273
Total revenue		168 826 010	177 641 202
Expenditure			
Employee related costs	28	(51 055 651)	(48 477 384)
Remuneration of councillors	29	(8 894 918)	(8 330 529)
Donation expense	30	(17 573)	(2 642 398)
Depreciation and amortisation	31	(15 267 574)	(14 884 881)
Impairment loss	32	(4 402 332)	(7 280)
Finance costs	33	(9 671)	(18 253)
Debt Impairment and bad debts written-off	20	(203 496)	(2 847 164)
Assets write-off	34	(551 253)	(3 377 552)
Contracted services	35	(25 360 916)	(24 570 139)
Transfer and subsidies	36	(6 500 474)	(12 079 311)
Auditors remuneration	37	(3 590 833)	(4 561 857)
General expenses	38	(29 889 461)	(25 492 844)
Total expenditure		(145 744 152)	(147 289 592)
Surplus for the year		23 081 858	30 351 610

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

	Fair value adjustment assets- available-for- sale reserve	Accumulated surplus / deficit	Total net assets
Figures in Rand			
Opening balance as previously reported	-	283 201 670	283 201 670
Adjustments			
Prior year adjustment : Depreciation on PPE	-	420 502	420 502
Prior year adjustment: Work-In-Progress Buildings	-	1 871 886	1 871 886
Balance at 01 July 2020	-	285 494 058	285 494 058
Changes in net assets			
Surplus for the year	-	30 351 610	30 351 610
Total changes	-	30 351 610	30 351 610
Balance at 01 July 2021	-	315 845 668	315 845 668
Changes in net assets			
Revaluation of investment property	5 320 000	-	5 320 000
Net income (losses) recognised directly in net assets	5 320 000	-	5 320 000
Surplus for the year	-	23 081 858	23 081 858
Total recognised income and expenses for the year	5 320 000	23 081 858	28 401 858
Total changes	5 320 000	23 081 858	28 401 858
Balance at 30 June 2022	5 320 000	338 927 526	344 247 526

Note(s)

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Cash Receipts from Ratepayers, Government & Others		164 568 845	160 132 810
Interest income		973 721	692 740
		<u>165 542 566</u>	<u>160 825 550</u>
Payments			
Employee costs and councillors remuneration		(59 950 569)	(56 807 913)
Suppliers		(62 268 887)	(67 782 557)
Finance costs		(9 671)	(18 253)
		<u>(122 229 127)</u>	<u>(124 608 723)</u>
Net cash flows from operating activities	39	<u>43 313 439</u>	<u>36 216 827</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(45 207 841)	(44 631 283)
Increase of staff debtors		-	(20 045)
Proceeds from sale of other asset		-	1 880
		<u>(45 207 841)</u>	<u>(44 649 448)</u>
Net increase/(decrease) in cash and cash equivalents		(1 894 402)	(8 432 621)
Cash and cash equivalents at the beginning of the year		8 191 630	16 624 251
Cash and cash equivalents at the end of the year	8	<u>6 297 228</u>	<u>8 191 630</u>

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	268 088	(66 579)	201 509	201 509	-	
Rental of facilities and equipment	1 127 493	(220 405)	907 088	906 036	(1 052)	
Interest received (trading)	136 500	70 000	206 500	187 486	(19 014)	
Agency services	115 000	-	115 000	171 576	56 576	A
Licences and permits	37 000	(27 000)	10 000	13 768	3 768	B
Impairment reversal	-	-	-	1 275 371	1 275 371	C
Municipal Revenue UD2	-	-	-	278 097	278 097	
Other income	269 542	114 000	383 542	1 034 907	651 365	D
Interest received - investment	799 206	(296 595)	502 611	973 721	471 110	E
Total revenue from exchange transactions	2 752 829	(426 579)	2 326 250	5 042 471	2 716 221	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24 001 951	(1 543 556)	22 458 395	22 059 434	(398 961)	
Transfer revenue						
Government grants & subsidies	136 508 000	-	136 508 000	137 046 966	538 966	
Public contributions and donations	-	-	-	4 677 139	4 677 139	F
Total revenue from non-exchange transactions	160 509 951	(1 543 556)	158 966 395	163 783 539	4 817 144	
Total revenue	163 262 780	(1 970 135)	161 292 645	168 826 010	7 533 365	
Expenditure						
Employee Related Cost	(50 723 847)	110 852	(50 612 995)	(51 055 651)	(442 656)	
Remuneration of councillors	(9 140 644)	(411 465)	(9 552 109)	(8 894 918)	657 191	
Donation expense	-	-	-	(17 573)	(17 573)	
Depreciation and amortisation	(16 456 400)	-	(16 456 400)	(15 267 574)	1 188 826	G
Finance costs	(10 000)	-	(10 000)	(9 671)	329	
Bad debts Impairment	(5 357 546)	3 298 610	(2 058 936)	(203 496)	1 855 440	H
Repairs and Maintenance	-	-	-	(551 253)	(551 253)	
Other materials	(1 904 397)	138 733	(1 765 664)	(1 310 192)	455 472	I
Contracted services	(36 439 080)	1 234 798	(35 204 282)	(25 360 916)	9 843 366	J
Transfers and subsidies	(4 058 695)	1 233 094	(2 825 601)	(6 500 474)	(3 674 873)	K
General Expenses	(19 239 774)	(945 065)	(20 184 839)	(36 572 434)	(16 387 595)	L
Total expenditure	(143 330 383)	4 659 557	(138 670 826)	(145 744 152)	(7 073 326)	
Surplus before taxation	19 932 397	2 689 422	22 621 819	23 081 858	460 039	
Deficit for the year from continuing operations	19 932 397	2 689 422	22 621 819	23 081 858	460 039	
Capital Assets	(33 587 122)	(9 236 997)	(42 824 119)	(45 207 841)	(2 383 722)	

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(13 654 725)	(6 547 575)	(20 202 300)	(22 125 983)	(1 923 683)	

A. Agency services 150%

The reason for the over collection is because during license department was opened during December holidays when other municipalities were closed, therefore we ended up servicing more people coming from different municipalities.

B. Licence and Permits 138%

This variance is due to the fact when we preparing budget we don't budget for business owners who normally do not renew their business licenses, therefore during this financial year we received from those who were not budgeted for.

C. Impairment Reversal 100%

The reason for variance is that were no budget provision for Bad debt impairment reversal. The reason for reversal of bad debt impairment is because during this financial year the ingonyama Trust debtors category were given a 100% rebate, Government debtors is not impaired because nothing is outstanding for more than 2 months.

D. Other income 269%

The reason for over performance is because municipality raised the invoice for Planning department which was not budgeted for, and this invoice has not yet paid as at the end of financial year.

E. Interest received investment 192%

Reason for this over collection is due to the fact that when we preparing our final budget we anticipated that we will not manage to invest our portion of equitable share for the length period of time and we actual manage to invest and accumulate interest.

F. Public contribution and donation 100%

This was not budgeted for. this income is received as a part of donation from Arts and Culture for new modular library handed over to the municipality.

G. Depreciation and amortisation 92%

The reason for variance is because our budget was overstated.

H. Bad debts impairment 6%

The reason for small bad debt impairment is because during this financial year the ingonyama Trust debtors category were given a 100% rebate, Government debtors is not impaired because nothing is outstanding for more than 2 months

I. Other materials 74%

The reason for variance is that we over budgeted contracted services

J. Contracted services 72%

The reason for variance is that budget was understated

K. Transfers and subsidies 230%

The reason for variance is that this account was under budgeted.

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

L. General Expenses 160%

The reason for variance is that we under budgeted for general expenses

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	231 036	231 036	
Receivables from non-exchange transactions	-	-	-	430 081	430 081	
VAT receivable	4 873 647	(1 685 028)	3 188 619	4 812 111	1 623 492	
Prepayments	-	-	-	1 153 398	1 153 398	
Consumer debtors	2 674 690	(2 347 729)	326 961	25 426	(301 535)	
Staff Debtors	-	20 045	20 045	18 650	(1 395)	
Cash and cash equivalents	10 205 761	(7 752 849)	2 452 912	6 297 228	3 844 316	
	17 754 098	(11 765 561)	5 988 537	12 967 930	6 979 393	
Non-Current Assets						
Investment property	25 335 611	45 389	25 381 000	30 625 000	5 244 000	
Property, plant and equipment	326 255 861	(7 576 885)	318 678 976	324 729 074	6 050 098	
Intangible assets	986 000	(593 942)	392 058	234 015	(158 043)	
	352 577 472	(8 125 438)	344 452 034	355 588 089	11 136 055	
Total Assets	370 331 570	(19 890 999)	350 440 571	368 556 019	18 115 448	
Liabilities						
Current Liabilities						
Payables from exchange transactions	13 201 247	(8 745 712)	4 455 535	19 936 385	15 480 850	
VAT payable	-	-	-	413 082	413 082	
Unspent conditional grants and receipts	-	-	-	1 076 385	1 076 385	
Provisions	102 000	239 387	341 387	148 508	(192 879)	
	13 303 247	(8 506 325)	4 796 922	21 574 360	16 777 438	
Non-Current Liabilities						
Provisions	1 086 449	1 039 551	2 126 000	2 734 137	608 137	
Total Liabilities	14 389 696	(7 466 774)	6 922 922	24 308 497	17 385 575	
Net Assets	355 941 874	(12 424 225)	343 517 649	344 247 522	729 873	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Fair value adjustment assets-available-for-sale reserve	-	-	-	5 320 000	5 320 000	
Accumulated surplus	355 941 874	(12 424 225)	343 517 649	338 927 522	(4 590 127)	
Total Net Assets	355 941 874	(12 424 225)	343 517 649	344 247 522	729 873	

Maphumulo Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	21 948 000	(1 371 369)	20 576 631	22 059 434	1 482 803	
Service charges - refuse	308 000	(76 265)	231 735	268 084	36 349	
Grants	152 808 000	-	152 808 000	136 508 000	(16 300 000)	
Interest income	799 999	(297 388)	502 611	965 957	463 346	
Rental of facilities and equipment	1 297 000	(960 543)	336 457	906 036	569 579	
Agency services	132 000	(17 000)	115 000	171 576	56 576	
Other revenue	5 775 000	5 287 000	11 062 000	1 437 669	(9 624 331)	
	183 067 999	2 564 435	185 632 434	162 316 756	(23 315 678)	
Payments						
Employee costs and Remuneration of councillors	(61 686 000)	9 838 287	(51 847 713)	(50 823 084)	1 024 629	
other inventory	(1 904 000)	138 336	(1 765 664)	(8 894 918)	(7 129 254)	
Finance costs	(10 000)	-	(10 000)	(9 671)	329	
Transfers and grants	(4 059 000)	1 233 399	(2 825 601)	(6 500 474)	(3 674 873)	
Other expenditure	(75 623 000)	(14 991 112)	(90 614 112)	(58 985 989)	31 628 123	
	(143 282 000)	(3 781 090)	(147 063 090)	(125 214 136)	21 848 954	
Net cash flows from operating activities	39 785 999	(1 216 655)	38 569 344	37 102 620	(1 466 724)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(35 486 000)	(8 822 061)	(44 308 061)	(45 207 841)	(899 780)	
Proceeds from sale of property, plant and equipment	-	-	-	(551 251)	(551 251)	
Proceeds from sale of staff debtors	-	-	-	1 395	1 395	
Purchase of unisa	-	-	-	(14 477)	(14 477)	
Net cash flows from investing activities	(35 486 000)	(8 822 061)	(44 308 061)	(45 772 174)	(1 464 113)	
Net increase/(decrease) in cash and cash equivalents	4 299 999	(10 038 716)	(5 738 717)	(8 669 554)	(2 930 837)	
Cash and cash equivalents at the beginning of the year	5 938 000	2 253 629	8 191 629	8 191 629	-	
Effect of exchange rate movement on cash balances	-	-	-	6 827 669	6 827 669	
Cash and cash equivalents at the end of the year	10 237 999	(7 785 087)	2 452 912	6 349 744	3 896 832	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	24 001 951	(1 543 556)	22 458 395	-	-	22 458 395	22 059 434	(398 961)		98 %	92 %
Service charges	268 088	(66 579)	201 509	-	-	201 509	201 509	-		100 %	75 %
Investment revenue	799 206	(296 595)	502 611	-	-	502 611	973 721	471 110		194 %	122 %
Transfers recognised - operational	105 126 000	-	105 126 000	-	-	105 126 000	104 049 615	(1 076 385)		99 %	99 %
Other own revenue	1 685 535	(63 405)	1 622 130	-	-	1 622 130	3 867 241	2 245 111		238 %	229 %
Total revenue (excluding capital transfers and contributions)	131 880 780	(1 970 135)	129 910 645	-	-	129 910 645	131 151 520	1 240 875	1 240 875	101 %	99 %
Employee costs	(50 723 847)	110 852	(50 612 995)	-	-	(50 612 995)	(51 055 651)	-	(442 656)	101 %	101 %
Remuneration of councillors	(9 140 644)	(411 465)	(9 552 109)	-	-	(9 552 109)	(8 894 918)	-	657 191	93 %	97 %
Debt impairment	(5 357 546)	3 298 610	(2 058 936)	-	-	(2 058 936)	(203 496)	-	1 855 440	10 %	4 %
Depreciation and asset impairment	(16 456 400)	-	(16 456 400)	-	-	(16 456 400)	(19 669 906)	-	(3 213 506)	120 %	120 %
Finance charges	(10 000)	-	(10 000)	-	-	(10 000)	(9 671)	-	329	97 %	97 %
Transfers and grants	-	-	-	-	-	-	(6 500 474)	-	(6 500 474)	DIV/0 %	DIV/0 %
Other expenditure	(61 641 946)	1 661 560	(59 980 386)	-	-	(59 980 386)	(59 410 036)	-	570 350	99 %	96 %
Total expenditure	(143 330 383)	4 659 557	(138 670 826)	-	-	(138 670 826)	(145 744 152)	-	(7 073 326)	105 %	102 %
Surplus/(Deficit)	(11 449 603)	2 689 422	(8 760 181)	-	-	(8 760 181)	(14 592 632)	(5 832 451)	(5 832 451)	167 %	127 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	31 382 000	-	31 382 000	-	-	31 382 000	32 997 351		1 615 351	105 %	105 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	4 677 139		4 677 139	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	19 932 397	2 689 422	22 621 819	-	-	22 621 819	23 081 858		460 039	102 %	116 %
Surplus/(Deficit) for the year	19 932 397	2 689 422	22 621 819	-	-	22 621 819	23 081 858		460 039	102 %	116 %
Capital expenditure and funds sources											
Total capital expenditure	(33 587 122)	(9 236 997)	(42 824 119)	-	-	(42 824 119)	79 768 862		122 592 981	(186)%	(237)%
Sources of capital funds											
Transfers recognised - capital	27 219 131	69 564	27 288 695	-	-	27 288 695	-		(27 288 695)	- %	- %
Public contributions and donations	-	1 422 801	1 422 801	-	-	1 422 801	-		(1 422 801)	- %	DIV/0 %
Internally generated funds	6 367 991	7 744 632	14 112 623	-	-	14 112 623	-		(14 112 623)	- %	- %
Total sources of capital funds	33 587 122	9 236 997	42 824 119	-	-	42 824 119	-		(42 824 119)	- %	- %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance outcome as % of final budget	Actual outcome as % of original budget
Cash flows										
Net cash from (used) operating	39 735 999	(1 166 655)	38 569 344	-		38 569 344	43 313 439		4 744 095	112 %
Net cash from (used) investing	(35 486 000)	(8 822 061)	(44 308 061)	-		(44 308 061)	(45 207 841)		(899 780)	102 %
Net increase/(decrease) in cash and cash equivalents	4 249 999	(9 988 716)	(5 738 717)	-		(5 738 717)	(1 894 402)		3 844 315	33 %
Cash and cash equivalents at the beginning of the year	5 938 000	2 253 629	8 191 629	-		8 191 629	8 184 129		(7 500)	100 %
Cash and cash equivalents at year end	10 187 999	(7 735 087)	2 452 912	-		2 452 912	6 289 727		(3 836 815)	256 %

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / Held to maturity investments and/or 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.

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 14 - Provisions.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. The municipality has a memorandum of agreement (MOA) with the department and implementing agents (hereinafter referred to as the contractors) for each project and Department of Energy.

Additional information is disclosed in Note .

1.4 Investment property

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

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

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

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

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

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

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

Fair value

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

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

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

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.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	10 - 30 years
Buildings	Straight-line	10 - 30 years
Plant and machinery	Straight-line	10 - 55 years
Furniture and fixtures	Straight-line	10 - 20 years
Motor vehicles	Straight-line	5 - 15 years
Office equipment	Straight-line	5 - 20 years
IT equipment	Straight-line	3 - 10 years
Infrastructure	Straight-line	10 - 50 years

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

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

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

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

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

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

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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Accounting Policies

1.6 Intangible assets (continued)

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

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

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

1.7 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Statutory receivables (continued)

- 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.

1.8 Trade and Other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at yearend. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.9 Financial instruments

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

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

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

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

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

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Loan1	Financial asset measured at amortised cost

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

Class	Category
Loan1	Financial liability measured at amortised cost

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

1.10 Leases

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

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

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1.10 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.11 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity 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 entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Pension, Provident, Retirement Benefits and Group Life Scheme

The municipality provides retirement benefits for its employees in the form of both defined benefit and defined contribution. The municipality is no longer providing retirement benefits for the Councillors as they are now getting a total cost to company package

defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. A defined contribution plan is a plan under which the municipality pays a fixed contribution into a separate entity. The municipality has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior period.

The contributions to fund obligations for the payment of retirement benefits are charged against the revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognized as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

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Accounting Policies

1.11 Employee benefits (continued)

1.12 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.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

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.

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.

1.14 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.

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

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.

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.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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Accounting Policies

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.19 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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.20 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.

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Accounting Policies

1.20 Related parties (continued)

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.

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

2. Receivables from exchange transactions

Rental debtors	541 147	312 229
UNISA	14 477	-
Refuse	11 421	74 693
Refuse impairment	(2 800)	-
Debts impairment- Rental debtors	(514 404)	(313 708)
Other debtors	181 195	39 969
	231 036	113 183

Ageing for Rental Debtors

Current (0 - 30 days)	21 967	33 428
31 - 60 days	4 774	58 965
61 - 90 days	149 157	28 523
91 - 120 days	3 643	17 826
120 />365 days	361 603	267 358
	541 144	406 100

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2. Receivables from exchange transactions (continued)

Ageing for refuse

Current (0 -30 days)	8 341	14 439
31 - 60 days	280	-
61 - 90 days	280	-
91-120 days	280	-
120-/>365 days	2 240	-
	<u>11 421</u>	<u>14 439</u>
	<u>-</u>	<u>-</u>

UNISA

This is a study assistant paid by the municipality to UNISA on behalf of Manager Human resources(HR). Manager HR cancelled his registration because the municipality delayed the payment.

Municipality wrote a letter to the University to recall the paid amount. the money is not yet refunded as at the end of this financial year.

UNISA has refunded the municipality after 30 June 2022 but before the financial statement submitted to Auditor General.

Other Debtors

Other debtors is made of unknown debit orders debited our main bank account.

Trade and other receivables past due but not impaired

Trade and other receivables is made of rental debtors and refuse. Trade and other receivables which are less than 2 months are not considered to be impaired. Only trade debtors (rentals) which are from 3 months upwards due are considered to be impaired. Rental debtors due but not impaired as at 30 June 2022, R26 741 (2021: R92 349) (these amounts is made of the different between rental debtors and the Debts impairment).

The ageing of amounts past due but not impaired is as follows:

1 month past due	21 967	18 989
2 months past due	4 774	58 965

Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of R 541 096 (2021: R 406 461) were impaired and provided for.

The amount of the provision was R514 503 as of 30 June 2022 (2021: R 313 707).

The ageing of debtors past due but not impaired is as follows:

3 to 6 months	152 922	84 500
Over 6 months	361 481	229 207

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(313 707)	(159 290)
Provision for impairment	(200 696)	(154 417)
	<u>(514 403)</u>	<u>(313 707)</u>

3. Receivables from non-exchange transactions

Consumer debtors - Rates	1 395 670	2 240 986
Allowance for impairment- Rates	(965 615)	(2 240 986)
	<u>430 055</u>	<u>-</u>

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Figures in Rand	2022	2021
3. Receivables from non-exchange transactions (continued)		
Commercial debtors are as follows:		
Current (0-30 days)	35 085	25 379
31-60 days	34 845	4 003
61-90 days	48 795	1 897
91-120 days	68 288	1 897
121-365 days	848 532	771 072
	1 035 545	804 248
Government debtors are as follows:		
31 60 days	(117 498)	-
61 90 days	-	441
91 120 days	-	441
121 365 days	477 649	1 435 856
	360 151	1 436 738
Allowance for impairment	(965 615)	(2 240 986)
Net receivables from non-exchange transactions	430 081	-

Receivables from non-exchange transactions impaired

As of 30 June 2022, other receivables from non-exchange transactions of R1 395 670 (2021: R 2 240 986) were impaired and provided for.

The amount of the provision was R 965 615 as of 30 June 2022 (2021: R2 240 986).

The ageing of debtors past due but not impaired is as follows:

3 to 6 months	203 880	721 891
Over 6 months	761 735	1 519 095

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(2 240 986)	(9 329 836)
Reversal of impairment	1 275 372	7 088 850
	(965 614)	(2 240 986)

Receivable from non-exchange transactions are divided into three groups of debtors which are Government debtors, Commercial debtors and ITB debtors. Commercial debtors which are due from 2 months upwards are considered to be impaired and commercial debtors which are due for less than 2 months are not considered to be impaired.

Government debtors are not considered to be impaired because they are paying accordingly. Government debtors were billed at the beginning of the financial year and the outstanding debtors as per age analyses is for 30 June 2022 which is paid in July 2022. ITB debtors are getting a 100% rebate.

At 30 June 2022 total debtors control impaired is R965 615 (Commercial debtors only)(2021:R2 240 986(Government and ITB debtors) were past due but not impaired.

4. VAT receivable

VAT	4 399 029	7 624 673
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Maphumulo Municipality accounts for VAT on cash basis.

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5. Prepayments

Lateral Insurance Policy	673 903	236 412
SALGA	469 184	-
Sage Pastel	-	42 739
SAIPA	3 886	-
SACPLAN	2 825	-
IRMSA	2 573	-
CIGFARO	1 028	-
	<u>1 153 399</u>	<u>279 151</u>

6. Rental debtor straight lining

Rental debtors straight lining	<u>25 426</u>	<u>20 444</u>
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7. Staff Debtors

Staff debtors is derived from municipal study aid policy, which state that , if the employee withdrawn their study or abandon the course for any reasons then he/she shall be required to repay the municipality money.

Therefore staff debts is made of those employees who received study aid in prior years and withdrawn their studied and are not intended to reregister what they've started.

Employee No.2195	-	3 925
Employee No.2174	910	5 710
Employee No.2104	2 100	5 460
Employee No.2085	2 450	4 950
Employee No. 303	13 190	-
	<u>18 650</u>	<u>20 045</u>

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 637	1 498
Bank balances	1 396 374	1 750 153
Short-term Investments	4 898 217	6 440 110
	<u>6 297 228</u>	<u>8 191 761</u>

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8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB BANK MAIN 620 238 6899 98	494 020	(173 946)	1 064 770	494 020	(398 236)	411 157
FNB BANK INVESTMENT ACCOUNT 710 44 3426 67	549 499	530 311	503 975	549 499	530 311	503 975
FNB BANK INVETSMENT ACCOUNT 741 056 039 86	2 885 204	2 778 686	2 707 211	2 885 204	2 778 686	2 707 211
FNB BANK INVESTMENT ACCOUNT 623 467 553 01	28 420	27 563	26 778	28 420	27 563	26 778
ABSA BANK CURRENT ACCOUNT 405 610 286 6	105 022	2 148 523	3 234 775	105 012	2 148 521	3 234 775
ABSA BANK CALL ACCOUNT 915 984 753 2	-	-	92 889	-	-	92 889
STANDARD BANK 30 DAYS ACCOUNT 268 693 404	1 484 370	1 354 665	1 312 260	1 403 434	1 354 665	1 312 260
NEDBANK BANK INVESTMENT ACCOUNT 563 095 549 199 81	-	-	993 231	-	-	993 231
NEDBANKBANK INVESTMENT ACCOUNT 56 309 554 919 997	-	79 697	77 369	-	79 697	77 369
NEDBANKBANK INVETSMENT ACCOUNT 56 398 012 179 996	-	-	621 879	-	-	621 879
ABSA BANK INVESTMENT ACCOUNT 929 323 815 4	-	-	6 509 320	-	-	6 509 320
FNB BANK INVESTMENT ACCOUNT 625 756 885 13	-	-	22	-	-	22
NEDBANK INVESTMENT ACCOUNT 037 881 154 381	31 660	1 669 188	-	31 660	1 669 188	-
NEDBANK MAIN ACCOUNT 121 285 889 1	1 490 538	(132)	-	797 342	(132)	-
Total	7 068 733	8 414 555	17 144 479	6 294 591	8 190 263	16 490 866

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9. Investment property

	2022		2021		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	30 625 000	-	30 625 000	-	26 026 000

Reconciliation of investment property - 2022

Investment property	Opening balance	26 026 000	Fair value adjustments	4 599 000	Total	30 625 000
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Reconciliation of investment property - 2021

Investment property	Opening balance	22 665 611	Fair value adjustments	3 360 389	Total	26 026 000
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Fair value of investment properties 26 326 000 26 326 000

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

Maphumulo Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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9. Investment property (continued)

Details of valuation

The Investment Property was valued on the 30th of June 2020, this valuation has been undertaken in accordance with International Valuation Standards by BPG Mass Appraisals (Pty) Ltd. The Property legal description is Thusong Centre situated on Erf numbers 358 and 359 as well as Maphumulo vacant piece of land. The market values of these properties are follows.

Thusong centre : land	200 000	200 000
Thusong centre : building	12 300 000	12 300 000
Vacant land	13 826 000	13 826 000

There were no assets pledged as security for the year ended 30 June 2022.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	873 725	1 029 820
Repairs and maintenance	(321 201)	(406 667)
	<u>552 524</u>	<u>623 153</u>

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Notes to the Annual Financial Statements

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10. Property, plant and equipment

	2022		2021	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Buildings	174 253 353	(39 160 034)	135 093 319	157 661 088
Plant and machinery	23 701 018	(10 094 423)	13 606 595	21 857 171
Furniture and fixtures	6 097 830	(3 343 554)	2 754 276	6 337 624
Motor vehicles	7 155 055	(2 803 693)	4 351 362	5 338 654
Office equipment	5 307 841	(2 787 285)	2 520 556	5 625 123
IT equipment	3 445 110	(1 160 122)	2 284 988	3 180 637
Infrastructure	225 246 483	(61 128 501)	164 117 982	196 825 128
Total	445 206 690	(120 477 612)	324 729 078	396 825 425
				(102 832 698)
				293 992 727

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Donation Received	Transfers received	Transfers	Writes-off	Depreciation	Impairment loss	Total
Land	-	-	-	397 683	(397 683)	-	-	-	-
Buildings	126 815 577	12 609 613	3 986 152	-	-	-	(4 636 691)	(3 681 332)	135 093 319
Plant and machinery	13 216 415	1 594 897	248 950	-	-	-	(1 453 667)	-	13 606 595
Furniture and fixtures	2 743 659	173 501	364 038	-	-	(188 555)	(338 367)	-	2 754 276
Motor vehicles	3 120 864	1 816 401	-	-	-	-	(585 903)	-	4 351 362
Office equipment	3 073 494	230 383	78 000	-	-	(251 790)	(609 531)	-	2 520 556
IT equipment	2 367 152	589 278	-	-	-	(110 908)	(560 534)	-	2 284 988
Infrastructure	142 883 153	28 193 768	-	40 697 337	(40 697 337)	-	(6 958 939)	-	164 117 982
	294 220 314	45 207 841	4 677 140	41 095 020	(41 095 020)	(551 253)	(15 143 632)	(3 681 332)	324 729 078

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	127 235 236	5 243 093	7 053 990	(7 053 990)	-	(4 515 673)	(7 280)	(1 139 799)	126 815 577
Plant and machinery	12 135 284	4 129 991	-	-	-	(1 417 660)	-	(1 631 200)	13 216 415
Furniture and fixtures	2 434 684	882 252	-	-	-	(346 934)	-	(226 342)	2 743 660
Motor vehicles	3 728 767	-	-	-	-	(607 903)	-	-	3 120 864
Office equipment	2 070 099	1 538 361	-	-	-	(526 238)	-	(8 728)	3 073 494
IT equipment	1 281 124	2 005 350	-	-	-	(547 839)	-	(371 483)	2 367 152
Infrastructure	122 378 640	30 832 236	28 102 547	(28 102 547)	(3 756 598)	(6 798 712)	-	-	142 655 566
	271 263 834	44 631 283	35 156 537	(35 156 537)	(3 756 598)	(14 760 959)	(7 280)	(3 377 552)	293 992 728

work-in-progress taking significant longer to complete

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Notes to the Annual Financial Statements

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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Buildings	Total
Opening balance	27 359 171	13 586 224	40 945 395
Additions/capital expenditure	28 193 768	12 609 614	40 803 382
Transferred to completed items	(40 697 337)	-	(40 697 337)
	14 855 602	26 195 838	41 051 440

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Building	Total
Opening balance	29 432 899	16 652 368	46 085 267
Additions/capital expenditure	29 785 417	5 043 229	34 828 646
Other movements [write-offs]	(3 756 598)	(1 055 383)	(4 811 981)
Transferred to completed items	(28 102 547)	(7 053 990)	(35 156 537)
	27 359 171	13 586 224	40 945 395

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by nature and type of expenditure - 2022

	Direct Costs Contracted services
Buildings	440 427
Plant and machinery	3 051 184
Motor vehicles	1 210 864
IT equipment	373 665
Storm water	274 550
Roads	436 481
	5 787 171

Maintenance of property, plant and equipment by nature and type of expenditure - 2021

	Direct Costs Contracted services
Buildings	2 034 044
Plant and machinery	2 899 910
Motor vehicles	1 480 000
	6 413 954

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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11. Intangible assets

	2022	2021			
Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
867 597	(633 582)	234 015	867 597	(509 639)	357 958

Computer software, other

Reconciliation of intangible assets - 2022

Computer software, other

Opening balance	Amortisation	Total
357 958	(123 943)	234 015

Reconciliation of intangible assets - 2021

Computer software, other

Opening balance	Amortisation	Total
481 900	(123 942)	357 958

Pledged as security

There's no intangible assets pledged as security:

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Payables from exchange transactions		
Trade payables	6 397 928	2 530 290
Retention and Guarantees	5 713 321	6 844 759
Accrued leave pay	5 579 507	5 910 468
Accrued Bonuses	1 366 259	1 329 625
Human settlement receipts	630 784	-
Other payables	248 586	28 671
Insurance received on behalf of deceased Councillor	-	215 000
	19 936 385	16 858 813
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
CoGTA Grant Mvozane	-	1 615 351
Library grant	1 076 385	-
	1 076 385	1 615 351

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Notes to the Annual Financial Statements

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14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Long service award short term	180 000	-	(31 492)	148 508
Long service award long term	2 126 000	608 137	-	2 734 137
	2 306 000	608 137	(31 492)	2 882 645

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Long service award short term	92 383	87 617	180 000
Long service award long term	1 286 449	839 551	2 126 000
	1 378 832	927 168	2 306 000

Long service award provision

In line with the guidelines of the Bargaining Council, the municipality remunerates its employees for the long service rendered to the municipality. The estimates of the present obligation are determined through the use of Actuarial expertise. Such estimates are reviewed annually at the end of each financial year

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases employees exercise the option to wholly convert their accumulative leave bonus days into cash

Non-current liabilities	2 734 137	2 126 000
Current liabilities	148 508	180 000
	2 882 645	2 306 000

Key assumptions (%)

Discount rate	11.20 %	9.77 %
General earning inflation rate (long term)	7.80 %	5.98 %
Net discount rate	3.15 %	3.91 %
	- %	- %

15. Refuse removal

Refuse removal	201 509	268 084
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16. Rental of facilities and equipment

Premises

Rental	888 179	1 133 106
Hall hire	17 857	22 604
	906 036	1 155 710

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Figures in Rand	2022	2021
17. Interest charged on trade and other receivable		
Interest on receivables from Non Exchange transaction	158 011	325 307
Interest on receivables from Exchange transaction	29 475	24 597
	187 486	349 904
18. Agency services		
Vehicle Registration	171 576	171 892
19. Licences and permits		
Licenses and permits	13 768	37 985
20. Debt impairment		
Debts impairment receivable from exchange transaction	200 696	2 847 164
Reversal of debts impairment receivable from non- exchange transactions	(1 275 371)	-
Debts impairment refuse	2 800	-
	(1 071 875)	2 847 164
21. Reversal of leave provision		
Reversal of leave provision	278 097	-
22. Other income		
Tender Document Sale	134 082	268 695
Study aids repayments	28 958	25 296
Sundry income	802 047	94 337
Admin Fee and Commission	57 653	365 337
Insurance Refund	-	483 560
Library collection	12 167	-
	1 034 907	1 237 225
23. Interest Received Investments		
Interest revenue		
Other financial assets (Investments)	868 761	99 435
Bank (Main and Current)	104 960	593 305
	973 721	692 740
24. Fair value adjustments		
Investment property (Fair value model)	-	3 360 389

The fair value adjustment for assets available for sale reserve comprises fair value adjustments on vacant land available for sale. When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus or deficit.

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Figures in Rand	2022	2021
25. Property rates		
Rates received		
State	28 897 531	32 478 717
Less: Income forgone	(6 838 097)	(14 538 300)
	22 059 434	17 940 417

The summary of property valuation roll category and market values are as follows

Valuations

Residential	14 980 000	14 980 000
Commercial	47 076 000	47 076 000
State	393 040 000	295 100 000
Municipal	33 868 000	33 868 000
Specialized Property	-	85 980 000
Rural Communal Land (RCL)	253 038 000	253 038 000
Agricultural	2 300 000	2 300 000
Public Service Infrastructure	-	720 000
Public benefit Organisation	11 030 000	-
	755 332 000	733 062 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Property rates levied in terms of the Local Government : Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009. The council approved randage for this financial year are; Commercial R0.050, Multi Purpose properties R0.050, PSI R0.030, Residential Properties R0.010, Places of worship and other PBO properties R0.010, Agricultural R0.025, Mining properties R0.040 and Vacant sites R0.040 . All Public Service Properties receives 10% rebates and the residential properties receives R15 000 exemption and 40% rebate, Farming and Agriculture properties received 50% and residential properties received 40%.

The new general valuation will be implemented on 01 July 2023.

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Figures in Rand	2022	2021
26. Government grants & subsidies		
Operating grants		
Equitable share	98 940 000	113 278 000
Disaster Relief Grant	-	500 000
Financial Management Grant (FMG)	1 850 000	1 900 000
Expanded Public Works Program (EPWP)	1 786 000	1 282 000
Library Grant	1 473 615	1 583 799
	104 049 615	118 543 799
Capital grants		
CoGTA Grant Mvozane	1 615 351	3 474 428
Municipal Infrastructure Grant (MIG)	31 382 000	28 712 589
Library Grant	-	1 696 040
	32 997 351	33 883 057
	137 046 966	152 426 856
Unspent conditional grants and receipts		
CoGTA Grant – Mvozane		
Balance unspent at beginning of year	1 615 351	5 089 779
Conditions met - transferred to revenue	(1 615 351)	(3 474 428)
	-	1 615 351
Library Grant		
Balance unspent at beginning of year	-	896 839
Current-year receipts	2 550 000	2 383 000
Conditions met - transferred to revenue	(1 473 615)	(3 279 839)
	1 076 385	-
Financial Management Grant (FMG)		
Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
	-	-
Expanded Public Works Program (EPWP)		
Current-year receipts	1 786 000	1 282 000
Conditions met - transferred to revenue	(1 786 000)	(1 282 000)
	-	-
Disaster Relief Grant		
Balance unspent at beginning of year	-	500 000
Conditions met - transferred to revenue	-	(500 000)
	-	-
Municipal Infrastructure Grant (MIG)		

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Figures in Rand	2022	2021
26. Government grants & subsidies (continued)		
Balance unspent at beginning of year	-	6 789 589
Current-year receipts	31 382 000	21 923 000
Conditions met - transferred to revenue	(31 382 000)	(28 712 589)
	<u>-</u>	<u>-</u>
27. Government contributions and donations		
Public contributions received from Arts and Culture	4 677 139	-
	<u>4 677 139</u>	<u>-</u>

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Figures in Rand	2022	2021
28. Employee related costs		
Basic	32 078 988	30 314 483
Bonus	2 533 066	2 330 392
Medical aid - company contributions	1 689 563	1 757 835
UIF	399 381	229 404
SDL	445 126	380 617
Defined contribution plans	4 967 809	4 676 503
Overtime payments	5 811	192 500
Long-service awards	677 996	-
Car allowance	2 062 476	2 082 415
Housing benefits and allowances	102 723	73 788
Cellphone Allowance	198 144	199 738
Non Pensionable Allowance	615 779	235 950
Stand By Allowance	101 005	67 946
Leave Accrued	-	839 964
Membership Fees	15 326	15 334
	45 893 193	43 396 869
Remuneration of municipal manager		
Annual Remuneration	761 000	761 000
Car Allowance	326 143	326 143
	1 087 143	1 087 143
Remuneration of Municipal Manager is an annual remuneration paid to Municipal Manager: Mr.PN Mhlongo as from July 2021 to June 2022.		
Remuneration of chief finance officer		
Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	815 063	815 063
Remuneration of Chief Financial Officer is an annual remuneration paid to CFO as from July 2021 to June 2022.		
Remuneration of Director: Technical Services		
Annual Remuneration	570 544	498 461
Car Allowance	244 519	234 659
	815 063	733 120
Remuneration of Technical Director is an remuneration paid to Director from July 2021 to June 2022.		
Remuneration of Director : Community Services		
Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	815 063	815 063
Remuneration of Director: Community services is an annual remuneration paid to Director as from July 2021 to June 2022.		
Remuneration of Director: Corporate Services		
Annual Remuneration	570 544	570 544

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Figures in Rand	2022	2021
28. Employee related costs (continued)		
Car Allowance	244 519	244 519
	<u>815 063</u>	<u>815 063</u>

Remuneration of Director: Corporate services is an annual remuneration paid to Director as from July 2021 to June 2022

Remuneration of Director: Economic, Development and Planning (EDP)

Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	<u>815 063</u>	<u>815 063</u>

Remuneration of Director: Economic, Development and Planning is an annual remuneration paid to Director as from July 2021 to June 2022.

29. Remuneration of councillors

Executive Major	901 531	901 659
Deputy Executive Mayor	702 940	729 488
Mayoral Committee Members	646 027	100 248
Speaker	706 782	729 488
Councillors	5 582 100	5 556 416
Cheif Whip	355 538	313 230
	<u>8 894 918</u>	<u>8 330 529</u>

In-kind benefits

The Executive Mayor, Deputy Executive Mayor and Speaker are full-time. Each is provided with an office. Only Executive Mayor who have a secretarial support at the cost of the Council.

The Executive Mayor, Deputy and Speaker has use of a Council owned vehicle for official duties.

The Executive Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

30. Donation expense

Donation expense	<u>17 573</u>	<u>2 642 398</u>
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Donation expense is made total expenditure incurred for the construction of P711 road. this construction cost is not capitalised because P711 belong to Department of transport. total construction cost is R3 753 171, of which R17 573 incurred in current year, R2 642 398 incurred in the prior year and R1 093 200 in prior prior years.

31. Depreciation and amortisation

Property, plant and equipment	15 143 632	14 760 939
Intangible assets	123 942	123 942
	<u>15 267 574</u>	<u>14 884 881</u>

32. Impairment loss

Impairments

Property, plant and equipment	4 402 332	7 280
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

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33. Finance costs		
Other interest paid	9 671	18 253
34. Assets write-off		
Buildings	-	1 139 799
Computers	110 908	371 483
Plant and machinery	-	1 631 200
Furniture and fixtures	188 555	235 070
Office equipment	251 790	-
	551 253	3 377 552
35. Contracted services		
Presented previously		
Operating Leases	441 037	462 262
Outsourced Services		
Catering Services	806 294	462 431
Cleaning Services	2 022 732	2 605 002
Hygiene Services	-	534 178
Refuse Removal	28 900	48 780
Security Services	11 338 420	6 242 936
Transport Services	827 102	367 850
Consultants and Professional Services		
Business and Advisory	3 495 792	4 826 061
Legal Cost	955 247	603 233
Contractors		
Event Promoters	978 757	573 344
Maintenance of Buildings and Facilities	281 430	2 034 044
Maintenance of Equipment	2 088 676	2 899 910
Maintenance of Unspecified Assets	1 631 925	1 480 000
Photographer	58 950	-
Stage and Sound Crew	405 654	1 430 108
	25 360 916	24 570 139
36. Transfer and subsidies		
Other subsidies		
Transfers and Subsidies	6 500 474	12 079 311
37. Auditors' remuneration		
Fees	3 590 833	4 561 857

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38. General expenses		
Advertising	2 922 018	3 931 605
Bank charges	194 547	66 211
Consumables	1 311 172	1 346 703
Fines and penalties	11 887	4 708
Healthy and safety	98 095	152 613
Hire charges	169 400	142 904
Insurance	2 261 434	1 077 923
Community development and training	4 506 085	4 414 903
Fleet	48 961	59 186
Medical expenses	8 653	43 022
Fuel and oil	3 104 474	1 260 134
Software expenses	45 265	65 290
Bursaries	460 979	434 523
Subscriptions and membership fees	666 278	507 966
Telephone and fax	1 314 192	1 027 096
Training	247 332	261 005
Travel - local	4 652 923	2 732 208
Waterborne sewer	1 639 982	1 546 469
Uniforms	1 788 870	1 868 057
IDP Review	1 091 365	166 370
Audit committee	375 961	434 377
Licenses	1 612 996	1 949 213
LED Projects	443 526	1 303 197
Planning and Development	913 066	697 161
	29 889 461	25 492 844
39. Cash generated from operations		
Surplus	23 081 858	30 351 610
Adjustments for:		
Depreciation and amortisation	15 267 574	14 884 881
Fair value adjustments	-	(3 360 389)
Government contribution and donation	(4 677 139)	-
Impairment loss	4 402 332	7 280
Debt impairment	203 496	2 847 164
WIP written off	551 253	3 377 552
Movements in provisions	576 645	927 168
Changes in working capital:		
Receivables from exchange transactions	(676 160)	112 660
Receivable from non-exchange transaction	(302 837)	802 188
Other receivables from non-exchange transactions	(3 587)	-
Prepayments	(874 246)	397 533
Payables from exchange transactions	3 077 572	634 828
VAT	3 225 644	(3 104 792)
Unspent conditional grants and receipts	(538 966)	(11 660 856)
	43 313 439	36 216 827

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40. Agent and Principal Transactions		
Integrated National Electrification Programme (INEP) Grant	-	-
Current year receipts	16 250 000	7 000 000
Conditions met	(16 250 000)	(7 000 000)
Human Settlement Grant		
Current year receipts	17 007 388	8 987 844
Conditions met	(16 378 604)	(8 987 844)
	628 784	-

Maphumulo Municipality received Integrated National Electrification grant funding from Department of Mineral Resources and Energy, to address the electrification backlog for all residential dwelling with in municipal jurisdiction. Maphumulo Municipality does not have electricity distribution license therefore Maphumulo Municipality is acting as an Agent of the Principal, Department of Mineral Resources and Energy.

During the current financial year we've received a funding of R16 350 000 000 and this amount was full spent with in the current financial year.

Maphumulo Municipality received Integrated National Electrification grant funding from Human Settlement Kwa-Zulu Natal. These receipts are for the construction of 1000 rural housing units within Maphumulo Municipality The Department pays the grant to the municipality and the municipality pays over the grant to the contractor based on invoiced amount.

During the current financial year Department transferred R17 007 388.33 to the municipality and the municipality had paid R16 378 604.19 to the contractor during the current financial year. Amount of R 630 784.14 was not paid to the contractor because the money was received on the last day of the financial year.

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41. Commitments		
Authorised capital expenditure		
Capital commitments		
Already contracted for but not provided for		
Property, Plant and Equipment	18 869 636	26 668 236
Investment property	32 766 359	2 078 767
	51 635 995	28 747 003
Operational commitments		
Already contracted for but not provided for	5 448 827	553 343
	5 448 827	553 343
Total commitments	57 084 822	29 300 346
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	111 959

2022

There is no operating lease payments for the current financial year because the contract with Konica minolta is expired.

2021

Operating lease payments represent rentals payable by the municipality for printing machinery. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. The municipality will pay Konica Minolta the total monthly minimum charge and additional copy or scan if any, calculated at a rate specified in the schedule without demand.

42. Fruitless and wasteful expenditure

Opening balance as previously reported	1 597 704	3 429 702
Add: Fruitless and wasteful expenditure identified - current	3 729	39 888
Less: Amount recovered - current	-	(1 871 886)
Closing balance	1 601 433	1 597 704

Fruitless and wasteful expenditure is presented inclusive of VAT

2022

The fruitless and wasteful expenditure is made of the following interest on overdue account, R6 interest charged by Auditor General, R389 interest charged by Eskom and R423 interest charged by ILembe.

R2 880 is payment paid for accommodation to travelling agent related to municipal councilor who did not checked in.

2021

The fruitless and wasteful expenditure of R 629 is interest charged by SARS due to differences identified in the reconciliation of EMP 201 & EMP, R11 830 due to the late payment of invoices which was received late and R23 711 penalties charged by KZN Department of transport due to delayed payment for renewals of municipal vehicles

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42. Fruitless and wasteful expenditure (continued)

Included in the fruitless and wasteful expenditure for previous year is R 10 179 interest charged by SARS due to the late submission of EMP 201 and VAT 201 filed to the incorrect period, R203 due to the late payment of water bill, R3 081 072 discontinued projects and R3 509 due to the cancellation of booked accommodation

Fruitless and wasteful expenditure for the current year is not yet recoverable as at the year end

43. Irregular expenditure

Opening balance as previously reported	40 930 703	40 771 163
Opening balance as restated	40 930 703	40 771 163
Add: Irregular Expenditure - current	586 864	159 540
Closing balance	41 517 567	40 930 703
Summary of Cases		

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43. Irregular expenditure (continued)

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

Details of irregular expenditure

Non-compliance with section 116(2)(a) of the Municipal Finance Management Act, Act no. 56 of 2003 state that the accounting officer of the municipality must take all the reasonable steps to ensure that a contract or agreement procure through supply chain management policy of the municipality or municipal entity is properly enforced

Non-compliance with section 116(1)(a) of the Municipal Finance management Act (MFMA), Act no. 56 of 2003 which states that a contract or agreement procured through the supply chain management system of municipal or municipal entity must be in writing

455 284

125 040

131 580

34 500

586 864

159 540

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Goods and services of R481 687 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations..

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45. Employee benefit obligations

Defined benefit plan

Multi Employer Retirement Fund

All fulltime employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes

All of these aforementioned funds are multiemployer plans and are subject to either a triannual, biannual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons.

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers..

It is therefore seen that each fund operates as a single entity and is not divided into subfunds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions..

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well

Defined Benefit Plant

Retirement Fund

The scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen actuarial solutions.

The interim actuarial valuation performed as at 30 March 2018 revealed that the fund had a increase of R174.2 (31 March 2017: increase of R 144.7) million, with a funding level of 90,2% (31 March 2015: 96.1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (28.37%) should be sufficient to eradicate the shortfall in the fund by 30 June 2018. However, the basic contribution payable is 2.95% less than the required contribution rate

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of Pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority. This surcharge is payable until 2020. It is necessary that the basic employer contribution be increased by 15.85% to 20 % and the surcharge be increased to 17.5% and extended by a further 3 years to 30 June 2020. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 35% with effect from 1 July 2018 for a period of 8 year

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund

Long Term Services Awards

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45. Employee benefit obligations (continued)

A long term service awards is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2022 may become entitled to in future, based on an actuarial valuation performed at that date

The most recent actuarial valuations of plan assets and the present value of the unfounded defined benefit obligation were carried out as at 30 June 2022 by the One Pangaea Expertise Solutions a member of the Actuarial Society of South Africa.

A summary of the actuarial valuation results is as follows:

Key financial assumptions used for the purposes of the actuarial valuation

Defined Contribution Plan

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 31 March 2018. The interim valuation performed as at 31 March 2018 revealed that the assets of the fund amounted to R 1 483,786 381 (30 June 2010: R 1 123,672 020) million. The contribution rate paid by the members (13.75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future. As reported by the Actuaries, the Fund was in a sound financial condition as at 31 March 2018.

Provident Fund

The KwaZulu Natal Joint Municipal Provident Fund scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuarial Solution.

The interim actuarial valuation performed as at 31 March 2018 revealed that the market value of the fund was R 4 105 682. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2018.

None of the above mentioned plans are State Plans.

Pension, Provident, Retirement Benefits and Group Life Scheme

The municipality provides retirement benefits for its employees in the form of both defined benefit and defined contribution. The municipality is no longer providing retirement benefits for the Councillors as they are now getting a total cost to company package.

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. A defined contribution plan is a plan under which the municipality pays a fixed contribution into a separate entity. The municipality has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior period.

The contributions to fund obligations for the payment of retirement benefits are charged against the revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating municipalities.

Movements in the defined benefit obligation is as follows:

Opening balance	2 306 000	1 378 832
Service Cost	255 000	168 714
Actuarial gains (losses)	284 645	378 896
Interest Cost	217 000	113 941
Benefit payments	(180 000)	(92 383)
Addition of pro rata LSA	-	358 000
	2 882 645	2 306 000

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45. Employee benefit obligations (continued)

Key assumptions used

Key financial assumptions used for the purposes of the actuarial valuation:

Discount rates used	11.20 %	9.77 %
Net effect discount rate	3.15 %	3.58 %
General earnings inflation rate (long term)	7.80 %	5.98 %

Other assumptions

Key demographic assumptions used for withdrawals from services:

Age of 20	9.00 %	9.00 %
Age of 30	6.00 %	6.00 %
Age of 40	5.00 %	5.00 %
Age of 50	3.00 %	3.00 %

46. Related parties

Employee Name	State where employed	Position/Job title	Supplier name	Column heading
Nkosinathi Christopher Nhlangulela	NAT: Justice and Constitutional Development	Administration Clerk	Ndaloenhle Trading (Pty) Ltd	29 350
Nomfundo Festival Mpungose	Ndaloenhle Trading (Pty) Ltd	Project: Field work operations officer	Xolman Business Enterprise	522 000
Siyabonga Mhlahiseni Msomi	KZN: Health	Expanded public works programme beneficiary	Manga Mahle Construction	160 450
Nokuphiwas Precious Msomi	KZN: Education	PYEI: EA: ICT/E CADRES	Nhleziyela (Pty) Ltd	135 000
				846 800

Through the review of employees and councillors signed declaration of interest forms and GL transactions, nothing were found for the current financial year.

The above payments for the previous year were made by the municipality without knowing that Directors of these companies are the employees of state.

Key management information

Class	Description	Number
Municipal Manager	Mr Phakama Mhlongo	1
Chief Financial Officer	Mr. Ntando Duma	1
section 57 employees	Mr. Thulani Khuluse	1
section 57 employees	Mr. Chris Mhlongo	1
section 57 employees	Mr. Sbusiso Mngoma	1
section 57 employees	Mrs. Sikhululekile Mhlongo	1
Mayor	Cllr. S.Z. Nyathikazi	1
Deputy Mayor	Cllr. S.T. Chilli	1
Speaker	Cllr. M.L. Ngidi	1

Remuneration of management

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47. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	231 036	231 036
Other receivables from non-exchange transactions	-	430 081	430 081
Cash and cash equivalents	6 297 228	-	6 297 228
	6 297 228	661 117	6 958 345

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	6 397 924	6 397 924

2021

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	133 627	133 627
Cash and cash equivalents	8 191 629	-	8 191 629
	8 191 629	133 627	8 325 256

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	2 530 290	2 530 290

48. Contingencies

Maphumulo Municipality // Only If Management CC.

Litigation is in the process between the municipality and Only If Management CC under the case number 10108/2013. Plaintiff claims to have been appointed by the Municipality to do refuse removal within the Maphumulo area of jurisdiction. The claim is for R8 609 993.3.

Maphumulo Municipality // Sibgem Management & Consulting.

Attorney's was appointed by Maphumulo municipality to defend the claim of R1 864 476.11 for the non-payment of invoices for the electrification work at Ziqgayini, Mphise and Mzulwini ward.

Attorney's issued the appearance to defend and filed a plea in which they raised the points in limine as follows:

1. There had been no contract between the Municipality,
2. In terms of the letter of appointment dated 21 May 2014, there were conditions that had to be adhered to before the commencement of the work, which were not complied with.
3. Thereafter filed a claim in Reconvension for the amount of R1 628 357.34, after which plaintiff filed a plea to the Claim in Reconvension denying our claim.

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49. Segment information

General information

Identification of segments

The municipality is planning to organised and reports to management only the direct service delivery to the community as economic benefit and service potential. direct service delivery to the community as economic benefit and service potential. And for which separate financial information is available. during the current financial year no Segments were aggregated for reporting purposes because necessary information is not available and the cost to develop it would be excessive, but going forward we will budget to get these information and start to report all reportable segments.

50. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2022	Less than 1 year			
• Payables from exchange transactions	6 397 924	-	-	-
At 30 June 2021	Less than 1 year			
• Payables from exchange transactions	2 530 290	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2022	2021
Trade and other receivables from exchange transactions	6 397 924	133 627
Cash and cash equivalents/bank balances	6 297 228	8 191 629

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

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.

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51. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R338 927 526 and that the municipality's total liabilities exceed its assets by R344 247 526.

The municipality's current liabilities are not secured against the municipal current assets as it can be seen that current assets are less than current liabilities and there is a deficit of R8 735 622 (R12 425 652 current assets less R21 161 274 current liabilities). This shows an increase in deficit compared to last financial year where there was a deficit of R2 405 037.

Included in the current liabilities are unspent conditional grants of R1 076 385 that always need to be cash backed. Current Assets includes VAT receivables of R4 269 833 which would be received from South African Revenue Services (SARS) during next financial year.

The going concern of the municipality is negative since the municipality relying on its cash and cash equivalents of R6 297 228 to settle the current liability of R21 161 274.

Although the going concern of the municipality is negative if we compare current assets and liabilities as at the end of June 2022. Current liabilities includes R10 292 829 for leave payables and retention which is not payable within the period of 12 months. Leave is payable on the termination of contract and retention is payable after the completion of the project, 50% is due after 6 months and 50% after 12 months. Under current liabilities there is also unspent grant liability of R1 076 385, we are hoping that Department of Arts and Culture will approve application of roll over.

Included in current assets is VAT receivable of R4 269 833 which there is no doubt that SARS will pay the municipality refund within a period of 12 months.

Based on the above last two paragraphs, we have no doubt that the municipality will be financially sustainable and be able to provide service delivery in the next twelve months.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 195 796	486 951
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Audit fees

Opening balance	320 092	63 904
Current year subscription / fee	3 590 833	5 251 490
Amount paid - current year	(2 823 997)	(4 995 302)
	1 086 928	320 092

PAYE and UIF

Amount paid - current year	8 496 037	8 030 450
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Pension and Medical Aid Deductions

Amount paid - current year	10 803 979	9 485 357
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VAT

VAT receivable	4 812 111	8 061 842
VAT payable	(413 082)	(437 169)
	4 399 029	7 624 673

All VAT returns have been submitted by the due date throughout the year.

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

There were no Councillors in arrears for more than 90 days at any time during the year ended 30 June 2022:

53. Prior period errors

Extension of Offices: Reversal of Fruitless and Wasteful Expenditure and Impairment Loss

During the auditing the work in progress of the municipality for the year ended 30 June 2020, an amount of R 1,871,886.06 (excluding VAT) relating to payments made on the Maphumulo New Office Extension project was impaired due to the fact that there is no progress on the project. During 2022 audit municipality informed Auditor General that this project is still under way and we must reverse the prior year impairment. Therefore it is apparent that work-in-progress(Buildings) understated and impairment loss was overstated in the prior year. to correct the error we Debit WIP buildings and credit Impairment loss reversal.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	1 871 886
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Statement of financial performance

Accumulated surplus-Reversal of impairment	-	(1 871 886)
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