

ZULULAND DISTRICT MUNICIPALITY



ANNUAL REPORT 2023/2024

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TABLE OF CONTENTS

| | |
|---|-----------|
| 1. ABOUT THIS ANNUAL REPORT | 5 |
| 2. FOREWORDS | 6 |
| MESSAGE FROM HIS WORSHIP THE MAYOR..... | 6 |
| 3. CHAPTER 1 –PROFILE OF THE ZULULAND DISTRICT MUNICIPALITY | 10 |
| 3.1. MUNICIPAL FUNCTIONS | 10 |
| 3.2. DEMOGRAPHIC PROFILE..... | 11 |
| 3.3. SOCIO PROFILE..... | 12 |
| 3.4. IMPACT OF HIV/AIDS | 13 |
| 4. THE ZULULAND DISTRICT ECONOMY | 13 |
| 4.1. INFRASTRUCTURE PROFILE | 14 |
| <i>Human Settlements</i> | 14 |
| <i>SERVICE LEVELS</i> | 14 |
| <i>Water Provision</i> | 15 |
| <i>Water Backlog Analysis</i> | 15 |
| <i>Sanitation Provision</i> | 15 |
| <i>Sanitation Backlog</i> | 16 |
| <i>Municipal District Roads</i> | 16 |
| <i>Rail Transportation</i> | 18 |
| <i>Civil Aviation</i> | 19 |
| 4.2. SUMMATIVE KEY CHALLENGES LIST | 19 |
| 5. CHAPTER 2 – GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT | 21 |
| 5.1. POLITICAL GOVERNANCE ORGANOGRAM | 21 |
| 5.2. ADMINISTRATIVE GOVERNANCE | 23 |
| <i>Human Resources</i> | 23 |
| <i>Organizational Personnel Related Expenditure</i> | 24 |
| <i>Remuneration Packages of the Senior Managers</i> | 25 |
| <i>Employment and Vacancies</i> | 25 |
| <i>Senior Manager Appointments</i> | 26 |
| <i>Signing of Performance Agreements & Declaration of financial interests</i> | 26 |
| <i>Performance Rewards</i> | 26 |
| <i>Measuring of Performance for other levels of employees</i> | 26 |
| <i>Job Evaluations</i> | 26 |
| <i>Employment Changes</i> | 26 |
| <i>Employment Equity</i> | 27 |
| <i>Leave Utilization and Trends</i> | 27 |
| <i>Labour Relations</i> | 28 |
| <i>Skills Development & Capacity Building</i> | 28 |
| <i>Financial Policies</i> | 29 |
| 5.3. PERFORMANCE MANAGEMENT | 31 |
| 5.4. AUDITING AND OVERSIGHT | 31 |
| <i>Internal Audit</i> | 33 |
| <i>Audit and Performance Management Committee</i> | 33 |
| <i>Oversight Committee</i> | 33 |
| 5.5. RISK MANAGEMENT | 34 |

| | | |
|-----------|--|-----------|
| 5.6. | ANTI-CORRUPTION AND FRAUD | 35 |
| 5.7. | CODE OF CONDUCT..... | 35 |
| 5.8. | SUPPLY CHAIN MANAGEMENT | 35 |
| 5.9. | UNAUTHORISED, IRREGULAR FRUITLESS AND WASTEFUL EXPENDITURE | 35 |
| 5.10. | INTERGOVERNMENTAL RELATIONS | 37 |
| 6. | CHAPTER 3 – STRATEGIC PRIORITIES | 39 |
| 7. | CHAPTER 4 – SERVICE DELIVERY PERFORMANCE ANALYSIS FOR THE FINANCIAL YEAR 2023/2024..... | 46 |
| 7.1. | INFRASTRUCTURE & SERVICE DELIVERY PERFORMANCE..... | 48 |
| | <i>Customer Care</i> | 48 |
| | <i>Operations & Maintenance</i> | 49 |
| 7.2. | MUNICIPAL DISTRICT AIRPORTS | 50 |
| 7.3. | DISASTER MANAGEMENT..... | 54 |
| | <i>Status of Disaster Management Capacity/ Centre</i> | 55 |
| | <i>Zululand District Disaster Advisory Committee (DDMAC)</i> | 55 |
| | <i>Projects Implemented for Year Under Review</i> | 56 |
| 7.4. | LOCAL ECONOMIC DEVELOPMENT..... | 61 |
| 7.5. | MUNICIPAL HEALTH | 69 |
| 7.6. | DEMOCRACY AND GOVERNANCE PERFORMANCE | 72 |
| | <i>General Assessment Summary on Compliance</i> | 72 |
| 7.7. | SPATIAL AND ENVIRONMENTAL MANAGEMENT PERFORMANCE..... | 73 |
| | <i>Joint Municipal Planning Tribunal</i> | 73 |
| 7.8. | PERFORMANCE AGAINST GOVERNMENT LED PROGRAMMES | 74 |
| | <i>Free Basic Services and Indigent Support</i> | 74 |
| | <i>Expanded Public Works Programme (EPWP)</i> | 74 |
| 8. | CHAPTER 5 – OVERVIEW OF FINANCIAL PERFORMANCE..... | 75 |
| 8.1. | STATEMENT OF FINANCIAL PERFORMANCE..... | 75 |
| 9. | CHAPTER 6 – APPENDICES | 82 |
| A. | AUDITED ANNUAL FINANCIAL STATEMENTS | 83 |
| B. | REPORT AND OPINION OF THE AUDITOR GENERAL | 85 |
| C. | STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY | 98 |
| D. | ANNUAL PERFORMANCE REPORT 2023/24..... | 99 |
| E. | PERFORMANCE OF SERVICE PROVIDERS..... | 109 |
| F. | AUDIT ACTION PLAN..... | 114 |
| G. | REPORT ON THE AUDIT COMMITTEE..... | 192 |
| H. | COUNCILLOR PERFORMANCE..... | 195 |
| I. | KEY WATER AND SANITATION PROJECTS 2023/2024 | 208 |
| J. | LONG TERM CONTRACTS..... | 213 |
| I. | RISK REGISTER | 218 |
| J. | THIRD TIER ORGANIZATIONAL STRUCTURE | 242 |

| | |
|--|--|
| Table 1 Sectoral performance | |
| Table 2 Access to electricity | |
| Table 3 Road infrastructure backlogs | |
| Table 4 Road infrastructure assets | |
| Table 5 Paved road network | |
| Table 6 Capital investment needed to repair the paved road network by local municipality | |
| Table 7 Unpaved road network | |
| Table 8 Capital investment needed to repair the unpaved road network by local municipality | |
| Table 9 Portfolio Committee performance | |
| Table 10 Council and EXCO Meeting performance | |
| Table 11 Benefits paid to employees | |
| Table 12 Remuneration of Senior Managers | |
| Table 13 Posts and vacancy 3-year comparison | |
| Table 14 Sick and Annual leave per employee category; state of accrued leave | |
| Table 15 Disciplinary issues | |
| Table 16 Employees trained including expenditure | |
| Table 17 Meetings of the Audit Committee | |
| Table 18 Organizational Risk Management | |
| Table 19 Quotations and deviations | |
| Table 20 ZDM Disaster Management IGR Meetings | |
| Table 21 Disaster Occurrences by type | |
| Table 22 Operating revenue performance | |
| Table 23 Schedule of Loans & Conditional grants received | |
| Table 24 Operating expenditure performance | |
| Table 25 Fruitless and wasteful expenditure | |
| Table 26 Current ratio on performance | |
| Table 27 Arrears on municipal taxes and service charges | |
| Table 28 Revenue collection performance by vote | |
| Table 29 Total revenue | |
| Table 30 Debtors age analysis | |

| | |
|--|----|
| <i>Figure 1 Local Municipality population comparison between 2011-2016</i> | 11 |
| Figure 2 District population | 11 |
| Figure 3 Local Municipality general labour indicator comparison | 13 |
| Figure 4 Households per Local Municipality | 14 |
| Figure 5 Water backlog trends | 15 |
| Figure 6 Sanitation backlog trends | 16 |
| Figure 7 Organizational personnel related expenditure | 24 |
| Figure 8 Occupational Levels (Gender and Race)..... | 27 |
| Figure 9 Fruitless and wasteful expenditure | 36 |
| Figure 10 Irregular expenditure | 36 |
| Figure 11 Performance comparison in % | 47 |
| Figure 12. German tourists taking a helicopter charter to King Shaka | 53 |
| Figure 13 High Level Disaster Management Organogram | 55 |
| Figure 14 IDP Process Plan Timetable..... | 73 |

1. ABOUT THIS ANNUAL REPORT

Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

The purpose of an annual report is:

- a) to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
- b) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- c) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

This Annual Report is therefore a reflection or record of activities and performance of the Zululand District Municipality for the period **01 July 2023 to 30 June 2024**.

2. FOREWORDS

MESSAGE FROM HIS WORSHIP THE MAYOR



The Constitution of the Republic of South Africa mandates all municipalities to interact with the communities and to ensure that basic services are equally delivered to all for a better life. The mandate of the Zululand District Municipality is not unique to the broader one given to the Local Government by the Constitution. However, the uniqueness we have are the demands and expectations of our communities in the district.

It is for this reason that the Zululand District Municipality persists with the commitment of servicing and improving the lives of its community. This commitment is displayed in this Annual Report, which reviews the work done by the Municipality during the 2023/2024 financial year. This report outlines our performance on the targets set over this period. It will give our stakeholders and the community insights into our performance, achievements and shortcomings.

I present this report noting the population growth according to Census 2022 (from 803 575 in 2011 to 942 794 in 2022). This puts pressure on us to focus on mass job creation opportunities to ensure that population groups (5-19 and 20-59) are productive and contribute to the performance of the Zululand economy.

Local Economic Development is one of the Key Performance Areas of the Municipality. It is also a Constitutional responsibility to promote economic development in the district. The Zululand Region faces several challenges to Local Economic Development. Unemployment is high, as is poverty. Economic growth has in the recent past been slow, as the area's development potential has not been exploited fully. This is why the LED Unit reviewed its LED Strategy which has been adopted and now has given way to the implementation plan. Despite such challenges we are proud that through EPWP and other projects, there are households that are now able to put food on the table

HIV/AIDS still has a negative impact in our communities as statistics show a worsening situation instead of improvement. High prevalence of HIV/AIDS poses a severe developmental challenge in the district as the labour force shrinks with more people falling sick and succumbing to the scourge.

An important key area of performance in our Municipality is that of providing access to clean water and sanitation. There have been improvements against the record of 23 840 households which had none or inadequate access to water. There are now 30 721 households receiving rudimentary level of service which is an improvement compared to the previous year, which recorded 17 000 households.

On the year that we are reviewing, our District has been continuously experiencing adverse weather conditions. Disaster Management teams from ZDM in conjunction with external stakeholders worked very hard to provide primary and secondary response as well as provision of social relief, based on

the needs of the affected communities. Assessment and assistance have been provided to hundreds of households and victims. There has been Disaster Management Awareness Campaigns through Traditional Councils, Amakhosi and various schools.

The Municipal Health Unit did a sterling job in conducting inspections in various premises following the national disaster of food poisoning, which affected some parts of the District. This raised concerns regarding low or no compliance of these premises.

The mentioned key areas of performance can never be successful on their own, which is why I emphasize and appreciate the collective work by Councillors and Officials, who have worked together to identify and rectify challenges. I encourage you to continue to improve mechanisms to strengthen the accountability and discipline in your work. Speed, timing and excellence in the quality of daily work must become a key feature in the way in which officials undertake their work.

Let us continue to work hard and respecting the Constitutional mandate of serving and servicing the people of the Zululand District Municipality.

CLLR M.B KHUMALO

HONORABLE MAYOR: ZULULAND DISTRICT MUNICIPALITY

FOREWORD BY THE MUNICIPAL MANAGER MR R.N HLONGWA



The performance of the Zululand District Municipality during the financial year 2023/2024, is reflected on this Annual Report. It displays where the Municipality is excelling and managing the effects brought by different challenges. It also illustrates a performance where the Municipality is proving resilience over challenges towards its mandate.

The administration of the Municipality continues to work to provide the needs of our communities and improve their lives through meaningful programmes. We continue to carefully monitor and measure our performance to improve service delivery.

We faced some inevitable difficulties during the year under review, such as adjustments in grants to lower figures by National Treasury, change of Senior Managers and the National Elections which causes instability in political leadership.

Despite these challenges and a 7% decrease from the previous year (2022/2023), the Zululand District Municipality managed to obtain performance to the level of 82% for the 2023/2024 financial year.

Although this is a decrease in achievement, it must be noted that the Municipality focused on new indicators to be able to improve services delivery rather than the previous indicators that have been well achieved over the years. The monitoring controls will receive special attention in all of the Municipality's departments.

I am truly honoured that for the financial year 2023/2024 we met all the Basic Service Delivery targets. We were able to provide 1 100 households within the District with access to clean usable water. Our target for the year was 722 households, but true to our commitment we went the extra mile with 378 households. As it is our duty to provide clean water, we met our target of ensuring that 70% kilolitres produced by ZDM determinants have passed laboratory tests. Here we also overachieved as we reached 96%.

We continue to be committed to Local Economic and Social Development as there were 2 724 EPWP jobs created, exceeding the target of 1 370. Unemployment remains a worrisome issue in our societies, which is why we strive to counter this problem with such expanded work programmes. We have also created opportunities for growth by supporting 10 Co-operatives. The four Tourism Awareness campaigns we had were a success.

Even though the overall performance decrease by only nine percent (from 91% to 82%), the Municipality excelled in serving its community through Basic Service Delivery and Economic & Social Development.

The District has made significant stride to achieve the Service Delivery & Budget Implementation Plan (SDBIP) deliverables, which ultimately will translate to service delivery and good administration. This report records the performance and progress made by the Zululand District Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP) and SDBIP approved by the Council for the year under review.

The work and progress presented on this report would not have been possible without the Council of Zululand District Municipality, Executive Members of Council, Portfolio Committees, Municipal Public Accounts Committee, Audit and Performance Committee, management, and all employees of the Municipality. I thank you all for your consistent efforts and commitment to improving the lives of the people of Zululand District and always striving to drive service delivery through integrity.

As the Accounting Officer, I continue to dedicate myself in leading the Municipality towards the direction of carrying out the needs of the community of ZDM.



MR. R.N. HLONGWA

MUNICIPAL MANAGER

3. CHAPTER 1 –PROFILE OF THE ZULULAND DISTRICT MUNICIPALITY

3.1. Municipal Functions

The Zululand District Municipality is a Category C municipality administered under a collective executive system.

According to Section 84. (1) A district municipality has the following functions and powers:

(a) Integrated development planning for the district municipality as a whole including a framework for integrated development plans for the local municipalities within the area of the district municipality taking into account the integrated development plans of those local municipalities.

(b) Bulk supply of water that affects a significant proportion of municipalities in the district.

(c) Bulk supply of electricity that affects a significant proportion of municipalities in the district.

(d) Bulk sewage purification works and main sewage disposal that affects a significant proportion of municipalities in the district.

(e) Solid waste disposal sites serving the area of the district municipality as a whole.

(f) Municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole.

(g) Regulation of passenger transport services.

(h) Municipal airports serving the area of the district municipality as a whole.

(i) Municipal health services serving the area of the district municipality as a whole.

(j) Firefighting services serving the area of the district municipality as a whole.

(k) The establishment, conduct and control of fresh produce markets and abattoirs serving the area of the district municipality as a whole.

(l) The establishment, conduct and control of cemeteries and crematoria serving the district as a whole.

(m) Promotion of local tourism for the area of the district municipality.

(n) Municipal public works relating to any of the above functions or any other functions assigned to the district municipality.

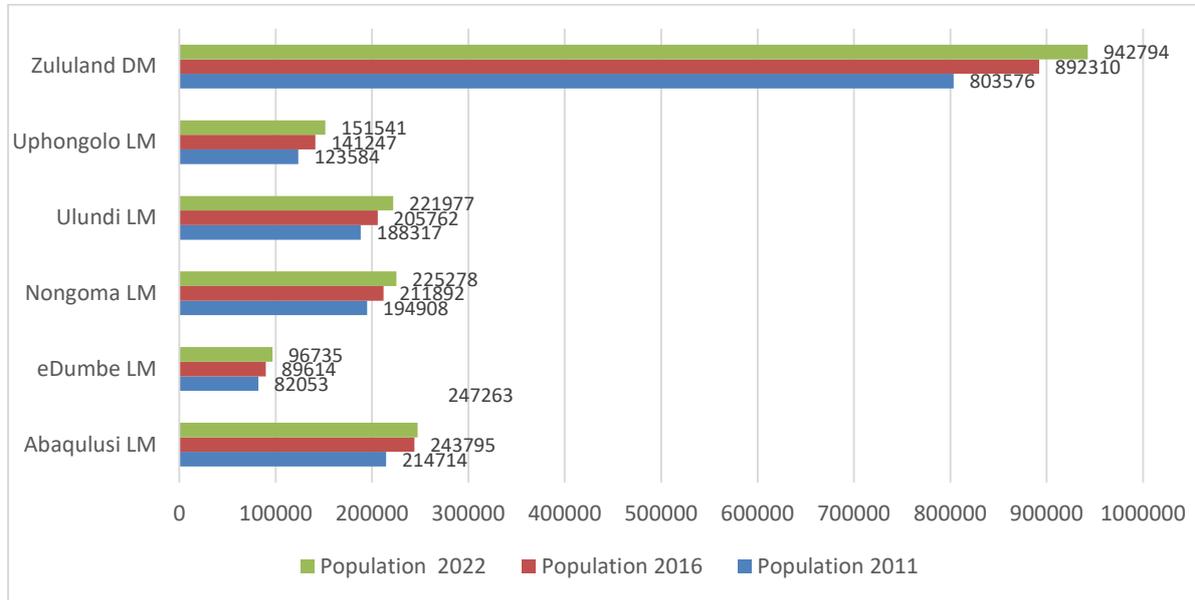
(o) The receipt, allocation and if applicable the distribution of grants made to the district municipality.

(p) The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.

3.2. Demographic Profile

A combination of sources have been used to interpret the statistics relating to the demographic statistics. These are StatsSA Census 2011, Census Community Survey 2016 and Global Insight 2015.

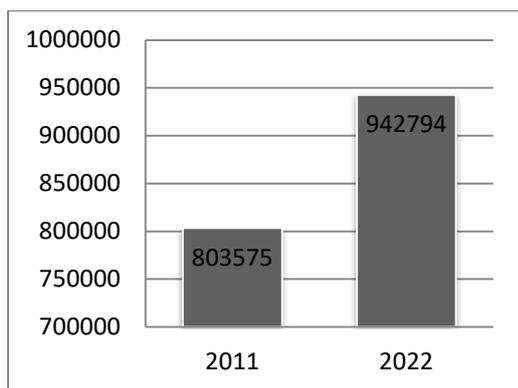
Figure 1 Local Municipality population comparison between 2011-2016



According to Census 2022 figures, Zululand District experienced an increase in its total population figures from 803 575 in 2011, to 942 794 in 2024.

Most of the district’s **population** in 2022 resides in Abaqulusi (247 263), Nongoma (225 278) and Ulundi (221 977) local municipalities. The smallest population is recorded as 96 735 for eDumbe. In terms of percentage contribution, Abaqulusi contributes the highest percentage (26%) towards Zululand’s population, followed by Nongoma and Ulundi with 24% and 23.5%, respectively.

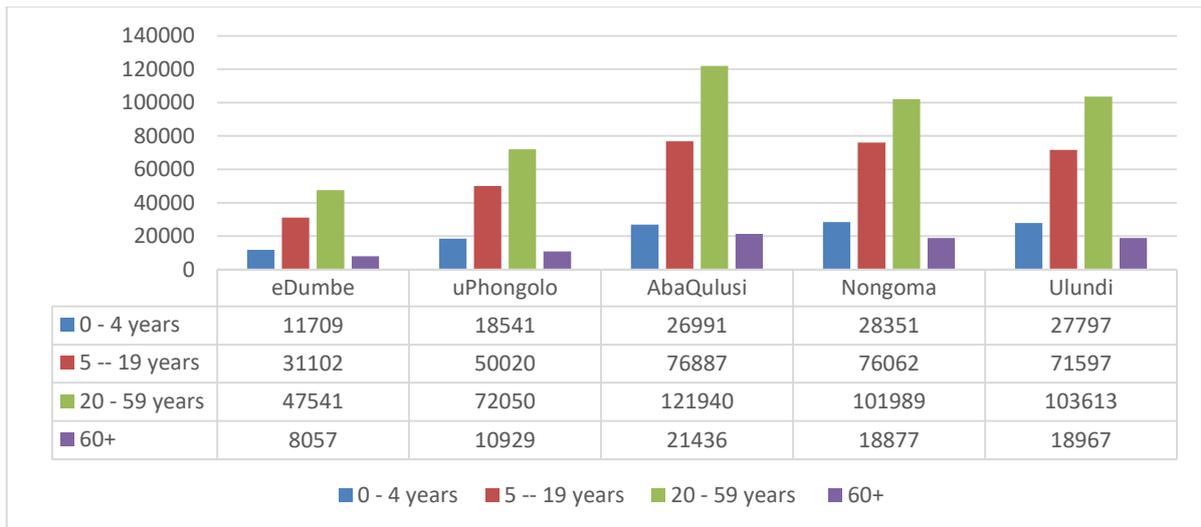
Figure 2 District population



According to census, the population in the Zululand District Municipality grew from 803,535 in 2011 to 942,794 in 2022.

Between 2011 and 2022, the Zululand growth rate rose 1.73% which is on par with its neighbouring districts.

The Zululand District Municipality contributes 7.5% to the province’s population.



Source: Census 2022

The population structure per local municipality shows that 47% of the population is in the 20-59 age cohort. The 5-19 year age cohort contributes 32,4% to the Zululand population. This signifies the pressure on the government to focus on creating mass job creation opportunities to ensure that these population groups are productive and contribute to the performance of the Zululand economy.

3.3. Socio Profile

A total population of 596 680 in Zululand is considered economically active (ages of 15-64). Abaqulusi has the largest economically active population at 165 020. Ulundi and Nongoma follow with economically active populations of 138 977 and 136 603 respectively.

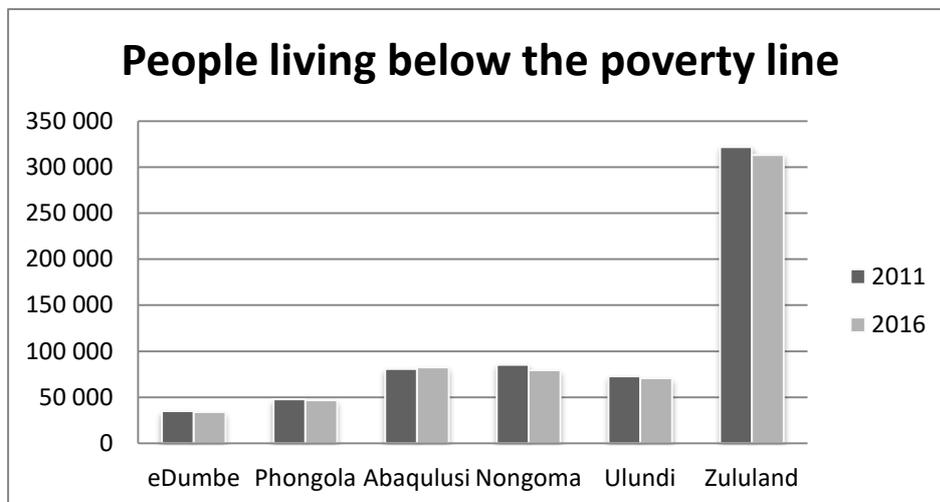
On the same scale Abaqulusi has the largest unemployment rate at 30.5% followed by eDumbe (25.7%); Ulundi(22.7%). The lowest unemployment rate is recorded by Nongoma at 17.6%.

The labour force participation rate in Zululand is 31.6% compared to a provincial average of 48.4%

According to the KZN Provincial Treasury KZN Multiple Deprivation Index in 2011 Zululand have relatively lower levels of deprivation than most other municipalities within the province. Of the five local municipalities, eDumbe and uPhongolo are classified as having the highest levels of deprivation.

The table below demonstrates population living below the poverty line in Zululand.

Figure 3 Local Municipality general labour indicator comparison



Source: Global Insight, 2017

313 212 (Community Survey 2016) people live below the poverty line in Zululand as compared to 321 881(Census 2011) which is a mere reduction of 8669.

3.4. Impact Of Hiv/Aids

A comparison between 2001 and 2011 HIV/AIDS statistics for the district shows a worsening of the situation, with figures reflecting an increase in both the HIV/AIDS prevalence rate and HIV/AIDS related deaths in Zululand over the period.

The high prevalence of HIV/AIDS poses a severe developmental challenge the district, as HIV/AIDS inhibits economic growth by reducing the availability of human capital. The labour force shrinks as more people fall sick and/or die, resulting in a young labour force that lacks experience, subsequently leading to reduced productivity and a smaller skilled population.

In overall terms, the Zululand District made a limited contribution to the economy of KwaZulu-Natal in 2011, i.e. contributing only 3.0 % to the provincial economy at a growth rate of 1.4%.

4. THE ZULULAND DISTRICT ECONOMY

Table 1 Sectoral performance

| Sector | 2006 | 2011 | 2015 |
|--------------------|--------|--------|--------|
| Agriculture | 8.30% | 9.80% | 9.70% |
| Mining | 9.80% | 9.00% | 10.30% |
| Manufacturing | 6.60% | 6.30% | 6.00% |
| Electricity | 5.80% | 5.50% | 5.10% |
| Construction | 3.60% | 3.60% | 3.60% |
| Trade | 10.60% | 10.50% | 10.50% |
| Transport | 7.90% | 8.10% | 8.30% |
| Finance | 11.40% | 12.10% | 12.10% |
| Community services | 28.70% | 28.10% | 27.60% |

The community sector contributed 27.60% to the district GVA in 2015.

Manufacturing, which is the highest economic contributor in the province made a comparatively smaller contribution to the District economy (6.0%). Despite the District being largely dependent on the sector for employment, agriculture only made a 9.70% contribution to the district economy. In 2015, agriculture, mining, trade and accommodation, and general government sectors made larger contributions than in other areas of the province.

Key areas of concern are the significant gaps between the percentage of working age population, employment and the large numbers of not economically active residents, indicating high dependency levels. Abaqulusi and Ulundi Local Municipalities provide the largest number of formal and informal jobs within the district economy. However, it is important to note that none of the local municipalities are able to provide sufficient jobs for the working age population.

The figure below depicts the share of each local municipality in total employment (formal and informal) for Zululand. Abaqulusi hosts the largest proportion of the population that are employed (41309) followed by Ulundi (20983). eDumbe contributes the lowest towards district employment levels (11478 of the total employed in the district).

4.1. Infrastructure Profile

Human Settlements

According to the Census Community Survey there are **165,167 households** across the Zululand District Municipality. This is less than 10% of total households in the whole of KwaZulu Natal.

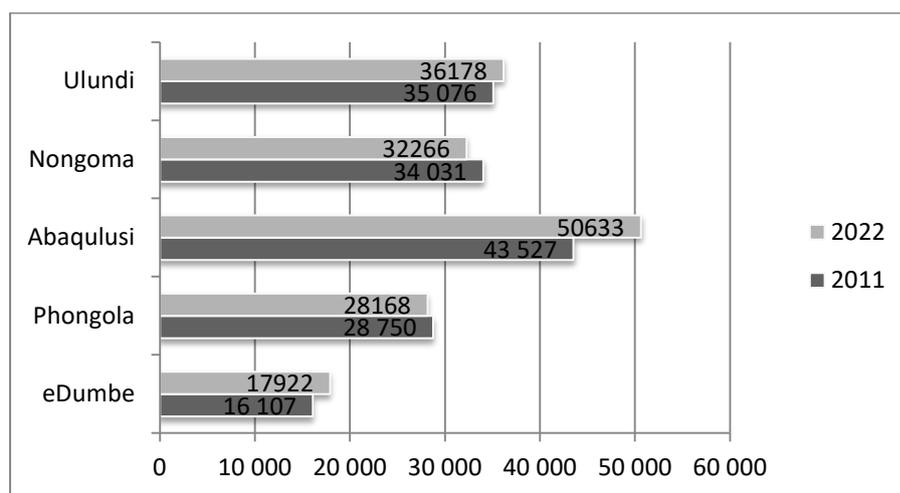


Figure 4 Households per Local Municipality

The majority of the households are in the area of Abaqulusi (50,472) followed by Ulundi (36,178), Nongoma (32,266), oPhongolo (28,168) and eDumbe (17,922).

The table below provides a summary of the status of access in respect of water and sanitation within the Zululand District and its five constituent local municipalities.

SERVICE LEVELS

ZDM has the following levels of service:

- a. Regional schemes
- b. Intermediate Stand-Alone Schemes
- c. Rudimentary Water Supply Schemes
- d. Rural Sanitation Roll-Outs (New Infrastructure and Phase 3 Replacement Programme)

Water Provision

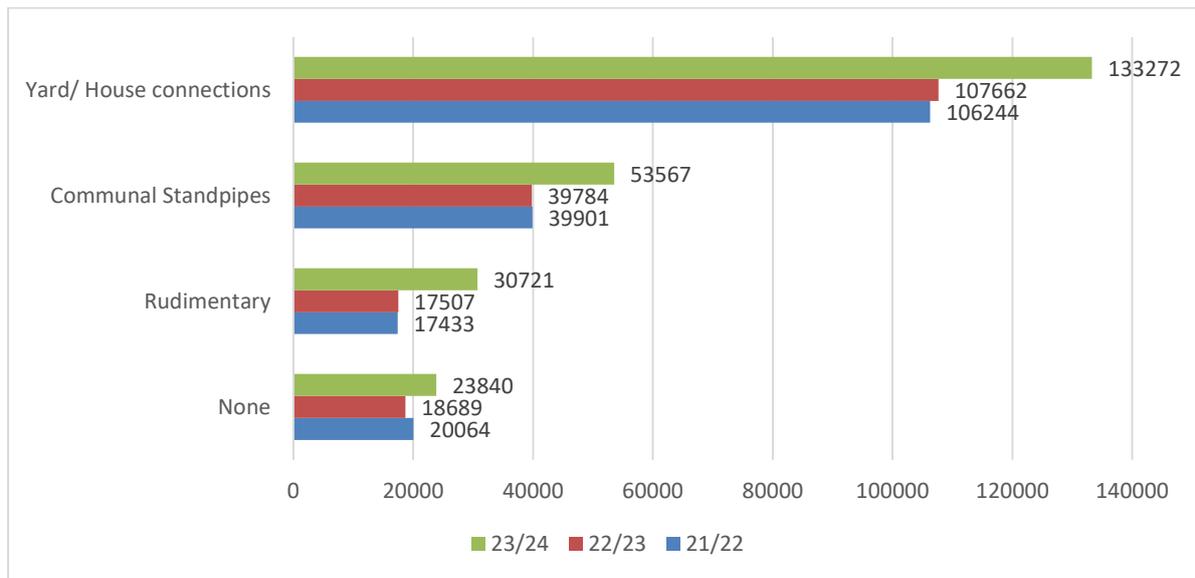
Each regional scheme footprint has a sustainable water source from where infrastructure is progressively being rolled out to all households within the supply area. The supply footprints have been identified in such a way that water can be provided to all households within the area in a sustainable manner and at the lowest possible cost (R/kl).

Water Backlog Analysis

For the period under review the Water Services Development Plan identified 183,642 households. 1,078 of these households are farmhouses.

Figure 5 Water backlog trends

The graph below demonstrates access to water over the past 3 years.



In the 23/24 financial year **23,840** households had **none or inadequate** access to water compared to **18689** in 2022/23

30 721 households are receiving the rudimentary level of service (less than RDP level of service) which is an improvement as compared to 2022/23 in which, **17,507** received a rudimentary level of service.

52567 households are receiving communal standpipes (equal to RDP).

In 2023/24 **133272** Households received yard connections.

The backlog is defined by households receiving less than RDP level of services. If one looks at the figure above, this is a combination of none + rudimentary.

Sanitation Provision

Sanitation in the rural areas is being provided in the form of dry-pit VIP toilets and the strategy is to implement these simultaneously with the roll-out of water services. This ensures a more effective impact with health and hygiene awareness training.

Sanitation Backlog

Figure 6 Sanitation backlog trends

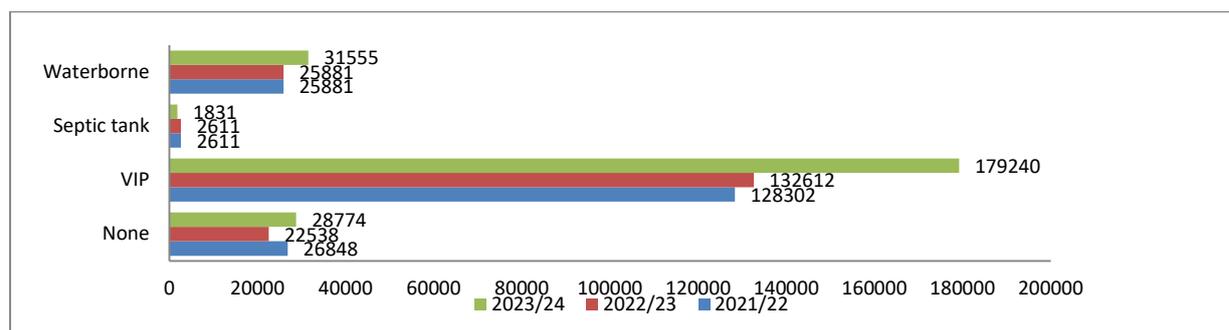


Table 2 Access to electricity

| Municipality | Total Households | No of H/H electrified (2016) | No of H/H Backlog | % Backlog |
|------------------|------------------|------------------------------|-------------------|------------|
| | | | | per LM |
| Abaqulusi | 51472 | 11709 | 39763 | 77% |
| eDumbe | 17415 | 4140 | 13275 | 76% |
| oPhongolo | 34667 | 8718 | 25949 | 75% |
| Nongoma | 36409 | 23256 | 13153 | 36% |
| Ulundi | 38553 | 25825 | 12728 | 33% |
| Total | 178516 | 73648 | 104868 | 59% |

At an average cost of R22,000 per household to provide electricity to a rural household the approximate capital cost required to eradicate the backlog per local municipality can be seen in the table below:

| Municipality | HH Backlog | Budget (mill) @ R22,000 per HH |
|------------------|--------------|--------------------------------|
| Abaqulusi | 11709 | 257 598 000 |
| eDumbe | 13275 | 292 050 000 |
| Nongoma | 13153 | 289 366 000 |
| Ulundi | 12728 | 280 016 000 |
| oPhongolo | 25949 | 570 878 000 |
| Total | 76814 | 1 689 908 000 |

Municipal District Roads

The table below illustrates the network statistics that excludes the provincial and the national roads.

Table 3 Road infrastructure backlogs

| Authority | Paved Roads (km) | Unpaved Roads(km) | Total(km) |
|--------------|------------------|-------------------|-----------|
| Abaqulusi LM | 195.98 | 727.18 | 923.16 |
| eDumbe LM | 35.61 | 243.95 | 279.56 |
| Nongoma LM | 10.14 | 602.02 | 612.16 |

| | | | |
|--------------|---------------|---------------|-----------------|
| Ulundi LM | 101.14 | 740.08 | 841.22 |
| uPhongolo LM | 46.9 | 390.07 | 436.97 |
| Total | 389.77 | 2703.3 | 3 093.07 |

Zululand District Municipality and its Local Municipalities, still have a huge backlog in terms of addressing the basic needs of its population. The challenge is also due to the inherent regional spatial disintegration which must begin to allow previously disadvantaged communities to also enjoy the same opportunities and benefits as those enjoyed by previously advantaged communities. In this regard, Roads and Transport play a crucial role in facilitating movement amongst these communities and business centres in respect of underpinning socio-economic development and sustainability.

Through Rural Road Asset Management System (RRAMS) the District Municipality will be fulfilling its constitutional mandate, which requires that the District establish, manage, regulate and control municipal roads, which form an integral part of a road transport system for its area of jurisdiction. Furthermore RRAMS (“the project”) will afford the district capacity to fortifying its plenary foresight by having established Roads Asset Management Systems that can effectively support its infrastructure investment programme.

Table 4 Road infrastructure assets

| Unpaved Roads | Paved Roads | Traffic Stations | Count | Bridges | Culverts | Ancillary Assets |
|---------------|-------------|------------------|-------|---------|----------|------------------|
| 2703.3 | 389.77 | 157 | | 41 | 21 | 8779 |

According to the RRAMS 2016, the district municipality a total road network of 2030km. The current RRAMS indicates that the municipality now has a total of 3093km. Of that total 2703.3km is unpaved. 390km is paved.

Table 5 Paved road network

| Local Municipality | Paved Road Network Condition | | | | | Length (km) |
|---------------------|------------------------------|--------|--------|--------|-----------|-------------|
| | Very Good | Good | Fair | Poor | Very Poor | |
| Abaqulusi LM | 1.93% | 6.09% | 13.32% | 27.96% | 50.70% | 139.62 |
| eDumbe LM | 0% | 6.98% | 29.75% | 34.69% | 28.57% | 33.07 |
| Nongoma LM | 6.53% | 1.58% | 22.46% | 27.34% | 42.08% | 8.55 |
| Ulundi LM | 8.94% | 10.27% | 16.26% | 22.82% | 41.72% | 81.33 |
| uPhongolo LM | 6.23% | 7.64% | 22.53% | 39.71% | 23.89% | 37.05 |

Source: RRAMS 2024

The capital investment required to repair the road network is indicated below:

Table 6 Capital investment needed to repair the paved road network by local municipality

| Local Municipality | Rehabilitation | Special Maintenance | Periodic Maintenance | Total by Municipality |
|--------------------|----------------|---------------------|----------------------|-----------------------|
| Abaqulusi | R 1 403 587,15 | R 631 614,22 | R 210 538,07 | R 1 925 359,60 |
| eDumbe | R 806 121,22 | R 362 754,55 | R 120 918,18 | R 1 105 790,43 |
| Nongoma | R | R 350 898,94 | R 1 071 190,05 | R 1 803 129,47 |

| | | | | |
|--------------------------|------------------------|-----------------------|-----------------------|------------------------|
| | 681 081,23 | | | |
| Ulundi | R 3 578 297,50 | R 1 610 233,87 | R 526 744,62 | R 4 908 501,37 |
| uPhongolo | R 4 970 257,00 | R 2 236 615,65 | R 745 538,55 | R 6 817 910,83 |
| Total by District | R 11 439 344,10 | R 5 192 177,23 | R 2 674 929,47 | R 19 306 390,80 |

Abaqulusi has the longest road network of which more than 80% of the paved network is in a poor state. Ulundi has the second longest road network with more than 60% in a poor state. There is an urgent need for the implementation of road rehabilitation programmes in all municipalities of Zululand.

Table 7 Unpaved road network

| Local Municipality | UnPaved Road Network Condition | | | | | |
|---------------------|--------------------------------|------|-------|-------|-----------|-------------|
| | Very Good | Good | Fair | Poor | Very Poor | Length (km) |
| Abaqulusi LM | 4.29 | 5.2 | 20.05 | 34.07 | 36.4 | 633.97 |
| eDumbe LM | 31.12 | 1.97 | 14.05 | 23.74 | 29.12 | 157.66 |
| Nongoma LM | 0.03 | 4.03 | 8.17 | 9.18 | 78.59 | 417.29 |
| Ulundi LM | 5.08 | 7.9 | 23.22 | 16.13 | 47.68 | 452.88 |
| uPhongolo LM | 38.15% | 10.7 | 15.23 | 8.66 | 27.26 | 199.37 |

Source: RRAMS 2021

Once again Abaqulusi LM has the longest unpaved road network in the district. More than 70% of this network is in an unacceptable state. This is followed up by Ulundi and Nongoma with 90% and 70% of their networks in an unacceptable state respectively.

The capital investment required to repair the road network is indicated below:

Table 8 Capital investment needed to repair the unpaved road network by local municipality

| Local Municipality | Construction | Regravelling | Reshaping | Total by Municipality |
|--------------------------|------------------------|------------------------|-----------------------|------------------------|
| Abaqulusi | R 4 507 552,90 | R 2 588 953,47 | R - | R 7 096 506,37 |
| eDumbe | R 2 050 683,21 | R 1 177 828,29 | R 382 278,30 | R 3 610 789,80 |
| Nongoma | R 212 586,57 | R 122 101,00 | R 5 449,76 | R 340 137,33 |
| Ulundi | R 11 384 884,28 | R 6 539 010,46 | R 1 365 571,99 | R 19 289 466,73 |
| uPhongolo | R 1 047 673,52 | R 601 740,69 | R - | R 1 649 414,21 |
| Total by District | R 19 203 380,48 | R 11 029 633,90 | R 1 753 300,05 | R 31 986 314,44 |

Through IGR structures and other structures, the District will seek to co-ordinate the efforts of all municipalities to invest in the repair of their road networks, which will result in increased economic investment into the region.

Rail Transportation

The most important rail link in the Zululand District is the coal line from Mpumalanga through Vryheid to the Richards Bay Coal Terminal from where the product is exported. The line runs from Witbank through Piet Retief, Paul Pietersburg, Vryheid East, Ulundi to Richards Bay. Although initially designed to convey 21 million tons of coal exports per annum, the route was upgraded in 1989, and in 1997 it conveyed 62 million tons of coal to Richards Bay. The Coal Line Study, conducted in 1999 found that there are approximately 17 general freight trains on the line, transporting 30 000 tons of

goods to Richards Bay, including ferro-chrome, granite, chrome, steel and timber. Although most of the freight is loaded north of Zululand substantial amounts of timber is loaded in the eDumbe and Vryheid areas.

Civil Aviation

The District has two airports of note, viz. the Ulundi Airport and the Vryheid Airport. However, due to a discontinuation of scheduled flights to Vryheid in the mid-1980s, the Vryheid airport is no longer licensed, and the municipal parks department maintains the airport.

The ownership of the Ulundi airport was transferred from the Office of the Premier to the Zululand District Municipality in April 2007. For the next three years the KwaZulu-Natal provincial government provided financial assistance to the District Municipality to subsidize the cost of operations at the airport, and allow for the training of District Municipality staff to operate the facility, the re-laying of the main runway, upgrading of fire and rescue equipment, and the installation of all-weather navigational instruments. Clearance was obtained from the Civil Aviation Authority for commercial flights to be resumed, in recognition of the vital role the airport has to play in local development.

The airport then commenced with the handling of commercial flights on a daily basis between Virginia Airport in Durban to Ulundi, and flights to Oribi Airport in Pietermaritzburg in 2012, with a view to stimulating both business and tourism growth in the district.

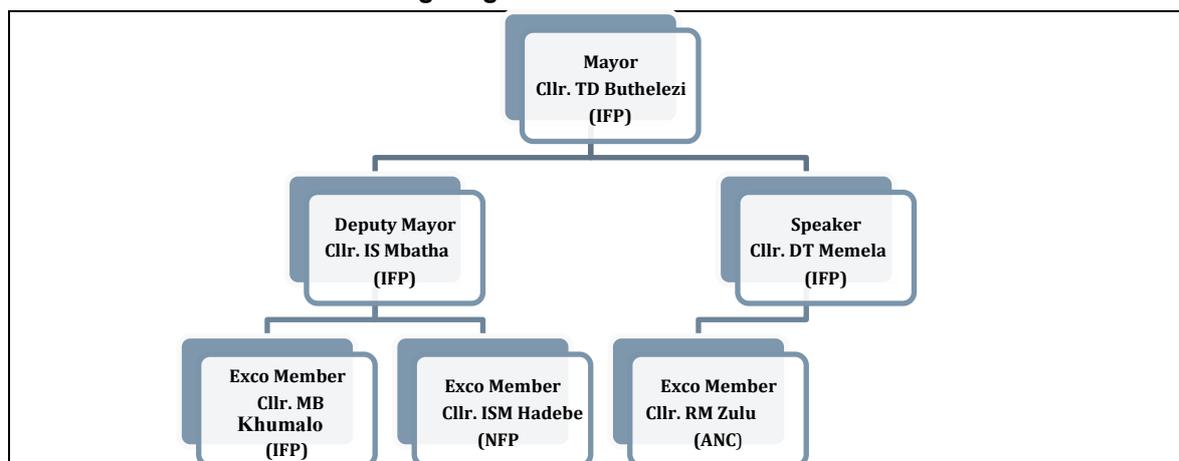
4.2. Summative Key Challenges List

- Maintain functionality of Council structures
- Maintenance of EDMS system (collaborator) thereby ensuring accurate record keeping.
- Ongoing support to the LED sub-forums to continue functioning.
- Maintenance and continual improvement of GIS system.
- Ensure continued compliance with legal financial requirements.
- Improve vertical and horizontal alignment thereby ensuring coordinated service delivery by all spheres of government.
- Prioritization of needs of marginalized groups.
- Formulation and compliance with Risk Management Framework and Strategy.
- Maintain functionality of IDP organizational arrangements internally and externally.
- To further diversify the district's economy.
- Ongoing support of tourism initiatives.
- Harness agri-processing opportunities in the district, notably venison production, leather processing and traditional medicines.
- Foster timber product ion opportunities.
- Improve rural road network to ensure improve linkages between settlements, rural nodes and municipal centres.
- Harness opportunities relating to small scale mining.
- Ensure indigent policy remains updated and relevant.

- Ensuring ongoing monitoring of water balance in rural areas.
- Commit and implement approved MIG business plans for roll-out of water and sanitation services in the district.
- Ensure disaster management forums remain functional.
- Redress disparities between levels of services and development in the urban and rural areas.
- Improve access to formal waste disposal system.
- Provision of adequate land to cater for anticipated required burial space.
- Ongoing efforts to clarify the responsibilities between Local and District Municipality as well as the Department of Transport in respect of road maintenance and construction.
- Improve the limited capacity of the electricity network in the southern portions of the District.
- Improve functionality of Council oversight committee in particular.
- LLF (Local Labour Forum) to meet more regularly.
- Risk reduction strategies and actions to be defined and implemented.
- Seek clarification in respect of the land reform programme roll-out/implementation.

5. CHAPTER 2 – GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT

5.1. Political Governance Organogram



The figure above shows the Executive Committee of the Zululand District Municipality during the period under review

Political Governance Performance

Portfolio Committees

Table 9 Portfolio Committee performance

| Chairperson | Description | Date |
|---------------------------------------|--|-------------|
| Cllr. TD Buthelezi | Finance Portfolio Committee | 16.08.2023 |
| | | 11.12.2023 |
| | | 19.03.2024 |
| | | 18.05.2024 |
| Cllr. SI Mbatha (Feb 2023 – Jun 2023) | Technical Services Portfolio Committee | 23.08.2023 |
| | | 14.11.2023 |
| | | 28.02.2024 |
| | | 20.06.2024 |
| | | 19.09.2024 |
| Cllr. MB Khumalo (Jul 2023-Jan 2024) | Corporate Services Portfolio Committee | 21.09.2023 |
| | | 17.10.2023 |
| | | 12.12.2023 |
| | | 27.03.2024 |
| | | 17.04.2024 |
| Cllr SI Mbatha (Jul 2023- Feb 2024) | Planning Services Portfolio Committee | 18.08.2023 |
| | | 14. 11.2023 |
| | | 14.03.2024 |

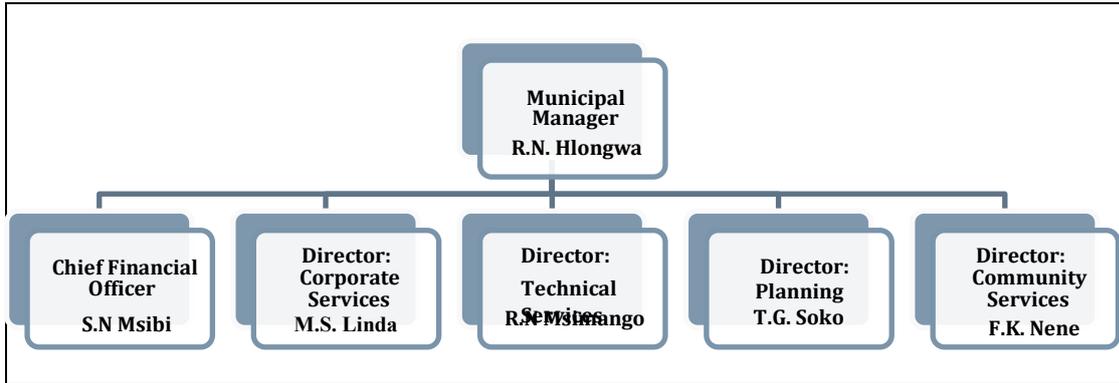
| | | |
|---|--|--|
| | | 13.05.2024 |
| Cllr ISM Hadebe | Community Services Portfolio Committee | 10.08.2023 25.10.2023 26.02.2024 13.06.2024 |
| Cllr S Shelembe | Municipal Public Accounts Committee | 05.07.2023 26.10.2023 19.02.2024 29.04.2024 25.06.2024 |
| Cllr MP Williams Cllr MJ Khumalo (New Chair) | Local Labour Forum | 20.09.2023 26.10.2023 10.04.2024 26.06.2024 |

Table 10 Council and EXCO Meeting performance

| COUNCIL AND EXCO MEETINGS | 2022/23 | 2023/24 | |
|----------------------------------|----------------------------|----------------------------|---|
| | Number of meetings: | Number of meetings: | Dates: |
| EXCO | 15 | 12 | 22/08/2023; 22/09/2023; 27/10/2023; 15/11/2023; 29/11/2023; 20/12/2023; 25/01/2024; 26/02/2024; 26/03/2024; 25/04/2024; 14/05/2024; 25/06/2024; |
| FULL COUNCIL | 13 | 10 | 27/07/2023; 16/08/2023; 29/08/2023 29/09/2023; 30/11/2023; 30/01/2024; 29/02/2024; 27/03/2024; 24/05/2024; 27/06/2024; |

5.2. Administrative Governance

Human Resources



Municipal Manager

Mr R.N Hlongwa

The Municipal Manager's Office is responsible for co-ordinating the administration and key activities that are the responsibility of the Accounting Officer.

The divisions are Performance, Risk, Internal Audit and Legal Services, office of the Mayor, Communications, Research & Policy

Planning Department

Director: Mr. T.G. Soko

The Planning Department provides strategic support to the Council towards ensuring integrated development planning. The Department also houses the Water Services Authority.

The Department has 3 divisions including Planning Administration, Water Services Authority and Project Management Unit.

Budget & Treasury Office

Chief Financial Officer: Ms. S. Msibi

The Budget & Treasury Office applies Municipal financial management practice which involves managing a range of interrelated components such as Planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is effective and efficient and that municipalities can be held accountable.

This department has 2 divisions including Income and Expenditure. Expenditure includes Supply Chain Management.

Corporate Services Department

Director: Mrs M.S. Linda

The Corporate Services department provides an integrated administrative support service to the municipality focusing on institutional development, administration, management, and governance.

The Department has 5 divisions including Corporate Services, Aviation Management, Disaster Management, Fleet Management, Satellite Offices and Information Communication Technology

Community Services Department

Director: Ms. F.K. Nene / Ms T.A Ntombela

The Department promotes the district economic and social development as well as developing the people's quality of life in an inclusive and sustainable manner.

The Department has 6 divisions including social development, Youth, Gender & Disabled, HIV/AIDS, Arts and Craft, Local Economic Development and Municipal Health Services

Technical Services

Director: R.N Msimango

The Technical Services Department is a Water Services Provider for its area of jurisdiction. Focus is aimed at Water and Sanitation Services which are provided through the implementation of Regional Water Supply Schemes Programme (RWSS), Rudimentary Water Supply Schemes (Interim) and Sanitation (VIP Toilet) Programme and Emergency Relief.

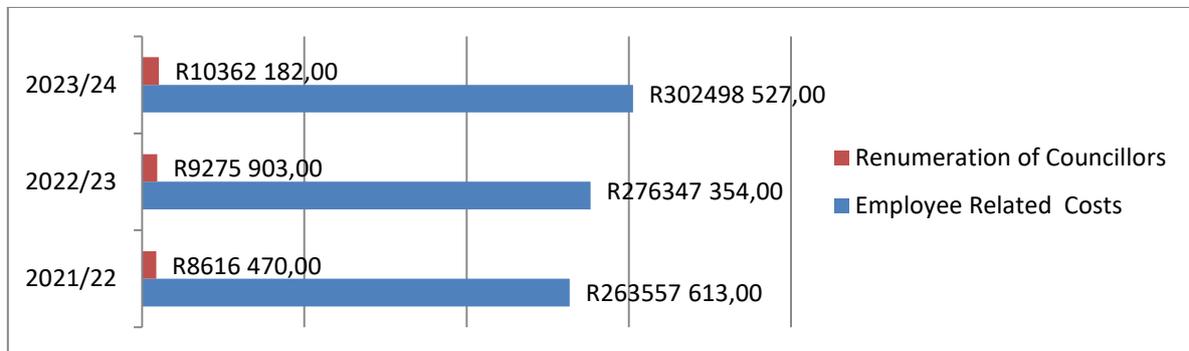
The Department has 2 divisions including the Bulk Management as well as Operations and Maintenance.

Organizational Personnel Related Expenditure

The following tables summarises the final audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- amount spent on personnel
- amount spent on salaries, allowances and medical aid.

Figure 7 Organizational personnel related expenditure



According to note 22 of the Audited Financial Statements, employee related costs increased for the period under review from R276 347 354,00 in 2022/23 to R302498 527,00 in 2023/24.

For the same period according to note 33, councillor related costs increased to R10 362 182,00 for the period under review. The increase from the previous year can be attributed to an adjustment of the remuneration scales of Councillors.

Table 11 Benefits paid to employees

| Item | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|----------------------------|-----------------------|-----------------------|-----------------------|----------------------|
| Motorcar allowances | R6 999 457,00 | R8 704 117,00 | R10 357 436.00 | 13 487 425.00 |
| Housing benefits | R1 218 658,00 | R1 379 224,00 | R1 669 055.00 | 1 712 120.00 |
| Cellular | R533 383,00 | R663 084,00 | R739 685.00 | 1 097 683.00 |
| Leave pay provision charge | R4 629 718,00 | R3 223 448,00 | R5 523 383.00 | 6 562 070.00 |
| Total | R13 381 216,00 | R13 969 873,00 | R18 289 559.00 | 22 859 297.00 |

The employee related costs also include overtime, homeowner allowances, medical aid and performance bonuses that are paid to Senior Management.

The costs associated with the Councillors allowance are determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of the Public Office Act, 1998 (Act 20 of 1998).

Remuneration Packages of the Senior Managers

Remuneration packages for the Municipal Manager and Managers reporting to the Municipal Manager are as follows:

Table 12 Remuneration of Senior Managers

| Employee | Remuneration 2023/24 |
|---|----------------------|
| Municipal Manager | R1 888 692.00 |
| Chief Financial Officer | R1 435 004.00 |
| Planning | R1 402 997.00 |
| Technical | R1 077 483.00 |
| Corporate | R1 992 670.00 |
| Community | R1 721 532.00 |
| Chief Operations Officer | R1 551 111.00 |
| Chief Operations & Maintenance Specialist | R1 481 874.00 |

Employment and Vacancies

The following summary indicates the number of posts on the establishment, the number of employees and the vacancy rate.

Table 13 Posts and vacancy 3-year comparison

| Department | 2021/22 | | 2022/23 | | 2023/2024 | |
|-------------------|--------------|---------------|--------------|------------------|--------------|------------------|
| | No. of Posts | No. vacancies | No. of posts | No. of vacancies | No. of posts | No. of vacancies |
| Budget & Treasury | 60 | 6 | 63 | 06 | 61 | 5 |
| Technical | 442 | 26 | 360 | 22 | 374 | 27 |
| Planning | 20 | 2 | 22 | 01 | 22 | 2 |
| Community | 93 | 3 | 81 | 03 | 78 | 9 |
| Corporate | 117 | 4 | 102 | 06 | 125 | 10 |
| MM's Office | 29 | 2 | 50 | 06 | 61 | 3 |
| Total | 761 | 44 | 678 | 44 | 721 | 56 |

The number of posts increased for the period under review due to the decisions to align organizational capacity to service delivery demand.

Senior Manager Appointments

The CFO position was the only new senior management.

Signing of Performance Agreements & Declaration of financial interests

All Senior Managers reporting to the Municipal Manager signed performance agreements for the 2023/2024 financial year in July 2023.

The Performance Agreements were submitted to the MEC: COGTA in August 2023 and also published in the media and website.

The municipal manager and all senior managers reporting to the municipal signed declaration of financial interest, these can be obtained from the Performance Management Unit.

Performance Rewards

Performance Bonuses paid for the 2022/23 financial year are as follows:

| Employee | Performance Bonus % |
|-------------------------|----------------------------|
| Municipal Manager | 11% |
| Chief Financial Officer | 10% |
| Planning | 8% |
| Technical | 12% |
| Community | 10% |
| | |

The Senior Managers received performance bonuses in accordance with the Performance Agreements and the KZN Collective Bargaining Agreement.

Measuring of Performance for other levels of employees

There is no system of financial performance reward for other levels of staff at the moment. The policy for cascading of performance was approved in the 2021/22 financial year by Council and is being implemented

Job Evaluations

There are no job evaluation conducted for the period under review.

Employment Changes

This section provides information on changes in employment over the financial year. This is an indicator for rate of turnover in the departments.

There were 44 vacant posts during the period under review. There were 634 filled posts and the vacancy rate was 6.5%

Employment Equity

Figure 8 Occupational Levels (Gender and Race)



Leave Utilization and Trends

Table 14 Sick and Annual leave per employee category; state of accrued leave

| Annual Leave | | | Sick Leave | | | Accrued leave | | |
|--------------|-------|-------|------------|-------|-------|---------------|-------|-------|
| 21/22 | 22/23 | 23/24 | 21/22 | 22/23 | 23/24 | 21/22 | 22/23 | 23/24 |
| 5959 | 6373 | 6915 | 2202 | 2659 | 2620 | 1705 | 1677 | 2220 |

Annual Leave

During the period under review and the previous financial year, there was an increase of 542 of annual leave days taken by employees.

Sick Leave

The number of sick leave days taken between the period under review and the previous financial year decreased by 39.

Accrued Leave

There was a decrease in the number of accrued leave days taken by employees.

Labour Relations

Table 15 Disciplinary issues

| Disciplinary issues (nature of issue) | Pending | | | | Concluded | | | | Suspensions | | | |
|--|---------|-------|-------|-------|-----------|-------|-------|-------|-------------|-------|-------|-------|
| | 20/21 | 21/22 | 22/23 | 23/24 | 20/21 | 21/22 | 22/23 | 23/24 | 20/21 | 21/22 | 22/23 | 23/24 |
| | 0 | 1 | 0 | 1 | 0 | 8 | 3 | 1 | 0 | 5 | 3 | 1 |

There were three suspensions in the financial year 2022/2023 and only one in 2023/24. All those disciplinary matters have been finalized. Out of the three matters, we had one dismissal and two final written warnings.

Skills Development & Capacity Building

Table 16 Employees trained including expenditure

| Department | 2021/22 | | 2022/23 | | 2023/24 | |
|-------------------|-------------|-------------------|-------------|-------------------|-------------|-------------------|
| | No. Trained | Total Expenditure | No. Trained | Total Expenditure | No. Trained | Total Expenditure |
| Councillors | 37 | R 624 589 | 37 | R 1 588 591,58 | 31 | R1 470 751.00 |
| Office of MM | 9 | | 9 | | 6 | |
| Budget & Treasury | 20 | | 20 | | 19 | |
| Technical | 15 | | 15 | | 67 | |
| Planning | 10 | | 10 | | 5 | |
| Corporate | 10 | | 10 | | 73 | |
| Community | 19 | | 19 | | 41 | |

From the table above it can be observed that there has been a significant increase in the expenditure of training of employees. This can be attributed to an increase in the number of employees trained, from 120 employees trained in 21-22 to 242 employees trained in 22-23.

Financial Policies

| | Name of Policy | Date adopted | Next Review |
|-----------|---------------------------------------|---------------------|--------------------|
| 1 | Budget Policy | 31 Jan 2020 | NA |
| 2 | Virement Policy | 31 Jan 2020 | NA |
| 3 | Tariff Policy & Credit control policy | 28 May 2021 | NA |
| 4 | Debt write off-policy | 31 Jan 2020 | NA |
| 5 | Banking and investment policy | 31 Jan 2020 | NA |
| 6 | Funding and Reserve policy | 31 Jan 2020 | NA |
| 7 | Supply Chain management policy | 31 Jan 2020 | NA |
| 8 | Asset Management Policy | 31 Jan 2020 | NA |
| 9 | Asset Loss control policy | 31 Jan 2020 | NA |
| 10 | Indigent support policy | 28 May 2021 | NA |
| 11 | Insurance Policy | 31 Jan 2020 | |
| 12 | Subsistence and Travelling Policy | 31 Jan 2020 | |

Other Policies

| | Name of Policy | Date adopted | Next Review |
|-----------|---|---------------------|--------------------|
| 1 | Affirmative Action | 31 Jan 2020 | NA |
| 2 | Attraction and Retention | 31 Jan 2020 | NA |
| 3 | Code of Conduct for employees | 31 Jan 2020 | NA |
| 4 | Delegations, Authorisation & Responsibility | 31 Jan 2020 | NA |
| 5 | Disciplinary Code and Procedures | 31 Jan 2020 | NA |
| 6 | Essential Services | 31 Jan 2020 | NA |
| 7 | Employee Assistance / Wellness | 31 Jan 2020 | NA |
| 8 | Employment Equity | 31 Jan 2020 | NA |
| 9 | Exit Management | 31 Jan 2020 | NA |
| 10 | Grievance Procedures | 31 Jan 2020 | NA |
| 11 | HIV/Aids | 31 Jan 2020 | NA |
| 12 | Human Resource and Development | 31 Jan 2020 | NA |

| | | | |
|-----------|---|-------------|----|
| 13 | Information Communications Technology | 31 Jan 2020 | NA |
| 14 | Job Evaluation | 31 Jan 2020 | NA |
| 15 | Leave | 31 Jan 2020 | NA |
| 16 | Occupational Health and Safety | 31 Jan 2020 | NA |
| 17 | Official Housing | 31 Jan 2020 | NA |
| 18 | Official Journeys | 31 Jan 2020 | NA |
| 19 | Official transport to attend Funerals | 31 Jan 2020 | NA |
| 20 | Official Working Hours and Overtime | 31 Jan 2020 | NA |
| 21 | Organisational Rights | 31 Jan 2020 | NA |
| 22 | Payroll Deductions | 31 Jan 2020 | NA |
| 23 | Performance Management and Development | 31 Jan 2020 | NA |
| 24 | Recruitment, Selection and Appointments | 31 Jan 2020 | NA |
| 25 | Remuneration Scales and Allowances | 31 Jan 2020 | NA |
| 26 | Resettlement | 31 Jan 2020 | NA |
| 27 | Sexual Harassment | 31 Jan 2020 | NA |
| 28 | Skills Development | 31 Jan 2020 | NA |
| 29 | Smoking | 31 Jan 2020 | NA |
| 30 | Subsistence and Travelling (Officials) | 31 Jan 2020 | NA |
| 31 | Subsistence and Travelling (Councillors & Senior Managers | 31 Jan 2020 | NA |
| 32 | Public Participation Policy | 31 Jan 2020 | NA |
| 33 | Communications Policy | 31 Jan 2020 | NA |
| 34 | Grants In Aid Policy | 31 Jan 2020 | NA |
| 35 | Social Media Policy | 31 Jan 2020 | NA |
| 36 | Special Skills | 31 Jan 2020 | NA |
| 37 | Uniforms and Protective Clothing | 31 Jan 2020 | NA |
| 38 | Water Use Policy | 31 Jan 2020 | NA |

5.3. PERFORMANCE MANAGEMENT

Performance Management is in the office of the Municipal Manager.

Section 19 of the Local Government: Municipal Structures Act No. 117 of 1998, requires that the Municipality annually review their overall performance in achieving their constitutional objectives, the monitoring and implementation of the Municipality's Integrated Development Plan are overseen and intended to gradually improve operations. Through the effective and efficient implementation of the Annual Service Delivery Budget and Implementation Plan (SDBIP), an effective performance management system guarantees the successful realization of the Municipality's Integrated Development Plan (IDP).

5.4. AUDITING AND OVERSIGHT

In its annual audits, the Auditor-General of South Africa examines financial and non-financial information of the municipality to determine:

- Fair representation and absence of material misstatements in the financial statements
- Reliable and credible performance information for purposes of reporting on pre-determined performance objectives
- Compliance with all legislation governing financial matters

AUDIT OUTCOME

There are 5 audit outcome categories:

CLEAN AUDIT OUTCOME:

The financial statements are free from material misstatements (in other words, a financially unqualified audit opinion) and there are no material findings on reporting on performance objectives or non-compliance with legislation.

FINANCIALLY UNQUALIFIED AUDIT OPINION:

The financial statements contain no material misstatements. Unless we express a clean audit outcome, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.

QUALIFIED AUDIT OPINION:

The financial statements contain material misstatements in specific amounts, or there is insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated.

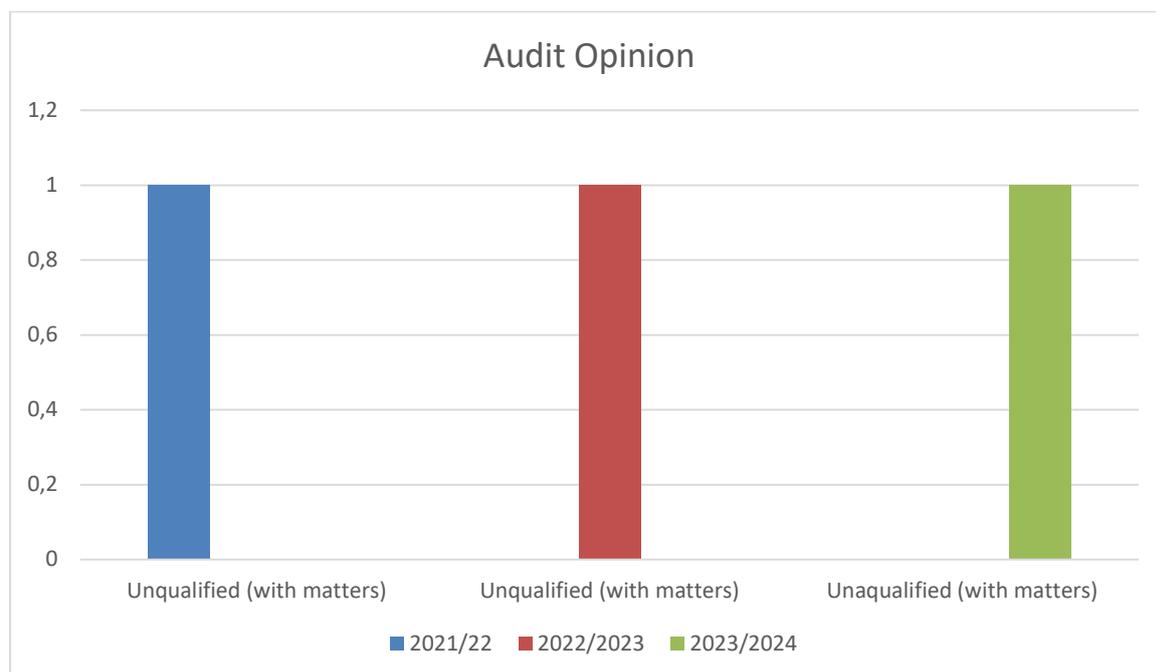
ADVERSE AUDIT OPINION:

The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.

DISCLAIMER OF AUDIT OPINION:

The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

The Zululand District Municipality received the following Audit opinions over the past 3 financial years:



In 2021/22 and 2022/23 the municipality's Audit outcome received Unqualified Audit Opinion with matters.

The formal audit outcome for the 2023/24 is an Unqualified Audit Opinion with matters. According to the Zululand District Municipality Audit for the year ending 30 June 2024 these were the matters of emphasis:

Restatement Of Corresponding Figures

As disclosed in note 57 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

Material Impairments - Receivables From Exchange Transactions

As disclosed in note 3 to the financial statements, the municipality increased the provision for impairment on consumer receivables from exchange transactions to R227,35 million (2022-23: R191,09 million) as the recoverability of these amounts were considered to be doubtful.

Material contingent Liabilities

With reference to note 47 to the financial statements, the municipality is defending a claim of R40 million related to water and water levies charges. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Details on the Report on the Audit of the Annual Performance Report, Report on Compliance with Legislation, Other Information, Internal Control Deficiencies and Other Reports can be found on Page 3-4 of the Audit Report.

The municipality takes these findings seriously and hence they will be addresses within the provisions of the Constitution and the Municipal Systems Act Section 4(2)(d) which makes provision

for the council of the municipality, within the municipality's financial and administrative capacity with having regard to practical considerations to strive to ensure that municipal services (including its mechanisms) are provided to the local community in a financially sustainable manner.

At the time of printing, Management was in the process of preparing its Audit Action Plan outlining how the municipality will address the findings in the audit report.

Internal Audit

Internal Audit was outsourced to Bonakude Consulting for the period under review. The audit commences every quarter to produce a report which is tabled to the Audit and Performance Management Committee. The Internal Audit is guided by the Internal Audit Charter and Audit Plan which are tabled to the Audit and Performance Management Committee.

The Audit Plan (which is risk based) and Audit Charter for the 2023/2024 financial year was tabled to the Audit Committee on the January 2024. The committee met as scheduled in the Charter.

Audit and Performance Management Committee

The Zululand District Municipality has an established Audit and Audit Performance Management Committee in accordance with section 166 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA) and section 14(2)(c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations). Consideration has also been given to section 14(2)(c) of the Regulations and MFMA Circular No. 65 issued by the National Treasury in November 2012 as well as the recommendations contained in the King Report on Governance for South Africa 2016 (King IV).

The Audit and Performance Management Committee, consisting of four independent non-executive members. The committee is required to meet at least 2 times per annum as per the Audit Committee Charter, although additional meetings may be called as the need arises.

Members of the Audit and Performance Committee are as follows:

Mr R. Nhleko (Chairperson) Mr. EN Sithole

Ms. N Thungo

The Audit Committee has met 8 times for the financial year under review as displayed in the table below.

Table 17 Meetings of the Audit Committee

| Chairperson | Description | Date |
|--|---------------------------------------|--|
| Mr EN Sithole Ms N Thungo - Member Mr R Nhleko - Member | Audit and Performance Audit Committee | 11/07/2023; 26/07/2023; 24/08/2023; 27/08/2023; 28/08/2023; 24/10/2023; 23/01/2024 and 02//05/2024 |

Oversight Committee

The section 79 oversight committee was established as per schedule 5 of the Local Government: Municipal Structures Act 1998 (Act 117 of 1998). The oversight committee comprises of a chairperson elected by the municipal council, members of the committee as well as a committee secretary.

5.5. RISK MANAGEMENT

The Local Government: Municipal Finance Management Act, No 56 of 2003 (Section 62) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

The risk assessment exercise for the 2023/2024 was done internally. Senior Management and Middle Management were part of the process to provide inputs. Risk management becomes an important part in any business because of an increase in probability of occurring of events that could have positive or negative impact in the business. The municipality has risk management committee in place and effective.

The following risks were identified and monitored during the course of the financial year, the risk register is attached:

Table 18 Organizational Risk Management

| | Risk Description |
|--|---|
| Under-collection of revenue from service charges | Intentional theft/loss of municipal documents e.g. tender documents, BID records etc to avoid disciplinary proceedings. |
| Over-spending on contracted services and other expenditure. | Inability to co-ordinate and implement economic and tourism activities. |
| Liquidity risk (Cash coverage < 1) | Ineffective response strategy to address customer care logs. |
| Material impairment of debtors from exchange transactions (water and waste water). | Uncoordinated spatial planning. |
| Material water distribution losses. (Norm is 15% to 30%). | Limited ability to respond to disaster incidents (floods, drought, fire veld, lightning and emergencies). |
| Continuous disruption of electricity from Eskom supply (loadshedding). | Lack of adequate water infrastructure to address backlogs on water provision. |
| Business continuity risks e.g. cyberattacks, data loss, data breaches, unplanned outages, and interruptions to utility supply. | Excessive use of water tankers to supply water to the community as an alternative method. |
| Collusion between service providers and officials signing for poor quality works or service not rendered (fraud risk). | Inadequate scope definition of construction projects. |
| Non-compliance with Occupational Health and Safety (OHS) Act. | Ageing or failure of water and sanitation infrastructure. |
| Abuse of municipal vehicles and ZDM owned water tankers. | Illegal connections, theft and vandalism of water and sanitation infrastructure. |
| Non-compliance with MFMA (SCM Regulations) and General Recognised Accounting Practices (GRAP). | Inability to retain skills to effectively and efficiently achieve the objectives of the municipality |
| Inability to prepare and implement unfunded budget. | |
| Completeness of data information on Customer Masterfile (Internal Audit report) | |

The risks that were accepted were those where an immediate outright solution is impossible due to limited resources. The risk in this case was nonetheless managed through existing capacity.

The Management Committee monitors management of risks on the register in their Management Meetings held every Monday.

5.6. ANTI-CORRUPTION AND FRAUD

According to Section 155 (1) of The Local Government: Municipal Finance Management Act, No 56 of 2003 The accounting officer of a municipality or municipal entity must take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

It must be noted that a Fraud Prevention Strategy is in place and a Code of Conduct for Municipal staff and its Councillors in terms of the Municipal Systems Act was applied by the Municipality.

5.7. CODE OF CONDUCT

Section 112 of The Local Government: Municipal Finance Management Act, No 56 of 2003 requires that a supply chain management policy must make provision for compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids. *See Anti-Corruption and Fraud*

5.8. SUPPLY CHAIN MANAGEMENT

Table 19 Quotations and deviations

| Description | Total Value (2021/22) | Total Value (2022/23) | Total Value (2023/24) |
|--------------------|------------------------------|------------------------------|------------------------------|
| Deviations | R6 006 203 | R9 756 406 | 3 115 890 |

During the period under review the municipality saw decrease of R 6 640 516 in Section 36 deviations compared to the 2022/23 financial year.

The Council had developed and approved its Supply Chain Management (SCM) Policy that is in line with the Local Government: Municipal Supply Chain Management (SCM) Regulations as issued by the National Treasury. In an endeavour to ensure compliance and standardisation of the SCM Policy all amendments are submitted to Council for approval. The SCM Unit is centralised and reporting to the office of the Chief Financial Officer as required by regulation 7(1) of Municipal Supply Chain Management Regulations. Section 115 of the MFMA that deals with segregation of duties is complied with.

5.9. Unauthorised, Irregular Fruitless and Wasteful Expenditure

Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Irregular expenditure

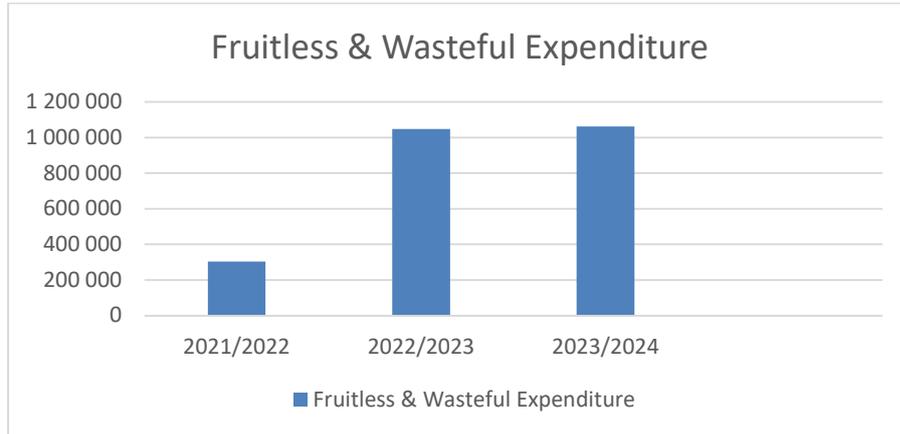
Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act

No. 20 of 1998) or is in contravention of the Municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Fruitless and wasteful expenditure

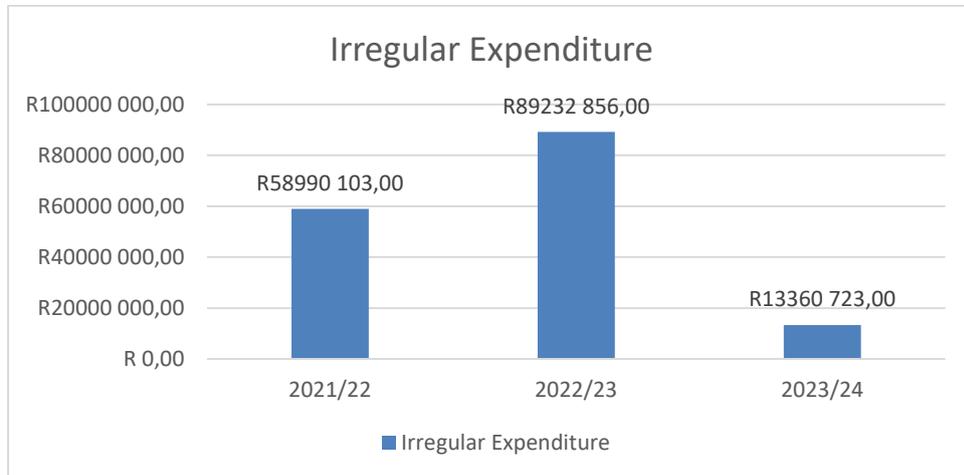
Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Figure 9 Fruitless and wasteful expenditure



According to note 48 (page 71) of the Audited Financial Statements, fruitless and wasteful expenditure for the period under review amounts to R 1 062 333 which has increased by R 15 394 from 2021/22.

Figure 10 Irregular expenditure

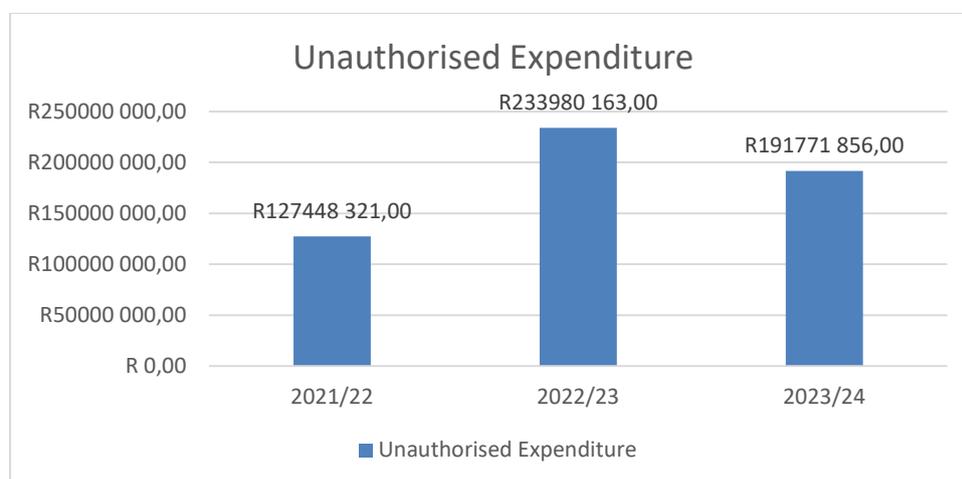


According to note 52 of the Audited Financial Statements Irregular expenditure for 2023/24 amounts to R 13 360 723 a considerable decrease of R75 872 133 from the 2022/23 financial year.

According to note 52, the incidents can be identified as follows:

| Item No. | Description | Amount |
|----------|---------------------------|--------------|
| 1 | Non- compliance MSCMR | R149 102 366 |
| 2 | Non-compliance with CIDBR | 0 |
| 3 | Non-compliance with PPPFA | 0 |

After a forensic investigation was concluded, council committee recommended to write-off R 10 056 166 as no losses were suffered and recovery of R 3 939 150 be pursued as per recommendations of the council committee. Amount written-off After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 85 255 022 from the total irregular expenditure amount



Unauthorised expenditure for the period under-review amounted to R191 771 856 which is a significant increase when compared to the previous financial year which stood at R127 448 321.

5.10. INTERGOVERNMENTAL RELATIONS

Intergovernmental Relations (IGR) in South African context concern the interaction of the different spheres of government. The Constitution declares that government is comprised of National, Provincial and Local spheres of government which are distinctive, interdependent and interrelated. According to the Constitution of the Republic of South Africa, Act, No.108 of 1996, Section 41 (1) and (2), all spheres of government and all organs of state within each sphere to – Preserve the peace of the Republic; Secure well – being of the people of the Republic; Provide effective, Transparent, Accountable and coherent government for the Republic as a whole; Cooperate within one another in mutual trust and good faith by inter alia – assisting and supporting one another, informing one another of and consulting one another on matters of common interest and coordinating their actions and legislation. They must establish or provide structures and institutions to promote and facilitate Intergovernmental Relations and provide for appropriate mechanisms and procedures to facilitate settlement of Intergovernmental disputes.

To achieve the objectives stated above the Zululand District Municipality has established District Development Model (DDM). The overarching objective of the Zululand District Development Model/structures and its establishment is to ensure that service delivery is fast tracked and that municipalities are properly supported and adequately resourced. Further the objectives are:

- Promote active collaboration of initiatives from all spheres of government
- Promote greater accountability
- Ensure that all three spheres of government operating in unison thus enabling coherent, seamless and sustainable service delivery and development with integrated impact on the quality of life and quality of living spaces at Municipal level
- Focus on the local government spaces as the appropriate scale and arena for intergovernmental planning and coordination

- That the ZDM -DDM is premised on the institutionalising a programmatic approach to Intergovernmental Relations (IGR)
- ZDM -DDM focus on the local government spaces as the appropriate scale and arena for Intergovernmental planning and coordination
- ZDM -DDM focus on the local government spaces as developmental spaces (IGR Impact Zones) that will be strategic alignment platforms for all three spheres of government
- ZDM – DDM ensures that it produce a Special Integrated Single Government Plans (as an Intergovernmental Compact) for each of these spaces that guides and directs all strategic investment spending and project delivery across government, and forms the bases for accountability
- This approach reinforces an outcome – based IGR systems where there is a systematic single government plan. This signifies a shift from highly negotiated alignment of plans to regulated cooperative governance one plan
- Take development to the community as key beneficiary and actors of what government does, and where they have a stake.

The membership and composition of the Zululand District Development Model / Structures comprises of the following:

- Political Hub Technical Hub
- Social Cluster Governance Cluster
- Economic Cluster Security Cluster

The table below demonstrates the number of times that the different segments of IGR met during the financial year under review:

| IGR Structure | Activity | Date |
|---------------------------------|--|--|
| ZDM- Abaqulusi Joint EXCO | Shared services | 05 October 2023 |
| ZDM Abaqulusi Section78 Meeting | Shared services | 29 November 2023 |
| ZDM- Abaqulusi | ZDM/ABAQULUSI OUTSTANDING ACCOUNTS MEETING | 07 March 2024 |
| Economic Cluster | To discuss Progress made by the cluster in the previous meeting | 8 August 2023 10 October 2023 29 February 2024 |
| Governance Cluster | To deliberate on governance matter | 06 October 2023 29 February 2024 |
| Social Cluster | | 08 March 2024 |
| Justice Cluster | | 06 March 2024 |
| Technical Hub | To discuss progress reports on catalytic projects, governance, social and justice. | 7 November 2023 19 March 2024 |

6. CHAPTER 3 – STRATEGIC PRIORITIES

| KPA Ref. | Key Performance Area | SOOG Ref. | Strategic Oriented Outcome Goal(SOOG) | SO Ref. | Strategic Objective(SO) | 2020 | 2021 | 2022 | 2022 |
|----------|---|-----------|---|----------|---|------|------|------|------|
| 1 | Basic Service Delivery & Infrastructure | SOOG 1.1 | All categories of Municipal Infrastructure and resources are stable and maintained (<i>Water& sanitation, disaster & fire management, district airports& district roads</i>) | SO 1.1.1 | Continuously managing all developed infrastructure capital assets to minimize the total cost of owning and operating these assets while delivering the desired service levels & protecting the natural environment (<i>Effective Asset Management, internal &community capacity building, collecting revenue, tariffs, monitoring & evaluation, environmental management</i>) | x | x | x | x |
| | | SOOG 1.2 | Access to the full package of municipal services offered to the community is efficient, affordable, economical, acceptable quality, sustainable and supports economic growth (<i>Build capacity, optimisation &beneficiation</i>) | SO 1.2.1 | Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipal services that local communities are entitled to (<i>Including all government facilities</i>) (<i>Mobilise funding, service delivery model, manage indigents</i>) | x | x | x | x |
| 2 | Local Economic & Social Development | SOOG 2.1 | The municipality's competitive advantage in agriculture, natural environment, culture and heritage is exploited optimally to create jobs, | | Capacitate and provide emerging famers with support | x | x | x | x |

| | | | | | | | | | |
|--|--|-----------------|--|-----------------|---|---|---|---|---|
| | | | increase tourism and improve food security (<i>Emerging farmer support, marketing, tourism, agriculture, heritage and culture</i>) | SO 2.1.1 | Build the capacity of emerging farmers to market produce through transformation of the local economy and local marketing and harnessing existing commodity value chains | x | x | x | x |
| | | | | SO 2.1.2 | Promote the establishment of strategic tourism linkages and attractions of the District, while actively facilitating the development of authentic, focused and sophisticated tourism assets | x | x | x | x |
| | | | | SO 2.1.3 | Stimulate and enhance the local agri-tourism industry | x | x | x | x |
| | | | | SO 2.1.4 | Develop and promote agricultural, heritage and culture corridors | x | x | x | x |
| | | SOOG 2.2 | A transformed spatial economy with communities participating in the district economy (<i>Human resource development, skills development, local economy</i>) | SO 2.2.1 | Enhance nests of economic activity through a town and village development programme | | x | | |
| | | | | SO 2.2.2 | Promote skills development aligned with economic sectors to enable communities to participate in the local economy | x | x | x | x |
| | | | | SO 2.2.3 | Develop and promote local and district spatial economic zones to enable local and national and international trading and marketing of local goods | | x | | |
| | | SOOG 2.3 | Small scale mining & Industrialisation contributes to the livelihoods of communities (<i>Small scale mining & beneficiation</i>) | SO 2.3.1 | Establish and exploit the remaining mining potential in partnership with communities and the private sector | | x | | |

| | | | | | | | | | |
|--|--|-----------------|---|-----------------|--|---|---|---|---|
| | | SOOG 2.4 | The health of communities and citizens is improved <i>(Water quality, environmental health, pollution and HIV/AIDS)</i> | SO 2.4.1 | Partner with local or neighbouring institutions (including institutions of higher learning) to assist in conducting water quality and other sample laboratory test | x | x | | |
| | | | | SO 2.4.2 | Assess environmental health risk, provide information to the public and implement a range of programmes and projects to create partnerships including but not limited to communities, health services, environmental affairs, agriculture, housing department and private sector | x | x | x | x |
| | | | | SO 2.4.3 | Collaborating with communities, relevant sector departments institutions and private sector about the needs& methods to reduce pollution (air & land) | x | x | x | x |
| | | | | SO 2.4.4 | Reduce the impact of HIV/AIDS by partnering with communities and stakeholders, constantly evaluating, monitor, refine and implementing interventions focused on the scourge | x | x | x | x |
| | | SOOG 2.5 | Inequalities, exclusions and disparities which engender divisions, distrust and conflict are reduced <i>(Social cohesion, partnerships, vulnerable groups)</i> | SO 2.5.1 | Monitor and improve social cohesion through partnerships by enhancing implementation human community development, sports, cultural &social events targeted at vulnerable groups (youth, females, elderly) | x | x | x | x |

| | | | | | | | | | |
|---|--|-----------------|---|-----------------|--|---|---|---|---|
| | | | | SO 2.5.2 | Co-ordinate community safety activities with identified government departments, community and private sector to contribute towards reduction of community safety | x | x | x | x |
| 3 | Municipal Financial Viability & Management | SOOG 3.1 | Municipality is financially viable | SO 3.1.1 | Establish and maintain a healthy financial state by maintaining a balance between assets and debt, operational efficiency, managing operating expenditure and increasing revenue | x | x | x | x |
| | | SOOG 3.2 | Sustainable budgeting, cashflow and expenditure management is achieved | SO 3.2.1 | Apply sound financial management practises to keep a positive cash balance, coverage and liquidity ratios | x | x | x | x |
| | | SOOG 3.3 | Statutory compliance and accurate financial reporting is consistent | SO 3.3.1 | Manage, monitor and review existing financial systems to support accurate and credible reporting, budget monitoring and compliance | x | | | |
| | | SOOG 3.4 | To enhance infrastructure, equipment and resources as a tool to fastrack service delivery | SO 3.4.1 | Refine procurement systems and processes to respond to the demand for services | x | x | x | x |

| | | | | | | | | | |
|---|--|----------|---|----------|--|----------|--|---|---|
| 4 | Good Governance & Public Participation | SOOG 4.1 | A sound customer/client relationship, improved accountability and responsiveness to the community is achieved and sustained | SO 4.1.1 | Effectively handling of community enquiries and responding through an effective customer care service | x | x | x | x |
| | | | | SO 4.1.2 | Promoting transparent and accountable governance through regular community engagements and effective administration | x | x | x | x |
| | | | | SO 4.1.3 | Monitor, review and improve community satisfaction through quality of life surveys | | x | | |
| | | SOOG 4.2 | Statutory compliance is achieved | SO 4.2.1 | Systematic development and or review and monitoring implementation of all municipal policies, bylaws, strategies, plans and frameworks in line with any applicable legislation | x | x | x | x |
| | | SOOG 4.3 | Culture of fraud and corruption is eliminated | SO 4.2.2 | To discourage fraud and corruption through effective enforcement of fraud and corruption policy as well as monitoring and implementation of consequence management | x | x | x | x |
| | | 5 | Municipal Transformation & Organizational Development | SOOG 5.1 | Strong career pathing is achieved | SO 5.1.1 | Investing in a workforce to meet service delivery demand through implementing a culture of continuous learning and improvement | x | x |

| | | | | | | | | | |
|--|--|-----------------|---|-----------------|--|---|---|---|---|
| | | | | SO 5.1.2 | Promoting sound labour relations through promoting effective human resource practises | x | x | x | x |
| | | SOOG 5.2 | Ethical governance and leadership that effectively optimises service delivery | SO 5.2.1 | Optimise workforce productivity by enforcing a sound organizational culture | x | x | x | x |
| | | | | SO 5.2.2 | Monitoring, review and progressively improve service delivery performance through improvement of business processes and systems, performance auditing, risk management and oversight | x | | | |
| | | | | SO 5.2.3 | Building adequate infrastructure, equipment and resources to respond to service interruptions | x | x | x | x |
| | | | | SO 5.2.4 | Establishing consistency and alignment between the district and locals by regular co-ordination of Intergovernmental Relations | x | x | x | x |
| | | | | SO 5.2.5 | Monitor and enhance compliance with health and safety standards to improve employee working conditions and the public | x | x | x | x |

| | | | | | | | | | |
|---|---|----------|--|----------|---|---|---|---|---|
| 6 | Spatial Planning & Environmental Management | SOOG 6.1 | Compact human settlements that are socially cohesive | SO 6.1.1 | Promoting integrated human settlements using spatial development strategies, frameworks and policies | x | x | x | x |
| | | SOOG 6.2 | The natural environment is preserved | SO 6.2.1 | Promoting and conserving the natural environment through land use management policies, plans and frameworks | x | x | x | x |

7. CHAPTER 4 – SERVICE DELIVERY PERFORMANCE ANALYSIS FOR THE FINANCIAL YEAR 2023/2024

To continuously ensure effective financial management and value for money in the execution of the municipal Integrated Development Plan, regular assessments by Performance Management in reviewing the set targets on quarterly basis. These assessments are conducted to identify and implement appropriate remedial action promptly to improve the probability of achieving the targets and subsequently sound service delivery to the community of Zululand District Municipality.

The table and graph below provide an overview of the Municipality's overall performance for the financial year ending on June 30, 2024. Consequently, a picture of the Municipality's performance is produced by tabulating the total percentage of objectives established by all directorates.

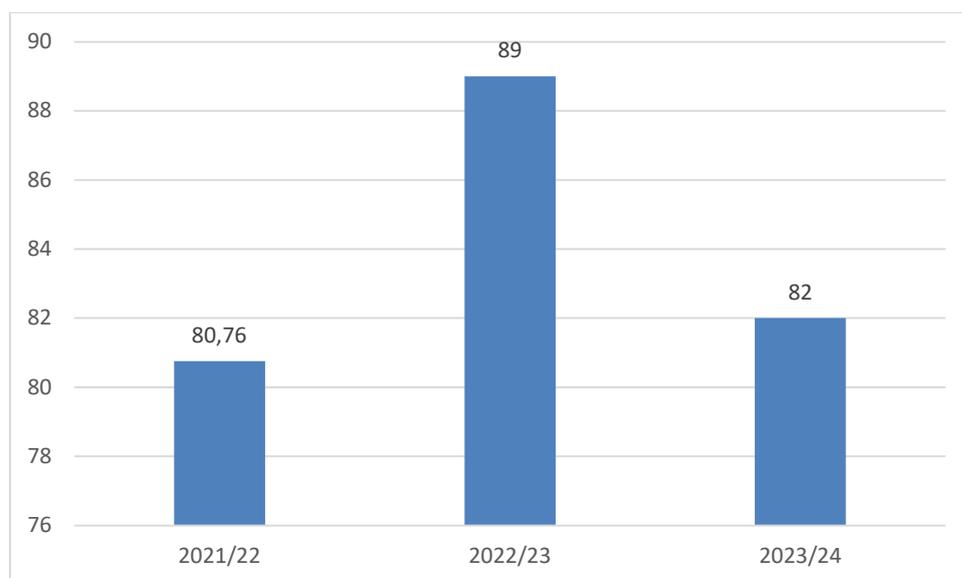
Due to difficulties such as adjustments in grants to lower value by National Treasury; change of Senior Manager and the National Elections which causes instability in political leaders. Despite these obstacles, the Zululand District Municipality managed obtain performance of the municipality to the level of 82% for the 2023/2024 financial year in comparison to 89% in the 2022/2023.

Although this is a decrease in achievement, it must be noted that the municipality focused on new indicators to be able to improve services delivery rather than the previously indicators that have been well achieved over the years. The Municipality will continuously monitor its performance extremely carefully to improve service delivery, and as a result, the monitoring controls will receive special attention in all of the Municipality's departments.

| 2021/2022 | | 2022/2023 | | 2023/2024 | |
|------------------|--------------|------------------|--------------|------------------|--------------|
| Achieved | Not Achieved | Achieved | Not Achieved | Achieved | Not Achieved |
| 80.76 | 19.23% | 89 | 11 | 82% | 18% |

The overall comparison between the three financial years is depicted in the graph below:

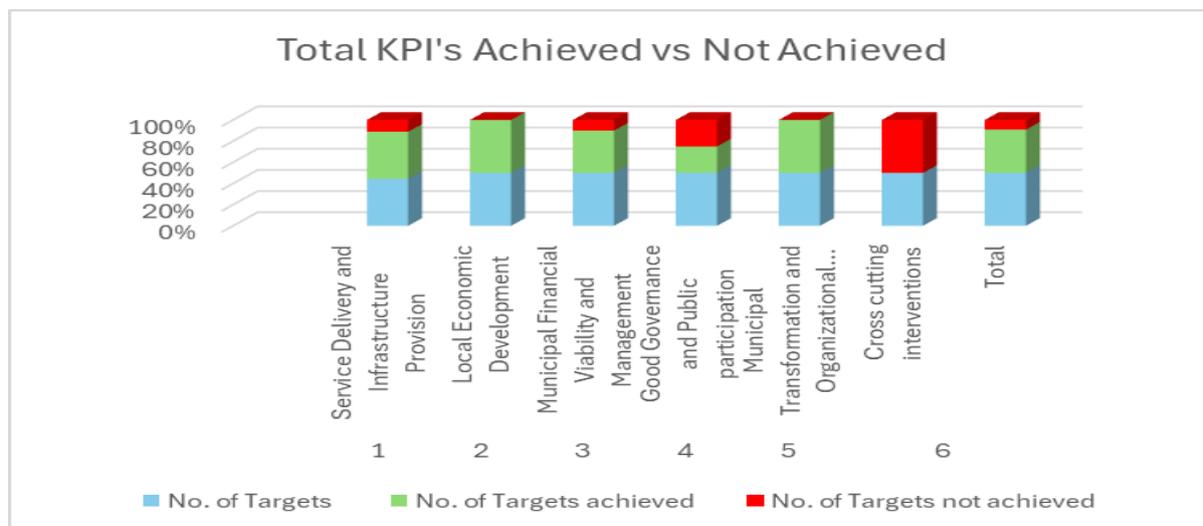
Figure 11 Performance comparison in %



The table below illustrates the summary of overall performance of the Municipality for the financial year ending June 2024. This indicates that the total number of objectives established for all directorates combined is tabulated, providing an overview of the Municipality's performance. This straightforward summary showed that, of the 22 KPIs that were set for the municipality, the Zululand District Municipality succeeded in achieving 18 of them, with only 4 KPIs remaining unmet. Each KPI's causes for deviation have been included in the report, along with a description of the remedial measures that must be taken to raise performance. The organizational scorecard, annexure A, is attached. It provides a thorough explanation of the causes for deviation and corrective measures per KPI and provides a complete report for each.

| KPA No. | KPA | No. of Targets | No. of Targets achieved | No. of Targets not achieved |
|---------|---|----------------|-------------------------|-----------------------------|
| 1 | Service Delivery and Infrastructure Provision | 4 | 4 | 1 |
| 2 | Local Economic Development | 6 | 6 | 0 |
| 3 | Municipal Financial Viability and Management | 5 | 4 | 1 |
| 4 | Good Governance and Public participation | 4 | 2 | 2 |
| 5 | Municipal Transformation and Organizational Development | 2 | 2 | 0 |
| 6 | Cross cutting interventions | 1 | 0 | 1 |
| | Total | 22 | 18 | 4 |

The table below presents the outcome of each Key Performance Area (KPA) in a two-year **Graph presentation of overall the overall number the targets achieved/ not achieved per National KPA**



7.1. INFRASTRUCTURE & SERVICE DELIVERY PERFORMANCE

Key water and sanitation projects implemented in 2023/2024 are attached as appendix G:

Customer Care

It is the Zululand District Municipality approach that our customers are treated with respect and integrity. In this way we want to display our commitment to the principle of “customer first” and ensure that service excellent is an integral part of the planning and delivery of all municipal services to its people. The table below depicts the number of Customer care requests over the previous 3 Financial Years most of which were responded to and closed. In the financial year under review there has been a considerable drop in the number of Customer Care service requests as compared to the previous years there were 3713 services requests which were resolved within an average time of 90 hours.

| Customer Care Report Status | | | |
|--|-------------|-------------|-------------|
| No of service requests | Fin Year | | |
| | 2021/2022 | 2022/2023 | 2023/2024 |
| Tech - Hlahlindlela / Khambi (Vryheid) | 273 | 170 | 22 |
| Tech - Mandlakazi RS | 11 | 132 | 305 |
| Tech - Nkonjeni (Urban) | 894 | 787 | 772 |
| Tech - Nkonjeni RS | 177 | 114 | 59 |
| Tech - Sim Central & East (Phongola) | 866 | 261 | 111 |
| Tech - Sim West - Rural (eDumbe) | 109 | 13 | 3 |
| Tech - Sim West - Urban (eDumbe) | 213 | 158 | 83 |
| Tech - Usuthu (Urban) | 97 | 351 | 601 |
| Tech - Usuthu RS | 24 | 150 | 184 |
| Tech - Usuthu Water Tankers | 56 | 78 | 66 |
| Tech - W & S Bulk | 7 | 2 | |
| Tech - Water Loss | 166 | 257 | 86 |
| Tech - Water Meter Management | 961 | 694 | 986 |
| Tech - Water Tankers | 397 | 496 | 427 |
| Tech - Water Tankers Pongola | 7 | 1 | 8 |
| Grand Total | 4258 | 3664 | 3713 |

Operations & Maintenance

- Water purification & bulk water supply to command reservoirs.
- Sewage treatment and safe discharge to the rivers and streams.
- Quality monitoring of water and wastewater.
- Management, Operations and Maintenance of Water and wastewater infrastructure.
- Supply of water using water tankers.

Departmental Sections

Bulk Section

Bulk Section is responsible for following:

- Management, Operations and Maintenance of the bulk infrastructure across the district, Zululand District Municipality has a total number of thirty-three (33) water treatment plants.
- Water and Wastewater quality monitoring.

All the ZDM plants combined in the 2023/24 financial year, they managed to produce 78.52% (Percentage of kiloliters produced by ZDM water treatments plants) and that water quality was at 95.25% (Percentage of ZDM water of water determinants that the laboratory tests)

Operations and Maintenance (Retic)

- This section is responsible for the supply of water from the command reservoirs up to the consumers, and it is responsible for the maintenance of the reticulation infrastructure.
- Water that the Retic teams are supplying are from various sources, viz: Regional Bulk Schemes, Boreholes (Stand Alone Schemes and River Abstractions and Springs across all the local municipalities under ZDM.
- Performance (functionality) of the source of water that is Regional Bulk Schemes, Boreholes (Stand Alone Schemes) and River Abstractions and Springs in 2023/24 financial year was as follows:
 - Regional Bulk Schemes: out of 72, 96% were functional.
 - Boreholes (Stand Alone Schemes): out of 202, 85% were functional.
 - River Abstractions and Springs: out of 55, 90% were functional.

Monitoring and Evaluation

- This section is responsible for the monitoring and evaluation of the departmental performance using the Key Performance Indicators that are set out in the SDBIP.
- Also, the section is responsible for the operations of the Water Tankers around the district.

Water Tankers were able to deliver 273016KI in the 2023/24 financial year at a target of 60000KI per quarter {Volume (kiloliters) supplied to community within ZDM through water tanker per quarter}, out of 37 Water Tanker with 20 being hired from the external service providers and 16 are owned by ZDM.

Key Challenges

- Water Quality; Rudimentary schemes still remain a challenge, because most of them don't have proper treatment facilities e.g. filters and clarifiers.
- High cost to meet DWAF requirements in frequency of samples.
- Waste water quality; compromised by the age of waste water treatment facilities, ponds in particular.
- Design capacity of plants being exceeded.
- Power failures and load shedding.
- Turnaround time being too long for new power installation and response to power failures.

7.2. MUNICIPAL DISTRICT AIRPORTS

The Zululand district has two airports, Ulundi Airport (Prince Mangosuthu Buthelezi Airport) and Vryheid Airstrip. Airport that is currently utilized for commercial use is Prince Mangosuthu Buthelezi Airport.



The District continually maintains Airport Operations compliant to relevant SACAA Regulations including pertinent ICAO and SA-CATS requirements.

Refuelling Services are temporarily suspended as we investigate cost effective ways of re-establishing the service with a above ground fuelling system that is compliant with environmental requirements. Given the airports locality reintroducing fuel would be vital in supplying the region.

Airport Services consist of Airport Operations that include Admin Support, Rescue and Fire Fighting services compliant to relevant SACAA Regulations including pertinent ICAO and SA-CATS requirements for Category 2 operation with one Fire Tender and a fully equipped rescue Vehicle as

well as other related infrastructure required to operate the facility in its designated category of operation in a safe and legal manner. These vehicles require regular maintenance and servicing as per the regulations.

The airport has commenced a rejuvenation programme to fix any perimeter fence issues as we have livestock in the vicinity, the installation of an entrance gate is also part of this programme.

The airport has re-introduced airport fees as these fees are important revenue to recover costs and to finance infrastructure for the benefit of the traveling public. This has been welcomed by charters.

This facility constantly assists this part of the Province with efficient emergency services i.e. when patients need to be flown to institutions that are equipped for advanced medical interventions, as well as ferrying specialist medical staff who provide much needed medical expertise within the district. This is facilitated through South African Red Cross Air Mercy Services, who fly in at present once a week in the morning and fly out in the afternoon. We do not charge them any airport fees as the work they are doing is vital to the community.

The Tourism Hub building continues to house the ZDM Tourism offices and Car Rental offices. NRB Piping and Libongeni Civil works are the new tenants as part of the airport commercial strategy to increase rental revenue stream at the airport.

Executive Summary

The 2023/24 operational year at Prince Mangosuthu Buthelezi Airport marked significant developments in infrastructure, improved revenue and community engagement. This report provides an overview of the airport's performance, community engagement, and operational improvements over the past year.

Airport Operations Overview

Flight Operations

| Item | 2021/22 | 22/23 | 22/23 |
|---------------------------|----------------|--------------|--------------|
| Passenger Arrivals | 611 | 390 | 652 |
| Flights | 139 | 77 | 110 |

Number of Flights & Passengers: We had a total of 652 passenger at the airport and 110 flights were operated this year, these were a combination of charter flights and air mercy services bringing much needed specialised medical assistance to the community.

Prince Mangosuthu Buthelezi's Funeral

September 2023, we had a lot of movement due to the funeral of the late Prince Mangosuthu Buthelezi taking place. We had a lot of dignitaries' charter in to attend the funeral. The president of the republic Mr Cyril Ramaphosa was also in attendance.

Infrastructure Developments

Over the 23/24 Financial year the airport management at Prince Mangosuthu Buthelezi airport managed to source 2.5 million rands funding from EDTEA this money was utilized to complete several key infrastructure projects to support the airport's re-commercialization efforts. The upgrades are as follows:

1. Runway and Taxiway Improvements: Maintenance and upgrades that enhance safety including the repainting of all runway and apron lines

2. Terminal Enhancements:

2.1. Waterproofing of the entire roof

2.2. Installing ceiling & insulation in the terminal building offices

2.3. Painting of offices

2.4. Upgrading the toilets in the terminal building we increasing amount of toilets and improving accessibility for those who may have physical challenges.

2.5. Repainting the runway and apron

2.6. Painting of airport entrance

2.7. Installing a branded entrance gate

Refurbishment of waiting areas, improvement of ablution facilities has created an improved experience for travellers. The only outstanding improvement is the check-in counters and internal electrical infrastructure, we are looking for further funding to make further improvements.

Financial Performance

The airport's revenue sources included Airport fees (parking, landing passenger fees), retail concessions, we have NRB Piping and Libongeni renting offices within the airport precinct.

We also hosted events as a form of revenue creation. This was a new stream added in 2023 to create more revenue for the precinct.

Revenue for the year for Airport fees: R38 175.09

Revenue from venue hire: R15 000

Revenue from office rentals: R494 400

Customer Service and Satisfaction



Figure 12. German tourists taking a helicopter charter to King Shaka

Our customer profile is foreign tourists visiting lodges such as Babanango game reserve and Mfulawozi. We also receive business charters, leisure flyers and air mercy services, to offer them a improved experience we upgraded the terminal building.

Key initiatives included:

1. Enhanced Terminal building & ablution facilities: We upgraded certain elements of the terminal building including tiling etc. We only had a toilet for each males and females. We increased the number to 5 toilets in total and 2 urinals, we have created universal access for any traveller regardless of their physical challenges.
2. Introduction of GNSS: to facilitate ease of access to the Ulundi Zululand area the airport has had a WGS 84 survey done and a route designed for instrument landing.

Community and Environmental Engagement

Community Engagement

Job Creation: The airport took on 20 EPWPs through the municipalities initiative to ensure that we are able to fulfil our precinct environmental requirements.

Community Programs: The airport partnered with local schools and organizations to support career education and airport tours, creating awareness and educational opportunities. We hosted schools from around the district and had a Construction Expo for high flying math and science students from Ulundi. They were able to interact with various construction stakeholders including the SACPCMP president and other ZDM built environment officials.



Environmental Responsibility

We have been clearing the precinct of trees in line with the SACAA regulations, the EPWP team has been working on this project as it requires a lot of work clearing the areas of thorn trees.

Challenges and Opportunities

Challenges:

The main challenges we currently face is not having fuel on site, a expression of interest will be put out so to facilitate this much needed service as it will enhance the airports offering.

Opportunities:

Looking forward, there are several promising opportunities to further develop the airport's services, including potential new airline partnerships, cargo logistics improvements, and digitalization projects to enhance passenger experiences.

Conclusion

The 2023/24 financial year at Prince Mangosuthu Buthelezi Airport demonstrated resilience and adaptability amidst both challenges and growth opportunities. Moving into 2024/25, our commitment to safety, efficiency, community engagement, and environmental responsibility will continue to guide our operations.

7.3. Disaster Management

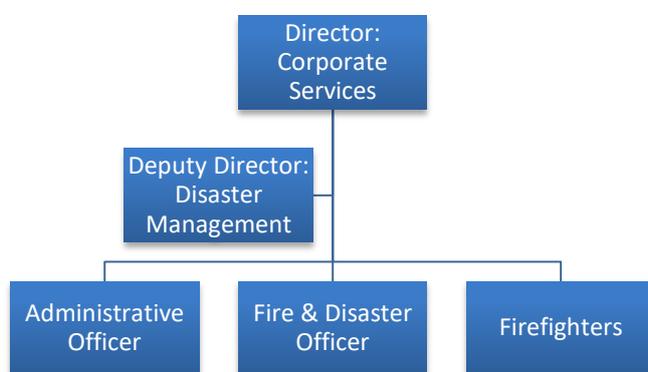
The disaster risk management function and DMC in the municipality resort under the Corporate Services Department of the Zululand District Municipality. Zululand District Municipality Disaster

Management Centre was established in 2006 and is fully operational. It is located at the Prince Mangosuthu Buthelezi Airport in Ulundi.

Status of Disaster Management Capacity/ Centre Operational Function

The Zululand Disaster Management is placed under the Committee of Health and Safety Portfolio Committee that is where the committee takes decision and makes recommendations to the Council. The Chairperson for the said committee is the councilor responsible for Disaster Management and the other councilors from other Local Municipalities who are responsible for Disaster Management who also participate in the District Disaster Management Advisory Forum. The diagram outlines the high level organogram of the unit:

Figure 13 High Level Disaster Management Organogram



The Disaster Management Centre operates 24/7.

Zululand District Disaster Advisory Committee (DDMAC)

Zululand District Disaster Advisory Committee is fully functionally and was formed in terms of the Disaster Management Act No. 57 of 2002, Section 51 coupled to section 42, which requires the Municipality to establish a multi – disciplined structure consisting of representatives from the District Municipality, all category B Municipalities within the District, Provincial Departments who have a role play in the Disaster Management and have District offices within the area, Senior Representatives of the National Departments within the area and all role players i.e. All NGO’S in the district.

The District Disaster Management Advisory Forum (DMAF) is being utilized as a body in which a municipality and relevant disaster management role players in the municipality consult one another and coordinate their function on matters relating to disaster management. The Disaster Management Advisory Forum and Disaster Management Practitioners meet at least four times per year. Special Disaster Practitioners usually meets as and when need arises.

Table 20 ZDM Disaster Management IGR Meetings

| ZDM PRACTITIONER’S FORUM MEETING | ZDM ADVISORY FORUM MEETING |
|----------------------------------|----------------------------|
| 17 August 2023 | 13 September 2023 |
| 11 November 2023 | 29 November 2023 |
| 15 February 2024 | 28 February 2024 |

The Zululand District Disaster Risk Management Plan has been approved on the in March 2023 by the Zululand District Municipality Council. The copies are available in software and hard copies. The Plan is ready and available at ZDM offices. Zululand District Municipality has budgeted District Management Plan to be upgraded to a Plan Level 3 according to the required standard.

Projects Implemented for Year Under Review

Zululand District Municipality has been continuously experiencing adverse weather conditions in some part of the Zululand District Municipality. Disaster Management teams from Zululand District Municipality in conjunction with local municipalities; government department (SASSA; Eskom and NGO's) worked very hard to provide primary and secondary response as well as provision of social relief based on the needs of the affected communities. According to assessment, Households and the great number of people were affected. It is also being indicated that major damages reported were structural collapse and roofs that were blown off by strong wind.

Our Disaster Management unit has conducted assessments in each of the 5 Local Municipalities and the findings are as follows:

STRUCTURES / HOUSEHOLDS ASSESSED:

- ❖ Abaqulusi Municipality : 913
- ❖ Edumbe Municipality : 142
- ❖ UPhongolo Municipality : 284
- ❖ Nongoma Municipality : 613
- ❖ Ulundi Municipality : 1488

One thousand five hundred and seventy-nine (1579) households were assessed during the period of 1st July 2022 to 30th June 2023 at the Zululand District Municipality. Many people were affected by various incidents that caused extensive damages.

The following are the types of incidents occurred:-

- Fire;
- Strong winds;
- Lightning;
- Drowning
- Hail Storms; and
- Rail incident

During the assessments it was found that most of the above mentioned households ranged from partial to total destroyed of structures or houses, furniture was damaged and some food stuffs were affected. Zululand Disaster Management assisted with what they have, which is the immediate relief in the form of blankets; plastic sheets, grocery, coffin and all other funeral assistant when was required. Due to the limited funds available we did not able to reach to the entire assistant were required i.e. building material and housing rehabilitation.

According to assessment, Households and the great number of people were affected. It is also being indicated that major damages reported were structural collapse and roofs that were blown off by strong wind. Assessments had been conducted; assistance was provided and relief material was distributed to the victims although it was insufficient. Housing rehabilitation; repair and reconstruction is urgently required.

Below is the summary of incidents occurred during the period of 1st July 2022 to 30th June 2023.

Table 21 Disaster Occurrences by type

| MUNICIPALITY | HEAVY RAINS | FIRE | STRONG WINDS | LIGHTNING | STORMS | DROWNED & RAIL INCIDENT | MOTOR VEHICLE ACCIDENT | TOTAL NO OF INCIDENTS OCCURRED |
|--------------|-------------|-----------|--------------|-----------|-----------|-------------------------|------------------------|--------------------------------|
| Abaqulusi | 7 | 22 | 12 | 04 | 01 | 02 | 07 | 55 |
| Edumbe | 11 | 11 | 07 | 09 | 03 | 00 | 00 | 41 |
| uPhongolo | 37 | 34 | 11 | 18 | 02 | 00 | 20 | 104 |
| Nongoma | 14 | 14 | 05 | 01 | 12 | 00 | 00 | 36 |
| Ulundi | 2 | 13 | 11 | 0 | 16 | 00 | 15 | 57 |
| TOTAL | 71 | 94 | 46 | 32 | 34 | 05 | 42 | 293 |

Four hundred and seventy-five (293) incidents had been reported and assessed by Zululand District Municipality during the period of 1st July 2023 to 30th June 2024. Three thousand four hundred and forty (3440) households; Twenty-four thousand six hundred and eighty-five (24685) people being affected by the following hazards: fires; strong winds, Lightning's; hailstorms; heavy rains; drowning; rail incident and motor vehicle incidents / accidents. One thousand and sixty-seven (1067) structures were partially damaged and one thousand two hundred and fifty six (1256) structures were total destroyed. Sixty-five (18) fatalities and forty-six (46) injuries were reported.

Assessments had been conducted; assistance was provided to the victims although it was insufficient budget to procure all the required relief material. Relief material was distributed to the victims in the form of Blankets; Tents; Plastic Sheets; and Food parcels were distributed to the victims. Housing rehabilitation: repair and reconstruction is urgently required.

Disaster Community Awareness

The Zululand District Municipality awareness campaigns were conducted seasonal as per Local Municipality through Traditional Council or Amakhosi and schools. The awareness campaigns road shows were also conducted in the district as a whole. Zululand will concentrate to the one informal settlement in Abaqulusi.

Zululand District Municipality has embarked on a Disaster Awareness Campaign Programs. The District Awareness Campaigns were conducted in Schools in collaboration with the Department of Education (Vryheid District), and Traditional Councils within the District. The Communities were informed through the Ward Councillors, Izinduna, Amakhosi, NGOs and also Mayoral Programmes (Road shows). The awareness programmes were conducted successfully. Further awareness campaigns are on the pipeline with other Government Departments in the KZN Province.

Awareness campaigns and Trainings were conducted to the following areas:

| NO | AREA/LOCAL MUNICIPALITY | SCHOOL'S NAME | DATE VISIT | REMARKS |
|----|-------------------------|---------------------------|----------------|------------|
| 1. | Ulundi | Mabedlane Clinic | 07 July 2023 | Successful |
| 2. | Abaqulusi | Fire Simulation | 11 July 2023 | Successful |
| 3. | Ulundi Municipality | Wela Clinic | 02 August 2023 | Successful |
| 4. | | Fire Drill Okhukho Clinic | 02 August 2023 | Successful |
| 5. | Ulundi Municipality | Lomo Clinic | 02 August 2023 | Successful |

| | | | | |
|-----|---------------------|--|-------------------|------------|
| 6. | Ulundi Municipality | Evacuation Plan Training | 02 August 2023 | Successful |
| 7. | Ulundi Municipality | Form Drill | 16 August 2023 | Successful |
| 8. | Ulundi Municipality | Fire Drill Gateway Clinic | 06 September 2023 | Successful |
| 9. | Ulundi Municipality | Emseni Creche | 06 September 2023 | Successful |
| 10. | Ulundi Municipality | Zamokuhle Creche | 12 September 2023 | Successful |
| 11. | Ulundi Municipality | Inkanyiso Creche | 12 September 2023 | Successful |
| 12. | Ulundi Municipality | Hose Drill | 25 September 2023 | Successful |
| 13. | Ulundi | Fire Reporting Template Training | 04 October 2023 | Successful |
| 14. | Paulpietersburg | Fire Reporting Template Training | 06 October 2023 | Successful |
| 15. | Ulundi | Nondayana Traditional Council | 12 October 2023 | Successful |
| 16. | Abaqulusi | Fire Workshop | 16 October 2023 | Successful |
| 17. | Paulpietersburg | Bilanyoni Primary – Schools Safety Coordinating Training / Workshop | 18 October 2023 | Successful |
| 18. | UPhongolo | Belgrade Community Hall – Schools Safety Coordinating Training / Workshop | 19 October 2023 | Successful |
| 19. | UPhongolo | Nuwe Republik Hall – Schools Safety Coordinating Training / Workshop | 23 October 2023 | Successful |
| 20. | Nongoma | Mlokothwa Dining Hall – Schools Safety Coordinating Training / Workshop | 24 October 2023 | Successful |
| 21. | Ulundi | Occupational Health & Safety Handling of Fire Extinguishers Training at Mabedlane Water Works. | 24 October 2023 | Successful |
| 22. | Ulundi | Training Awareness Staff Handling and Using Fire Extinguishers | 24 October 2023 | Successful |
| 23. | Ulundi | Masibumbane – Schools Safety Coordinating Training / Workshop | 25 October 2023 | Successful |
| 24. | UPhongolo | ZDM Fire Prevention Week / Month Commemoration Activity at Itshelejuba Hospital | 25 October 2023 | Successful |
| 25. | Ulundi | Disaster Risk Reduction Awareness Campaign at Masibumbane High School | 25 October 2023 | Successful |
| 26. | Nongoma | Osuthu Training Awareness Staff Handling and Using Fire Extinguishers | 26 October 2023 | Successful |
| 27. | Paulpietersburg | ZDM Fire Prevention Week / Month Commemoration Activity at EDumbe CSC Hospital | 27 October 2023 | Successful |

| | | | | |
|-----|--------------------------------|--|-------------------------------|------------|
| 28. | Ulundi | Training Awareness Staff Handling and Using Fire Extinguishers at Ulundi Water Treatment | 31 October 2023 | Successful |
| 29. | Nongoma | Training Awareness Staff on Handling and using Fire Extinguishers at Mandlakazi Water Treatment | 01 November 2023 | Successful |
| 30. | UPhongolo | Training Awareness Staff on Handling and using Fire Extinguishers at UPhongolo Water Treatment | 02 November 2023 | Successful |
| 31. | UPhongolo | Training Awareness Staff on Handling and using Fire Extinguishers at Mozane Water Treatment | 03 November 2023 | Successful |
| 32. | Paulpietersburg | Training Awareness Staff on Handling and using Fire Extinguishers at EDumbe Water Treatment | 07 November 2023 | Successful |
| 33. | Vryheid | Training Awareness Staff on Handling and using Fire Extinguishers at Khambi Water Treatment | 09 November 2023 | Successful |
| 34. | Ulundi | Training Awareness Staff on Handling and using Fire Extinguishers at Emakhosini House of Traditional Leaders Water Treatment | 14 November 2023 | Successful |
| 35. | Vryheid | Training Awareness Staff on Handling and using Fire Extinguishers at Mvuzini Water Treatment | 15 November 2023 | Successful |
| 36. | Abaqulusi Municipality | Abaqulusi Municipality Board Room – Assessment Training | 11 th January 2024 | Successful |
| 37. | Zululand District Municipality | Prince Mangosuthu Drive-way Breathing Apparatus | 24 th January 2024 | Successful |
| 38. | Ulundi Municipality | Babanango Primary School | 26 th January 2024 | Successful |
| 39. | Ulundi Municipality | Mkhwetha Trading | 30 th January 2024 | Successful |
| 40. | Nongoma Municipality | Nongoma Municipality Boardroom - Disaster Management Assessment Training | 30 th January 2024 | Successful |
| 41. | Ulundi Municipality | Malandela High School | 31 st January 2024 | Successful |
| 42. | Ulundi Municipality | Mhlathuze Primary School | 31 st January 2024 | Successful |
| 43. | EDumbe Municipality | EDumbe Municipality Boardroom – Disaster | 31 st January 2024 | Successful |

| | | Management Assessment Training | | |
|-----|------------------------|---|--------------------------------|------------|
| 44. | UPhongolo Municipality | UPhongolo Municipality Boardroom – Disaster Management Assessment Training | 1 st February 2024 | Successful |
| 45. | Vryheid | Nkosikhona Combined School | 07 th February 2024 | Successful |
| 46. | Vryheid | Metzelfoustein Combined School | 08 th February 2024 | Successful |
| 47. | Ulundi Municipality | Indonsa Arts and Crafts - Handling and use of Fire Extinguishers Training for ZDM Employees | 14 th March 2024 | Successful |
| 48. | Ulundi Municipality | Zululand District Municipality Council Chamber -Handling and use of Fire Extinguishers Training for ZDM Employees | 15 th March 2024 | Successful |
| 49. | Ulundi Municipality | Zululand District Municipality Council Chamber Handling and use of Fire Extinguishers Training for ZDM Employees | 20 th March 2024 | Successful |
| 50. | Ulundi Municipality | Ntababomvu High School Fire Safety | 09 May 2024 | Successful |
| 51. | Ulundi Municipality | Nomzimana High School Fire Safety | 09 May 2024 | Successful |
| 52. | Ulundi Municipality | Mbudle Primary School Fire Safety | 09 May 2024 | Successful |
| 53. | Ulundi Municipality | Babanango Library Fire Safety | 10 May 2024 | Successful |
| 54. | Ulundi Municipality | Mbatha Tribal Court | 13 May 2024 | Successful |
| 55. | Nongoma Municipality | Nkunzana Clinic Fire Safety | 15 May 2024 | Successful |
| 56. | Pongola Municipality | Maguduberg Primary School Fire Safety | 15 May 2024 | Successful |
| 57. | Nongoma Municipality | Mandlakazi Tribal Council Fire Safety | 22 May 2024 | Successful |
| 58. | Nongoma Municipality | Sovana Clinic Fire Safety | 22 May 2024 | Successful |
| 59. | Nongoma Municipality | Dlakuse Primary School Fire Safety | 23 May 2024 | Successful |
| 59. | Pongola Municipality | Phenyane Primary School Fire Safety | 07 th June 2024 | Successful |
| 60. | Ulundi Municipality | Prince Mangosuthu Airport Airprone Fire Drill Training | 10 th June 2024 | Successful |
| 61. | Ulundi Municipality | Prince Mangosuthu Airport Airprone Multi Forceable Entry Door System Training | 18 th June 2024 | Successful |
| 62. | Ulundi Municipality | Nkonjeni Hospital Fire Safety - Drill | 14 th June 2024 | Successful |

7.4. LOCAL ECONOMIC DEVELOPMENT

Local Economic Development is one of the Key Performance Areas of the Municipality. As a municipality, Zululand has a Constitutional responsibility to promote local economic development, Section 153 of the Constitution states:

A municipality must structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

The context and the direction for the role of municipalities in economic development is provided in the White Paper on Local Government. It states that “Local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities”. Its role is therefore to create a conducive environment for economic development and growth.

LED Objectives

In terms of the National LED Framework a LED Strategy is needed to:

- Provide direction to the LED unit.
- To emphasize the role of the entire municipality in terms of LED.
- To set LED targets that are aligned to National and Provincial priorities.
- Coordinate efforts of private and public sector stakeholders in LED.
- To inform the municipalities IDP (as the LED Plan is a sector plan of the IDP).

The Zululand Region faces a number of challenges to Local Economic Development. Unemployment is high, as is poverty. Economic growth has in the recent past been slow, as the area’s development potential has not been exploited fully.

Review LED Strategy

The purpose of this project is to review the Local Economic Development Strategy for the Zululand District Municipality. The plan is envisaged to serve as a mechanism of intervention in addressing the economic development challenges within the Municipality. It will serve to guide and direct the implementation of development initiatives. The strategy should also integrate with other key sector reports and existing District and Local Municipalities LED strategies and programmes already developed by ZDM. The strategy must also integrate with the Provincial Growth and Development Strategy and National Government’s rural development strategy. Its safe to report that indeed the LED Strategy was reviewed through our hired consultants which was: Isibuko Se-Africa. The adopted LED Strategy is now into implementation. We have resolved to appoint pannel of consultants to source funds for our identified catalytic projects through implementation plan on the reviewed LED Strategy.

The LED Unit resolved to implement the project for the appointment of consultants at risk to source funds in partnership with the Zululand Development Agency as this Agency is under resuscitation, hence the appointment of Board members has been initiated.

Agricultural Sectoral Development

The district municipality LED office is striving to provide an enabling environment for businesses and economic activities in general to thrive within the district.

In order to achieve the aforementioned we employ different approaches which include provision of support of economic activities e.g. equipment and inputs, facilitating institutions that could help businesses within the district e.g. Co-ops, direct intervention in form of capacity building, and funding in some instances.

There were number of Cooperatives and SMMEs that were supported through agricultural inputs and other tools of trade:

Ukulima Rural Integrated Program

The primary objective of LED in Agricultural Sector is based on the vision of a modern and effectiveness of the Municipality which is inspired and activated to achieve higher service objectives, aiming constantly:

- Exploit the potential of the agricultural sector through Ukulima.
- Effective utilization of available, yet limited resources.

The unavailability of implements (i.e. ploughs) as well as agricultural inputs (seeds, seedlings and fertilizers) has a negative impact to our communities. We are receiving a number of different requests that we are “unable” to execute. Agriculture is one of the sectors that employs a number of people and also reduces poverty, as we are facing the current situation ZDM is at risk of unable to fight poverty. The unavailability of ploughs is hindering the municipality to assist small farmers who are solely depending on this programme.

Allocation of Agricultural tractors in all Local Municipalities (UIRP)

Zululand District has taken a resolution to procure 13 Agricultural tractors and allocated them to all 5 local municipalities as a ZDM property which is going to be controlled by ZDM through Satelite Offices for ploughing in all Cooperatives that request to be assisted. Below is the allocation and status of our agricultural tractors:

| MUNICIPALITY | NUMBER OF COOPERATIVES RECIEVED SEEDS AND SEEDLINGS | TRACTORS ALLOCATION |
|--------------|---|---------------------|
| Uphongolo | 321 SEDA, DARD, ZDM | 2 |
| Nongoma | 455 ZDM | 3 |
| Abaqulusi | 187 ZDM | 3 |
| eDumbe | 324 ZDM | 2 |
| Ulundi | 142 ZDM, SEDA, DARD | 3 |



Hectares Ploughed in each LM

| Local Municipality | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--------------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|
| | Co-ops | Hectars | Co-ops | Hectars | Co-ops | Hectars | Co-ops | Hectars |
| Ulundi | 94 | 81 | 72 | 87 | 71 | 65 | 74 | 45 |
| Nongoma | 65 | 71 | 68 | 81 | 45 | 51 | 45 | 38 |
| uPhongolo | 58 | 65 | 58 | 74 | 47 | 35 | 34 | 45 |
| eDumbe | 39 | 47 | 47 | 65 | 42 | 31 | 28 | 21 |
| Abaqulusi | 68 | 45 | 54 | 75 | 78 | 81 | 78 | 65 |
| Total | 324 | 309 Ha | 299 | 382 Ha | 283 | 263 Ha | 259 | 214 Ha |

Tones produced and turnover made through supply of produce after distribution as output

| MUNICIPALITY | TONES OF PRODUCTION AS OUTPUT | TURNOVER MARGIN | MARKET |
|--------------|---|-----------------|--|
| Uphongolo | 45 Tones Cabbage, spinach, maize | +R3,510 million | Spar, Boxer, Local Tuckshops, Nutrition SMMEs |
| Nongoma | 75 Tones Cabbage, spinach, maize | +R1,950 million | Spar, Boxer, Local Tuckshops, Nutrition SMMEs |
| Abaqulusi | 120 Tones Cabbage, spinach, maize | +R9,360 million | Spar, Boxer, Local Tuckshops, Nutrition SMMEs |
| eDumbe | 24 Tones Cabbage, spinach, maize | +R1,872 million | Spar, Boxer, Local Tuckshops, Nutrition SMMEs |
| Ulundi | 98 Tones Cabbage, spinach, maize | +R7,644 million | Spar, Boxer, Local Tuckshops, Nutrition SMMEs |



Sourcing of Market for our agric cooperatives to supply all KZN shoprites through Blue Waves company in Abaqulusi

ZDM was approached by Vryheid Farmer whom she is owning blue waves as a company where they have contract with Shoprite as freshmark to supply the 5 KVIs (Green paper, Potatoes, Butternuts, Carrot, cabbage) the contract demand that she should supply at the average of 15 000 cabbage heads a day, which will be highly impossible for one farmer to supply that market demand.

We have managed to call all the potential farmers around ZDM to have a meeting with them as to engage on the subject matter which requires more work with high level of compliance as per the contact guidelines. We have at least identified 5 potential cooperatives to all LMs where we had a meeting on 16th January 2024, where we have agreed to do due diligence to all 25 identified cooperatives by doing site inspection where they working just to be on the ground physically to see their produce before Shoprite come. The schedule for site inspection was planned and discharged as follows: 05th February 2024 until 09th February 2024. We started in Nongoma Cooperatives, uPhongolo Cooperatives, Ulundi Cooperatives, eDumbe Cooperatives, Abaqulusi Cooperatives. The exercise took us the whole week and we have resolved to draft a consolidation report with findings and proposed interventions for project implementation thereafter.

Moving forward we are going to engage more stakeholders for intervention of effective implementation of this programme, i.e. UKZN for capacity building programmes and private sector to enhance compliance issues which might hinder project moving forward.

The below spreadsheet indicate the outcomes and projections done through potential farmers site inspection around Zululand District:

| LM | PROJECT NAME | WARD | AREA | TYPE OF CROP | SIZE OF SEEDS (KG) PLANTED | HA | TONES | PROFIT |
|-----------|--------------------------------------|------|-----------|--------------------------------|-----------------------------|-----|--------|--------------|
| Uphongolo | Ncotshana | 10 | Ncotshana | Cabbage, green paper, tomatoes | 25 000 seedlings | 4 | 8 Tone | R242 000 |
| | Pitergate | 01 | Pitergate | Chillies, cabbages | 36 000 seedlings | 10 | 13 | R298 000 |
| | Mphafeni | 11 | Mphafeni | Sugar cane, potatoes, cabbages | 74 000 seedlings | 21 | 105 | R6.9 Million |
| | Qedindlala | 05 | belgrade | Cabbage, green paper | 22 000 seedlings | 32 | 19 | R800 000 |
| Nongoma | Sizabantu | 14 | Kwamusi | Millies, pumkins | 800 seeds | 2.5 | 129 | R 23 079.00 |
| | Bululwane | 15 | Osuthu | N/A | N/A | N/A | N/A | N/A |
| | Gwabs | 05 | Sheshi | Beans, green paper, carrot | 1200 seeds | 1 | 700 kg | 3600 |
| Ulundi | Siyazondla agricultural co-operative | 09 | Nkonjeni | Cabbages, onions, beetroots | 25 000 seedlings | 4 | 2 | R132 000 |
| | Iciko agricultural farm | 09 | Nkonjeni | Cabbages, green paper | 35 000 seedlings | 08 | 4 | R240 000 |
| | Mgushane co-operatives | 17 | Qwasha | Cabbages | 25 000 seedlings | 17 | 4 | R245 000 |

| | | | | | | | | |
|-----------|----------------------|----|----------------------------|---|------------------|-----|----|----------|
| | Babanango Ilima Coop | 16 | Babanango | Cabbages, green paper | 15 000 seedlings | 8 | 2 | R128 000 |
| Abaqulusi | Bluewave | 4 | Glugstaad | Butternuts | 78 000 seedlings | 6 | 12 | R259 000 |
| | Auto Farming | 3 | Mahlasela | Cabbages | 25 000 seedlings | 2 | 8 | R245 000 |
| | ANALAG | 13 | Enseka | Green paper 3 colours, chillies, cabbages | 65 000 seedlings | 8 | 7 | R255 000 |
| | Kewulane Trust | 4 | Kewulane (Swart Umfolozi) | Green paper, garlic, alfalfa | 14 000 seedlings | 2.5 | 3 | R210 000 |

| | | | | | | | | |
|--------|-----------------------|----|------------|-----------------------------|-----------------|---|---|----------|
| Edumbe | Ikhayaletu co-op | 06 | Empucuko | Cabbages, spinach, carrot | 9 000 seedlings | 2 | 1 | R70 000 |
| | uDondolo co-op | 04 | Mangosuthu | Cabbages, tomatoes, carrot | 2 500 seedlings | 2 | 1 | R65 000 |
| | Themba lomhlaba co-op | 7 | Enhlawe | Potatoes, cabbages, spinach | 3 800 seedlings | 3 | 2 | R105 000 |



Capacity Building for SMMES and Cooperatives and other support initiated

Section B: Developmental Local Government in the White Paper on local government March 1998, state it clearly in 3.2.2 that LED Unit has a mandate to capacitate local SMMEs and Cooperatives to enhance best practice in Business Management. There is various capacity building that was held within ZDM-LED through stakeholder engagements, which are ZDM Corporate services and other outside stakeholders such as SEDA and other government entities.

Below are the capacity building initiatives implemented through partnership with internal and external stakeholders.

| PROJECT NAME | PROJECT DESCRIPTION | NUMBER OF BENEFICIARIES | PROJECT PROGRESS |
|---|---|-------------------------|---|
| NYDA capacity building programme to pitch for funding | Capacity Building for Pitch for Funding in Pongolo | 27 | The training was done in Belgrade on the 1 st and 2 nd of November 2023 |
| Youth Development Ubuntu Institute | 35 Students were recruited through applications received by Ubuntu. NND=15, Edumbe=02, NV=09, NKU=09, NPG=0 | 35 Learners | Beneficiaries have been placed to their work space |

| | | | |
|---|--|-----|--|
| SANRAL Pre-tender Training programme | SANRAL issued capacity building programme for Pre-Finance Tender Training for Construction SMME in all 5 LMs | 120 | LM are busy with recruitment through SANRAL and Service Provider appointed by SANRAL |
| SEDA capacity building for art and culture smmes | SEDA issued capacity building programme for Business Management to Art and Craft SMMEs | 25 | The project was done in October (1 day Training) |
| 220 ZDM Informal Economy Traders were given permits to trade inside and outside stadium during Prince Mangosuthu Legacy Cup | Informal Traders given space to trade during Prince Mangosuthu Legacy Cup | 220 | To continuously support our previously marginalized informal economy actors for job creation purposes. |



Institutional Development and Structures

ZDM has adopted the mandate to make sure that indeed, there is a fully flagged **ZDM LED Forum** that is operational which sit quarterly with the relevant stakeholders as per the adopted Terms of Reference, which seeks to monitor the implementation of all projects implemented in Zululand. Our LED Forum sit quarterly without fail as per the TORs adopted by the structure.

Implementation of Economic Development Catalytic Projects and status quo

ZDM had and economic development projects that were underway, which is safe now to report that, those 2 Investment catalytic projects are now 100% completed.

| PROJECT NAME | SECTOR | LOCALITY | PROJECT VALUE |
|--|------------|----------|---------------|
| Princess Mkabayi Mall | Investment | Vryheid | R350 Million |
| Ulundi 19 Tourism Gateway Project | Tourism | Ulundi | N/A |

ZDM BUSINESS REGULATORY PROJECT STATUS

This mandate is derived from the RSA Constitution, section 156 where all Municipalities has a mandate to develop and implement the by-laws for effective trade of the areas. We are also guided by business act 71 of 1991 which gives mandate to all local municipalities to issue and refuse business licence with the aim to enhance business compliance. The following table indicates the functionality of local municipalities in terms of implementation of business regulatory projects.

| LOCAL MUNICIPALITY | ADOPTED INFORMAL ECONOMY POLICY | GAZETTED INFORMAL ECONOMY BY-LAWS | ISSUING OF BUSINESS LICENSE AND PERMITS AUTOMATED | BUSINESS COMPLIANCE INSPECTIONS ARE CONDUCTED QUARTELY | RECOMMENDATIONS |
|------------------------------------|--|--|--|---|---|
| Nongoma Local Municipality | Yes | Yes | Yes | Yes, 22 May 2024 | To continuously support the initiative |
| Baqulusi Local Municipality | Yes | Yes | Yes | Yes, 20 June 2024 | To facilitate capacity building by EDTEA to Baqulusi LM |
| Edumbe Local Municipality | Not done | Not done | Not yet | Yes, 13 June 2024 | To support the LED Unit through capacity building |

IMPLEMENTATION OF TOURISM STRATEGY

| Strategic Goal | Interventions |
|--|---|
| Strengthen the packaging and interpretation of heritage tourism product offering | Site inspection to Emakhosini Ophathe Heritage Park and kwa Ceza caves have been done in partnership with KZN Amafa & Research Institute and EDTEA. awaiting a report from the department. Proposal for ZDM tourism packing conference is in place and seeking for funding of the conference. |
| Effectively leverage the value of local events. | Royal Events are promoted and attended. We have also listed a number of annual events which will be submitted to KZN TAFA events calendar for promotion |
| Explore feasibility of and undertake further planning of other potentially new tourism products. | Nothing has been done yet but we are in a process of developing District Tourism Masterplan |
| Roll out of visible, well planned and appropriate Tourism Signage network across the Zululand District. | Sites where signs should be erected have been identified and proposals have been drafted for funding |
| Strengthen district level tourism knowledge, awareness, skills and public sector support for the tourism industry. | Part of our KPIs is that we do tourism awareness in at least 5 schools per quarter. Training on SMMEs norms and standards workshop was done on 22 November 2023 |

| | |
|--|--|
| | Tourism awareness campaign was done in partnership with EDTEA at Pongola Golela Border Gate on 12 December 2023 |
| Improve marketing to Increase tourist numbers and diversify target audiences. | Erected ZDM tourism stand at Africa's Travel Indaba and hosted 5 tourism business from all five local municipalities. Currently looking for space in King Shaka International Airport for dissemination of tourism information using print media |
| Unlock the inherent value of cultural tourism experiences. | From a KZN Master Plan and Implementation committee meeting on 01-02 December 2023 a resolution was taken that a sub-committee should be formulated to look into the development of Royal Palaces route. This should be revisited. |
| Improve tourism information dissemination and reimagine tourism information offices. | Nongoma and Uphongolo LMs need new tourism information offices as their tourism offices are inside municipal buildings and inaccessible by tourists or day visitors |
| Improve road networks and stimulate tourism travel to rural areas. | Road infrastructure assessment has been done in partnership with EDTEA and DoT on 23 August 2023 on P432 Babanango Road. awaiting for final report back from EDTEA. Access road to UMgungundlovu Multimedia Centre D256 still a challenge |
| Significantly increase capacity and institutional structures for effective destination management. | In process of discussing MOU/ SLA with Amafa Research Institute for mutual marketing and maintenance of heritage sites within the district |
| Improve tourism information dissemination and reimagine tourism information offices. | Still pending |

7.5. MUNICIPAL HEALTH

Municipal Health main objective is to improve the health status of all Zululand District Municipal residents and visitors by ensuring access to Municipal Health Services of an internationally accepted standard.

The work of a Health Officer is to monitor and enforce compliance with National Health Act , 2003 (Act No.61 of 2003). A Health Officer may enter any premises, excluding a private dwelling, at any reasonable time and, Inspect premises in order to ensure compliance with the abovementioned Act.

Below are the functions performed by Environmental Health Practitioners and Environmental Health Assistants of both South and North Regions. South Region consists of two local municipalities, that is Ulundi and Nongoma, whereas North consists of three local municipalities, Abaqulusi, eDumbe and uPhongolo.

Municipal Health Services involve:

- Water quality monitoring
- Food safety
- Waste management
- Health surveillance of premises
- Control of communicable diseases
- Vector control
- Environmental pollution control
- Disposal of the dead; and
- Chemical safety

Municipal Health Administrative Initiatives

- Peace of Officer Training was done on the week of 16 – 20 January 2023.
- The schedule of charges is approved by the magistrates of all the five local municipality under Zululand District Municipality by 15 May 2023.
- Documents such as legal notice books and section 56 notice are procured.
- Reviewed Tariffs for Health Certificate

Health Inspections

Inspections were conducted are as follows;

| WORK ITEMS | NO. OF INSPECTIONS | NON-COMPLIANCE | COMPLIANCE IN % |
|---|--------------------|----------------|--------------------------------------|
| Number of food premises inspected | 303 | 184 | 39% |
| Number of Certificate of Acceptability Issued/Renewed | 51 | N/A | N/A |
| Number of spaza/tuck shops inspected | 83 | 48 | 42% |
| Number of Food vendors inspected, and health education provided | 113 | 39 | 65% |
| Number of food samples taken | 96 | 30 | 69% |
| Number of safe disposals of condemned foodstuff | 43 | N/A | N/A |
| Number of people educated on food safety. | 290 | N/A | N/A |
| Number of Complaints investigated | 16 | | Investigation and corrective measure |

| | | | |
|--|---------------------------------------|-----|---|
| Number of water samples taken (bacteriological) | 96 | 6 | 94% |
| Number of water samples taken (chemical) | N/A | N/A | Function done by technical services |
| Number of Complaints investigated | N/A | N/A | Tech services receives reports from community |
| | | | |
| Number of premises inspected for refuse management (general waste) | 649 | 34 | 95% |
| Number of facilities inspected for health care waste | 159 | 0 | 100% |
| Number of landfill / dump sites and transfer stations inspected | 5 | 5 | Notifications of non-compliance by Z.D.M to all 5 L.M's |
| Number of complaints investigated | 00 | N/A | More education on municipal health services to communities |
| Number of Funeral Undertakers inspected | 144 | 36 | 75% |
| Number of bodies exhumed | 0 | 0 | 0% |
| Number of graveyards inspected | 9 | 0 | 100% |
| Number of Certificate of Competence issued to funeral undertakers | 8 | N/A | N/A |
| Number of complaints investigated | 0 | 0 | More education on municipal health services to communities |
| Number of premises inspected for air pollution. | 813 | 122 | 85% |
| Number of environmental pollution complaints investigated | 0 | 0 | More education on municipal health services to communities |
| Number of premises inspected for vector control. | 813 | 666 | 18% |
| Number of complaints investigated | 00 | N/A | More education on municipal health services to communities |
| Number of Health Facilities inspected | 58 | 17 | 71% |
| Number of schools inspected | 25 | 9 | 64% |
| Number of Crèches inspected | 115 | 29 | 75% |
| Number of Prisons/Police stations inspected (KITCHEN FACILITIES) | 5 | 0 | 100% |
| Number of complaints investigated. | 00 | N/A | More education on municipal health services to communities |
| Number of health awareness events held | 23 | N/A | N/a |
| Number of investigations of reported communicable diseases. | 10: 1 rabies 09 reported dog bites | | Stats from dept of health Investigation, monitoring and vaccination |
| Number of food poisoning investigations | 1 | | Education and disposal |
| Number of Moore-pads sunk and processed. | 22 | | Health education (use of chlorine and boiling) |
| Building Plan Scrutiny | 41 | 0 | 100% |
| Licensing Inspection | 26 | 6 | 77% |
| Joint Operations | 13 | 7 | 46% |
| Meetings | 58 | N/A | |
| Training | 01 | N/A | Training by SALGA and KZN Department of Health |



A concern is raised regarding the number of total inspections in all five Municipalities, the premises that have complied of which is almost half or 50% throughout the year; except for vector control.

Water quality monitoring is done to ensure the quality and safety of water consumed by a certain population. The results of water samples taken for bacteriological tests shows that there was a population that was at risk in consuming the water.

Health care risk waste is considered as the most infectious waste that needs to be treated with care and safe handling to prevent contamination. The table above shows that the non-complying facilities that are causing challenges in the district is general waste.

More than half of funeral parlors/ undertakers show that they are non-compliance, which indicates that the operating of most funeral undertakers is posing challenges that need to be attended to urgently.

Premises inspected for Air pollution shows 85% compliance of indoor premises.

The graph shows minimum improvement in civilization and development in most parts of Zululand District. Public structures like schools, crèches and health facilities have a compliance of more 50% from the total of premises inspected yearly.

Most premises with vector infestation are mostly crowded with unused objects that occupy space for a long time, poor hygiene practice or a structure allocated near an infested area.

All health awareness conducted for prevention of communicable disease were successful.

7.6. DEMOCRACY AND GOVERNANCE PERFORMANCE

Compliance, Clean and Sound Administration

General Assessment Summary on Compliance

The Constitution

In terms of section 152 of the Constitution of The Republic of South Africa, a municipality must strive within its financial and administrative capacity to achieve the objects as set for local government.

The objects of local government are set to provide democratic and accountable government for local communities, ensure the provision of services to communities in a sustainable manner, promote social and economic development, promote a safe and healthy environment, and encourage the involvement of communities and community organisations in the matters of local government.

For the municipality to achieve these objects its performance is measured against compliance with various applicable legislation. The municipality is required in all material respect to comply with the following key legislation;

Municipal Finance Management Act (MFMA), No. 56 of 2003 and its regulations.

The municipality is required to comply with vast sections of MFMA, as this is one of the key legislation applicable to municipalities. Nevertheless the municipality complied with other pieces of this Act, the audit results revealed that there are some areas of non-compliance noted within below subject matters;

Annual financial statements

The annual financial statements were corrected for all misstatement identified by external audit review. Internal controls have been strengthened to eliminate misstatements in future.

Procurement and contract management

Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) and did not qualify for the contract in accordance with section 18(1) of the CIDB Act.

Expenditure management

The municipality had material findings of non-compliance with sections 62 and 65 of MFMA respectively. The Audit Action Plan has been developed and being implemented to address all the above areas of non-compliance.

Division of Revenue Act (DoRA)

During the 2023-24 financial year there were no findings of non-compliance for DoRA were noted. The municipality has complied with DoRA in all material respect.

Municipal Structures Act, No. 117 of 1998 and its regulations and instructions.

There were no material findings of non-compliance with Municipal Structure Act as it is imposed to the municipality.

Municipal Systems Act, No. 32 of 2000 and its regulations and instructions.

There were no material findings of non-compliance with Municipal Systems Act as it is imposed to the municipality.

Preferential Procurement Policy Framework, Act No. 5 of 2000 and its regulations.

Couple instances on no-compliance with Preferential Procurement Policy Framework Act were noted. These findings had an impact to the auditor's report thus attracting urgent management attention. Firm commitment has been put in place to address issues of non-compliance.

Construction Industry Development Board Act, No. 38 of 2000 and its regulations.

The municipality ability to achieve its objects was also measure in line with compliance with this Act and none was found as deviation or non-compliance with this Act.

Prevention and Combating of Corruption Activities Act, No. 12 of 2004.

Compliance with this Act was reviewed by external audit and no findings were noted as a result the municipality has complied with this Act in all material respect.

Integrated Development Planning

The Integrated Development Plan (IDP) Review Process is a vehicle through which Municipalities prepare strategic development plans called Integrated Development Plans for a five-year period. Because service delivery is progressive in nature, the IDP must be reviewed annually to keep up with the evolving nature of communities.

The IDP is a legislative requirement, has a legal status and therefore supersedes all other plans that guide development at local government level.

The timeframes below were followed in preparing the 2023/24 IDP.

| Phase/Activity | Timeframe |
|---------------------------------|------------------|
| Situational Analysis | Sept 2022 |
| Development Strategies | Oct 2022 |
| Projects&Integration | Dec 2022 |
| Draft Approval | Mar 2023 |
| Final Approval | May 2023 |

Figure 14 IDP Process Plan Timetable

The final IDP was adopted by Council as targeted. Consultation with the community took place.

7.7. SPATIAL AND ENVIRONMENTAL MANAGEMENT PERFORMANCE

Joint Municipal Planning Tribunal

Four municipalities in Zululand elected to form a joint municipal planning tribunal (JMPT). These include Ulundi, Nongoma, oPhongolo, eDumbe. An agreement was signed by all participating municipalities and gazetted. A business plan will now be prepared and submitted to the MEC. A panel of professionals to serve on the joint tribunal according to SPLUMA will also be co-ordinated by the District.

The JMPT during the 2023/24 financial year sat as follows.

Below is a table depicting the number of development planning applications processed:

| MUNICIPALITY | TOTAL |
|---------------------|--------------|
| UPHONGOLO | 16 |
| ULUNDI | 9 |
| EDUMBE | 1 |
| NONGOMA | 5 |

| | |
|-------|----|
| TOTAL | 31 |
|-------|----|

7.8. PERFORMANCE AGAINST GOVERNMENT LED PROGRAMMES

Free Basic Services and Indigent Support

The definition of a poor household relates to income poverty, or the lack of sufficient income to satisfy basic and essential needs such as food, clothing, energy and shelter. The **ZDM Indigent Policy** is in line with this definition which also takes into consideration the total monthly household income.

Like many other Districts, the majority of the population in the Zululand District Municipality is indigent (approximately 54%) and that means a small revenue base. Therefore, a significant portion of the budget goes towards infrastructure development with very little to no revenue generated. This cannot be sustained if the municipality is to ensure a consistent high quality basic level of service. The municipality must seek ways of improving increasing revenue as well as enhancement.

National Government Policy derives its standard for free basic water supply from that of the World Health Organisation (25l/p/day) which is regarded as sufficient to promote healthy living.

An indigent consumer is only entitled to free basic water services and that an indigent consumer will be liable for payment in respect of water services used more than the quantity of free basic services. Not all consumers are entitled to free basic water, Only indigent consumers are entitled to free basic water which is 6kl per month.

Expanded Public Works Programme (EPWP)

The EPWP incentive grant is a Conditional Grant Programme that is intended to increase job creation in municipalities by providing a financial performance reward. It is intended to create job opportunities and alleviate poverty in the poor communities. It is considered a conditional grant in the sense that it can only be used for the intended and approval projects only, within approved time frame, specific reporting requirements etc.

In terms of challenges the following should be noted:

- **Understanding of the EPWP programme for projects stakeholders.** ZDM feels that there is still a need to train service providers who are directly working on the projects these includes Project steering committees, Contractors, Engineering Consultants and ISD Consultants. The initiative will ensure compliance in terms of documentation, proper use of EPWP templates, understanding of Ministerial Determination, appropriate system for recruitment of participants, timely communication and reporting, paper trail and the full understating of EPWP programme.
- **Delays in the implementation of infrastructure projects.** In these projects, a large number of participants are recruited and their details captured on the EPWP system, however during the commencements of site works only few participants are allowed to start work and thus dropping the number of employment opportunities to be reported for current financial ending in March.
- Alignment of tender documents in terms of more labour intensity in all project to ensure that more participants are recruited to provide maximum work opportunities from projects.

8. CHAPTER 5 – OVERVIEW OF FINANCIAL PERFORMANCE

8.1. STATEMENT OF FINANCIAL PERFORMANCE

Income

Zululand District Municipality's (ZDM) operating revenues grew from R1 340 433 836 in 2022/2023 to R1 614 662 372 in 2023/24. The increase resulted from an increase in our revenue from non-exchange transaction (government grants and subsidies).

Revenue from government grants and subsidies has increased by R245 507 829 from R1 269 331 843 in 2022/2023 to R1 514 839 672 in 2023/2024.

Revenue from investments has increased from R7 433 381 in 22/23 to R15 458 240 in 23/24.

Total operating revenue indicates that the Municipality is more dependent on grant funding from National and Provincial Government.

The table below illustrates operating revenue over a period of three (3) years;

Table 22 Operating revenue performance

| Financial Year | 2023-2024 | 2022-2023 | 2021-2022 |
|----------------|----------------|----------------|----------------|
| Amount | R1 614 662 372 | R1 334 008 015 | R1 230 035 536 |

Table 23 Schedule of Loans & Conditional grants received

| GRANT | 2023-24 | 2022-23 | 2021-22 |
|---|-------------|-------------|-------------|
| EQUITABLE SHARE | 631 671 000 | 586 390 977 | 524 645 000 |
| FMG | 1 200 000 | 1 200 000 | 1 200 000 |
| EPWP | 7 077 000 | 8 517 000 | 9 612 000 |
| NATIONAL SKILLS FUND GRANT | 100 633 987 | 59 613 288 | 0 |
| LGSETA GRANT | 1 693 864 | 478 000 | 0 |
| NATIONAL ARTS COUNCIL GRANT | 57 343 | 19 657 | 0 |
| PRINCE MANGOSUTHU AIRPORT GRANT | 2 000 000 | 500 000 | 0 |
| ACCELERATED INTERVENTION PROGRAMME (BOREHOLES) | 0 | 1 554 104 | 0 |
| INDONSA GRANT | 1 911 000 | 1 911 000 | 1 911 000 |
| KZN GRANT SPATIAL DEVELOPMENT FRAMEWORK | 0 | 0 | 241 770 |

| | | | |
|---|----------------------|----------------------|----------------------|
| KZN GRANT TOURISM STRATEGY | 0 | 0 | 269 354 |
| KZN GRANT AMAFA RESEARCH INSTITUTE | 200 000 | 200 000 | 100 000 |
| MIG | 256 512 000 | 259 530 000 | 269 111 000 |
| RBIG | 413 905 000 | 250 247 000 | 222 531 000 |
| WSIG | 95 000 000 | 95 000 000 | 110 000 000 |
| RRAMS | 2 969 000 | 2 529 000 | 1 647 023 |
| KZN KWAMAJOMELA PROJECT | 0 | 1 641 817 | 7 958 503 |
| TOTAL | 1 124 115 694 | 1 269 331 843 | 1 149 226 650 |

Cash Balance

The cash and cash equivalents of the municipality as at 30 June 2024 amounts to R57 070 895 and unspent conditional grants amounted to R1 445 896. This represents a increase of R29 644 282 as compared to the previous year's (30 June 2023) cash and cash equivalent balance.

Loans

The Municipality obtained a loan worth R100 000 000 in the 2023/24 financial year this was to purchase generators to augment power supply to water plants due to load-shedding, theft and vandalism.

Cash Coverage

The municipality does not have long-term borrowings/loan as a result the Council is not expected to service any interest costs in the future. Cash and cash equivalent amount as at the year-end represents cash available i.e. petty cash and cash at the bank.

Expenditure

The table below illustrates operating expenditure over a period of three (3) years;

Table 24 Operating expenditure performance

| Financial Year | 2023-24 | 2022-23 | 2021-22 |
|-----------------------|-----------------|----------------|----------------|
| Amount | R 1 214 393 414 | R 992 266 417 | R 917 533 545 |

The increase is attributable to a combination of the salary increases year on year and the filling of vacancies during the current financial year. This type of expenditure contributes 29.77% to the current total expenditure. Employees and councillors remuneration costs has increased by 10% during the current financial year whilst the increase was 7.98% in 2022.

Contracted services costs.

Included in contracted services costs are outsourced services, consultants and professional services and contractors. Contracted services costs contribute 36.76% to the current total expenditure. The

expenditure costs attributed to contracted services costs was R366 698 253 (2022/23) and R370 958 209 (2023/24).

Spending of operational grants

The Municipality received a total of R746 million operational grant funding, an increase from R658 Million received in the previous financial year.

Spending of capital grants

The capital budget is committed largely on new infrastructure projects and the renewal of existing capital assets. The Municipality received a total of R 768 386 000 capital grant funding, an increase from R 619 501 921 received in the previous financial year.

Of the total conditional grants received, R1 445 896 was not spent.

Fruitless and wasteful expenditure

The municipality had incurred fruitless and wasteful expenditure over the years. This type of expenditure is resultant from penalties and interest charged accounts due to late payment of a particular invoice or statements. Major portion of this expenditure is caused by an additional cost paid due to delays on project completion.

This table illustrates fruitless and wasteful expenditure incurred over the period of three years:

Table 25 Fruitless and wasteful expenditure

| Financial Year | 2023-2024 | 2022-23 | 2021-22 | 2020-21 |
|-----------------------|------------------|----------------|----------------|----------------|
| Amount | 1 062 333 | 1 046 939 | 303 721 | R 437 053 |

Liquidity Management

The municipality has made self-assessment on liquidity management. The municipality uses current ratio and cash/cost coverage ratio to assess its ability to settle current obligations and meet its monthly fixed operating commitments.

Current Ratio

The municipality used current ratio to assess its ability to pay its short-term liabilities within its short-term assets. The determination of this ratio takes into account the possibility that the council can cede its receivables and inventories to settle its short-term liabilities. The norm of this ratio ranges from 1.5 to 2:1.

The current ratio (CA/CL) is 0,36:1. However included in this calculation is retention of R 86 977 473 which is dependent on the future grant receipts and R 400 866 370 creditors at year-end. This retention does not have to be cash backed. The table below depicts current ratios over the period of three years (restated):

Table 26 Current ratio on performance

| Financial Year | 2023-24 | 2022-23 | 2021-22 |
|-----------------------|----------------|----------------|----------------|
| Current ratio | 0.36:1 | 0.34:1 | 0.34:1 |

The above assessment indicates current ratios are below the norm for the period over three years. Our current liabilities exceed current assets. This suggests that the municipality would be unable to pay current and short-term obligations should they become due. The municipality is facing a serious financial challenge of liquidity problem.

Debtors Impairment Percentage/ Current Debtors Collection Rate

The municipality has experienced a slight increase on the debtor's impairment percentage when comparing the two financial years which is 2022/2023 and 2023/2024 debtor's impairment provision of 95% for 2022/2023 and 97% in 2023/2024 respectively. The gross debtor's balances were R195 628 522 million (2022/2023) and R233 569 891 million (2023/2024).

| Current Debtors Collection Rate | | | |
|---------------------------------|-----------------|-------------------------|-----------------|
| 2022/2023 | | 2023/2024 | |
| Debtors opening balance | R176 087 361.38 | Debtors opening balance | R201 234 558.39 |
| +Billing | R61 936 249.73 | +Billing | R84 681 098.15 |
| _Closing balance | R201 234 558.39 | _Closing balance | R238 295 936.68 |
| _ Bad debt written off | R2 192 675.50 | _ Bad debt written off | R5 048 745.79 |
| Collection rate | 56% | Collection rate | 50% |

The municipality has a slightly decrease on the collection rate when compare ring the two financial years which was 56% in 2022/2023 and 50% in 2023/2024 financial year. The status is still concerning as the is no increase on the debt collection rate urgent attention is still needed. However the disconnections are conducted monthly for non-payments but the is a high rate of tempering done by consumers after being disconnected.

Debt impairment provision for the period under review is R 233 569 891. This is an increase from the debt impairment provision of R 195 628 522 from the previous financial year 2022/2023.

Asset Management

The assets management system was effectively implemented during the year. Council approved the Asset Management Policy for implementation.

Assets Register is in place and is balanced on a monthly basis. Despite the inadequate funding to maintain assets, the assets are in a functional condition.

Supply Chain Management

The Council had developed and approved its Supply Chain Management (SCM) Policy that is in line with Municipal Supply Chain Management (SCM) Regulations as issued by national Treasury. In an endeavour to ensure compliance and standardisation of the SCM Policy all amendments are submitted to Council for approval. The SCM Unit is centralised and reporting to the office of the Chief Financial Officer as required by regulation 7(1) of Municipal Supply Chain Management Regulations. Section 115 of the MFMA that deals with segregation of duties is complied.

Cashflow Management and Investments

The cash flow position has improved as compared to the previous year. The municipality had a positive cash flow balances for both 2023 and 2024 financial years. Cash flow is being monitored on a regular basis to ensure budget savings. Budget and Finance Committee comprising all Directors is in place and meeting every week to monitor the actual expenditure vs expenditure projections.

Financial Recovery Plan

During the financial year under review, it was evident that the Zululand district municipality was facing significant fiscal and service delivery difficulties, which undermined the effective and efficient performance of its function and mandate.

Cash flow reports were presented to the Council that were showing the situation where the municipality may fail to finish that financial year with a positive position. Management engaged the cash flow position and agreed on a financial recovery plan.

The principal strategic objective of this financial recovery plan is to identify key priority areas as an immediate intervention and to set out specific intervention projects which will address the financial problems identified for a new financial year. The plan would and continues to set parameters which bind the municipality in the preparation of future budgets until the long-term financial plan is sustainable.

Several historic financial challenges were identified including lack of restraint in cash flow management, limited oversight, limited application of budgeting controls, unsustainable adjustment budget, lack of policy review and implementation, appointments without following established processes, ailed debt collection and credit control, litigations, residential and government consumers owing large debts to the municipality, small rates base, high dependency on outsourcing, and others.

A report on the review of the financial plan will be tabled in various structures and will also feature in the Annual Report for the next financial year.

Municipal Standard Chart Of Accounts (Mscoa)

The overall objective of the project was to ensure that Zululand District Municipality complies with the National Treasury regulation through implementing a Municipal Standard Chart of Accounts (mSCOA) which aims at achieving an acceptable level of uniformity and quality on financial and non-financial data, incorporating all transaction types, appropriation of funds, spending on service delivery, capital and operating spending, policy outcome and legislative reporting.

The financial system of the municipality is Solar which is mSCOA compliant.

Assessment of Municipal Taxes And Service Charges arrears

Total debtors balance as at 30 June 2024 are made up as follows:

Table 27 Arrears on municipal taxes and service charges

| Description | Gross debtors | Minus provision for impairment | Net debtors |
|--|---------------|--------------------------------|-------------|
| Trade and other receivables from exchange transactions | R264 184 917 | (R227 668 689) | R36 516 228 |
| Receivables from non - exchange transactions | R15 825 418 | R0 | R15 825 418 |
| Deposits | R19 406 873 | R0 | R19 406 873 |
| VAT Receivable | R64 191 360 | R0 | R64 191 360 |
| Operating lease receivable | R5 225 | R0 | R5 225 |

| | | | |
|--------------|---------------------|-----------------------|---------------------|
| Total | R363 613 793 | (R227 668 689) | R135 945 104 |
|--------------|---------------------|-----------------------|---------------------|

The total net debtors amounted to R135 945 104 as at 30 June 2024 increased as compared to net debtors' amount of R125 772 194 as at 30 June 2023.

The increase in gross debtors balance (before provision), of approximately R65 million over the reporting period is attributable to the following factors:

- Eskom increased the deposit paid on all active accounts over the reporting period based on their assessment of risk to the account. This results in an increase in deposit paid to Eskom. Secondly the opening of new accounts as a result of conversion from diesel powered engines and the construction of new infrastructure.
- Change in consumers' behaviour towards payment for water services. The negative behaviour is caused by major consumers opting not to pay and drill their own boreholes and secondly opting to survive with only six kilolitres of water provided for free.
- The current economic recession climate.
- VAT Receivable due to increase in creditors.
- Increase in Prepayments.

The increase in the level of debt did not negatively impact upon service delivery. However, the Council is concerned about sufficient cash reserves in order to meet financial obligations as this was highlighted during assessment of cost coverage ratio. Council will strive for efficient debt collection and credit control systems and procedures to improve current revenue collection rate that is concerning, through revenue enhancement strategies and establishment of indigent register.

Long Term Contracts and Public Private Partnerships

There were no public private partnerships during 2023-24 financial year.

The municipality has signed multi-year contracts with various service providers for construction of infrastructure works including other related management services.

The Schedule of Long Term Contracts is attached as an Annexure.

Revenue Collection Performance by Vote and By Source

Chapter 2 section 4C(ii) of the Municipal Systems Act allows a municipality to impose surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties.

As a result the municipality collects of revenue for provision of water and sanitation services to its consumers as per revenue performance is as follows:

Table 28 Revenue collection performance by vote

| Vote Description | 2022/23 | Current Year 2023/24 | | | Variances | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| Rthousand | Audited Outcome | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| Revenue by Vote | | | | | | |
| Vote 01 - Council | 7 633 | - | - | - | - | - |
| Vote 02 - Corporate Services | 61 141 594 | 2 350 000 | 101 926 682 | 104 879 085 | - 102 529 085 | - 2 952 403 |
| Vote 03 - Finance | 604 659 749 | 637 480 500 | 641 438 003 | 650 071 704 | - 12 591 204 | - 8 633 701 |
| Vote 04 - Community Development | 3 953 400 | 2 482 000 | 2 750 250 | 2 285 425 | 196 575 | 464 825 |
| Vote 05 - Planning & Wsa | 617 377 104 | 812 204 000 | 773 285 608 | 775 605 616 | 36 598 384 | - 2 320 008 |
| Vote 06 - Technical Services | - | - | - | - | - | - |
| Vote 07 - Water Purification | - | - | - | - | - | - |
| Vote 08 - Water Distribution | 39 244 564 | 52 422 000 | 54 300 209 | 59 562 780 | - 7 140 780 | - 5 262 571 |
| Vote 09 - Waste Water | 14 902 812 | 16 436 000 | 15 902 234 | 16 380 489 | 55 511 | - 478 255 |
| Total Revenue by Vote | 1 341 286 857 | 1 523 374 500 | 1 589 602 986 | 1 608 785 099 | - 85 410 599 | - 19 182 113 |

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

Table 29 Total revenue

| DC26 Zululand - Table A4 Budgeted Financial Performance (revenue and expenditure) | | | | | | |
|---|--------------------|----------------------|--------------------|--------------------|----------------------|---------------------|
| Description | 2022/23 | Current Year 2023/24 | | | Variances | |
| Rthousand | Audited Outcome | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| Revenue | | | | | | |
| Exchange Revenue | | | | | | |
| Service charges - Water | 39 169 621 | 51 532 000 | 53 518 068 | 58 876 864 | - 7 344 864 | - 5 358 796 |
| Service charges - Waste Water Management | 14 831 358 | 16 406 000 | 15 596 538 | 16 024 007 | 381 993 | - 427 469 |
| Sale of Goods and Rendering of Services | 1 425 827 | 1 000 500 | 754 789 | 760 200 | 240 300 | - 5 411 |
| Interest earned from Receivables | 75 296 | 521 000 | 784 453 | 691 101 | - 170 101 | 93 352 |
| Interest earned from Current and Non Current Assets | 7 433 380 | 3 000 000 | 7 500 000 | 15 458 240 | - 12 458 240 | - 7 958 240 |
| Rental from Fixed Assets | 180 833 | 500 000 | 458 180 | 558 834 | - 191 101 | - 232 921 |
| Licence and permits | 87 515 | 60 000 | 103 218 | 106 561 | - 46 561 | - 3 343 |
| Operational Revenue | 562 671 | 369 000 | 442 216 | 593 899 | - 224 899 | - 151 683 |
| Non-Exchange Revenue | | | | | - | - |
| Fines, penalties and forfeits | 909 671 | 1 000 000 | 853 449 | 875 061 | 124 939 | - 21 612 |
| Transfer and subsidies - Operational | 658 829 922 | 643 859 000 | 743 190 179 | 746 444 194 | - 102 585 194 | - 3 254 015 |
| Gains on disposal of Assets | 2 893 935 | - | - | 173 933 | - 173 933 | - 173 933 |
| Other Gains | 4 384 906 | - | - | 5 704 000 | - 5 704 000 | - 5 704 000 |
| Total Revenue (excluding capital transfers and contributions) | 730 784 936 | 718 247 500 | 823 201 090 | 846 266 894 | - 128 151 661 | - 23 198 071 |

Table 30 Debtors age analysis

| Description | Duration | | | | | | Total |
|--|-----------|------------|------------|-------------|--------------|------------|------------|
| | 0-30 Days | 31-60 Days | 61-90 Days | 91-120 Days | 121-365 Days | >365Days | |
| Trade and Other Receivables from Exchange Transactions - Water | R7 557483 | R4868071 | R4294216 | R3 864258 | R4210097 | R161000792 | R185794917 |
| Trade Receivables | R1547093 | R1021055 | R880688 | R898664 | R852642 | R42290627 | R47490769 |

| | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|--------------------|-------------------|------------------|
| from Exchange Transactions - Waste Water Management | | | | | | | |
| Trade Receivables from Exchange Transaction - Housing rental | R5975 | R261567 | R1920 | R240 | R0 | R14503 | R284205 |
| Total By Income Source | R9110551 | R6150693 | R5176824 | R4763162 | R1205062739 | R203305922 | R23356981 |

9. CHAPTER 6 – APPENDICES

A. AUDITED ANNUAL FINANCIAL STATEMENTS

The attached 2023/24 audited annual financial statements will be as per the *Departmental Financial Reporting Framework* as issued by National Treasury.



Zululand

District Municipality

Zululand District Municipality
(Demarcation code DC26)
Annual Financial Statements
for the year ended 30 June 2024

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Table of Contents

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

| | Page |
|--|-------------|
| Abbreviations | 2 |
| General Information | 3 - 5 |
| Accounting Officer's Responsibilities and Approval | 6 |
| Statement of Financial Position | 7 |
| Statement of Financial Performance | 8 |
| Statement of Changes in Net Assets | 9 |
| Cash Flow Statement | 10 |
| Comparison of Budget and Actual Amounts | 11 - 14 |
| Accounting Policies | 15 - 35 |
| Notes to the Annual Financial Statements | 36 - 114 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Abbreviations

| | |
|--------|---|
| AFS | Annual Financial Statements |
| CPI | Consumer Price Index |
| LGSETA | Local Government Services Sector Education and Training Authority |
| GRAP | Generally Recognised Accounting Practice |
| MFMA | Municipal Finance Management Act |
| SALGA | South African Local Government Association |
| PAYE | Pay As You Earn |
| SETA | Sector Education and Training Authority |
| SDL | Skills Development Levy |
| GFS | Government Finance Statistics |
| mSCOA | Municipal Standard Chart of Accounts |
| SARS | South African Revenue Services |
| SCM | Supply Chain Management |
| VAT | Value Added Tax |
| UIF | Unemployment Insurance Fund |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

| | |
|--|--|
| Legal form of entity | Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) |
| Nature of business and principal activities | The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment |
| Legislation governing the municipality's operations | The Constitution of the Republic of South Africa, 1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Division of Revenue Act (Act 1 of 2007) |
| Mayor and executive committee | |
| Portfolio | Councillor |
| Mayor | Cllr. Khumalo MB (from June 2024) Cllr Buthelezi TD (until June 2024) |
| Deputy Mayor | Cllr. Mbatha SI |
| Speaker | Cllr. Memela DT |
| Chief WIP | Cllr Nxumalo B (until April 2024) Cllr Ndlovu TD (from June 2024) |
| Member of the Executive Committee | Cllr. Khumalo BK (until August 2023) |
| Member of the Executive Committee | Cllr. Khumalo MB (until June 2024) |
| Member of the Executive Committee | Cllr. Hadebe ISM |
| Member of the Executive Committee | Cllr. Zulu RM (from September 2023) |
| Member of the Executive Committee | Cllr. Mncwango SA (from June 2024) |
| MPAC Chairperson | Cllr. Shelembe S |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Council members

| Nr | Surname | Initials | Nr | Surname | Initials |
|-----------|----------------------------|-----------------|-----------|-----------------------------|-----------------|
| Cllr. | Barnes (from June 2024) | IR | Cllr. | Dlamini | FM |
| Cllr. | Dlamini | VV | Cllr. | Dubazane | MR |
| Cllr. | Jiyane (from May 2024) | KR | Cllr. | Khumalo | BK |
| Cllr. | Magagula | NS | Cllr. | Masondo | ND |
| Cllr. | Mavundla | CM | Cllr. | Mavundla | JB |
| Cllr. | Mavuso | NP | Cllr. | Mncwango | BJ |
| Cllr. | Mncwango (until June 2024) | SA | Cllr. | Mngomezulu | ND |
| Cllr. | Mtambo | M | Cllr. | Ndlovu (until June 2024) | TD |
| Cllr. | Ndwandwe | TM | Cllr. | Nhlabathi | BC |
| Cllr. | Nkwanyana | SE | Cllr. | Nkosi (until June 2024) | SR |
| Cllr. | Ntombela | SS | Cllr. | Ntshangase | TA |
| Cllr. | Ntuli | KM | Cllr. | Nxumalo | SV |
| Cllr. | Nxumalo-Sibiya | CM | Cllr. | Selepe | PP |
| Cllr. | Sibiya | AM | Cllr. | Sikhakhane (from June 2024) | HN |
| Cllr. | Sithole | BH | Cllr. | Williams | MP |
| Cllr. | Xaba (from October 2023) | NG | Cllr. | Zungu | NF |
| Cllr. | Zungu | ZH | | | |

Executive management

Position

Municipal Manager
Chief Operations Officer
Chief Financial Officer
General Manager Corporate Services
General Manager Community Services

General Manager Technical Services
General Manager Planning Services
Chief Operations & Maintenance Specialist

Name

Mr Hlongwa RN
Mr Mosia SP
Ms Msibi NS
Ms Linda MS
Ms Ntombela TA (from May 2024)
Ms Nene FK
Ms Msimango RN (until March 2024) (Vacant)
Mr Soko TG
Mr Jele TM

Members of the Audit Committee

Chairperson Mr EN Sithole
Member Mr VR Nhleko
Member Ms N Thungo

Business address

B-400 GAGANE STREET
ULUNDI
KWAZULU-NATAL
SOUTH AFRICA
3838

Postal address

PRIVATE BAG X76

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

| | |
|-----------------------------|---|
| | ULUNDI KWAZULU-NATAL SOUTH AFRICA 3838 |
| Legal representative | Stowels & Co. Inc. Ntanga Nkuhlu Inc. Attorneys Garlicke & Bousfield Inc. |
| Telephone | 035 874 5500 |
| Bankers | ABSA Bank Limited |
| Auditors | Auditor-General of South Africa (AGSA) |
| Fax | 035-874 5589/91 |
| Demarcation code | DC26 |
| Email address | mm@zululand.org.za |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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 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 certify that the salaries, allowances and benefits of councillors as disclosed in note 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Accounting Officer
Mr Hlongwa RN

31 August 2024

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

| | | 2024 | 2023 Restated* |
|--|---------|----------------------|----------------------|
| | Note(s) | | |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 2 | 57 070 895 | 27 426 613 |
| Trade and other receivables from exchange transactions | 3 | 36 516 228 | 6 441 908 |
| Receivables from non-exchange transactions | 4 | 15 825 418 | 18 382 316 |
| Deposits | 5 | 19 406 873 | 18 178 536 |
| VAT Receivable | 6 | 64 191 360 | 82 769 434 |
| Inventories | 7 | 3 965 972 | 2 836 082 |
| Operating lease receivable | 8 | 5 225 | - |
| Total Current Assets | | 196 981 971 | 156 034 889 |
| Non-Current Assets | | | |
| Operating lease receivable | 8 | 10 144 | - |
| Property, plant and equipment | 9 | 5 521 477 601 | 4 973 685 426 |
| Intangible assets | 10 | 27 945 | 51 827 |
| Heritage assets | 11 | 7 816 633 | 7 816 633 |
| Total Non-Current Assets | | 5 529 332 323 | 4 981 553 886 |
| Total Assets | | 5 726 314 294 | 5 137 588 775 |
| Liabilities | | | |
| Current Liabilities | | | |
| Consumer deposits | 12 | 3 380 853 | 3 620 159 |
| Trade and other payables from exchange transactions | 13 | 487 862 149 | 443 594 933 |
| Vat payables | 14 | 836 419 | 614 517 |
| Payables from non-exchange transactions | 15 | 1 445 896 | 1 559 960 |
| Employee benefit obligation | 16 | 747 000 | 500 000 |
| Provision | 17 | 34 192 639 | 29 176 845 |
| Borrowings | 18 | 17 711 896 | - |
| Lease liabilities | 19 | 1 076 911 | 1 483 982 |
| Total Current Liabilities | | 547 253 763 | 480 550 396 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 16 | 30 750 000 | 30 426 000 |
| Provision | 17 | 13 320 000 | 13 061 000 |
| Borrowings | 18 | 79 547 656 | - |
| Lease liabilities | 19 | 907 399 | 1 744 329 |
| Trade and other payables from exchange transactions | 20 | 2 924 971 | 32 779 089 |
| Total Non-Current Liabilities | | 127 450 026 | 78 010 418 |
| Total Liabilities | | 674 703 789 | 558 560 814 |
| Net Assets | | 5 051 610 505 | 4 579 027 961 |
| Community Wealth / Equity | | | |
| Accumulated surplus | | 5 051 610 503 | 4 579 027 972 |

* See Note 57

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

| | | 2024 | 2023 |
|--|---------|----------------------|----------------------|
| | Note(s) | | Restated* |
| Revenue | | | |
| Exchange Revenue | | | |
| Services charges – Water | 21 | 58 876 864 | 39 169 620 |
| Services charges – Waste water management | 21 | 16 024 007 | 14 831 359 |
| Sales of goods and rendering of services | 22 | 760 200 | 1 425 827 |
| Interest earned from receivables | 23 | 691 101 | 75 296 |
| Interests earned from current and non-current assets | 24 | 15 458 240 | 7 433 381 |
| Licences or permits | 25 | 106 561 | 87 515 |
| Rental from fixed assets | 26 | 558 834 | 180 833 |
| Operational revenue | 27 | 593 899 | 562 671 |
| Total Exchange Revenue | | 93 069 706 | 63 766 502 |
| Non-Exchange Revenue | | | |
| Fines, penalties and forfeits | 28 | 875 061 | 909 670 |
| Transfers and subsidies | 29 | 1 514 839 672 | 1 269 331 843 |
| Gains on disposal | 30 | 173 933 | 2 214 821 |
| Actuarial gain | 31 | 5 704 000 | 4 211 000 |
| Total Non-Exchange Revenue | | 1 521 592 666 | 1 276 667 334 |
| Total Revenue | | 1 614 662 372 | 1 340 433 836 |
| Expenditure | | | |
| Employee related cost | 32 | 315 068 196 | 286 292 686 |
| Remuneration of councillors | 33 | 10 362 182 | 9 275 903 |
| Inventory consumed | 34 | 45 329 983 | 53 331 990 |
| Debt impairment | 35 | 30 812 251 | 26 735 357 |
| Depreciation and amortisation | 36 | 114 268 909 | 108 299 633 |
| Finance costs | 37 | 7 148 951 | 552 621 |
| Contracted services | 38 | 370 958 209 | 366 698 253 |
| Transfers and subsidies | 39 | 3 533 875 | 4 682 749 |
| Irrecoverable debts written off | 40 | 8 134 277 | 2 191 696 |
| Operating leases | 41 | 23 700 334 | 6 420 302 |
| Operational cost | 42 | 212 762 695 | 176 140 160 |
| Inventory losses | 43 | - | 135 106 |
| Total Expenditure | | 1 142 079 862 | 1 040 756 456 |
| Surplus for the year | | 472 582 510 | 299 677 380 |

* See Note 57

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

| | Accumulated surplus | Total net assets |
|--|----------------------|----------------------|
| Balance at 01 July 2022 | 4 279 350 592 | 4 279 350 592 |
| Surplus for the year | 299 677 380 | 299 677 380 |
| Total changes | 299 677 380 | 299 677 380 |
| Restated* Balance at 01 July 2023 | 4 579 027 993 | 4 579 027 993 |
| Surplus for the year | 472 582 510 | 472 582 510 |
| Total changes | 472 582 510 | 472 582 510 |
| Balance at 30 June 2024 | 5 051 610 503 | 5 051 610 503 |

Note(s)

* See Note 57

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

| | 2024 | 2023 |
|---|-----------------------|----------------------|
| | | Restated* |
| | Note(s) | |
| Cash flows from operating activities | | |
| Receipts | | |
| Sales of goods and services | 35 089 577 | 27 255 434 |
| Rental from fixed assets | 242 087 | 159 994 |
| Licences or permits | 106 561 | 87 515 |
| Operational revenue | 593 899 | 562 671 |
| Transfers and Subsidies | 1 514 736 130 | 1 269 416 509 |
| Interest earned from investment | 15 873 965 | 6 765 524 |
| Fines and penalties | 664 899 | 152 521 |
| Payments | | |
| Payments to employees and councillors | (314 694 385) | (285 572 297) |
| Payments to suppliers for goods and services | (650 599 071) | (516 860 772) |
| Finance costs | 37 (6 291 179) | (260 856) |
| Net cash from(used) operating activities | 44 595 722 483 | 501 706 243 |
| Cash flows from investing activities | | |
| Receipts | | |
| Proceeds on disposal of fixed and intangible assets | 679 653 | 2 901 569 |
| Payments | | |
| Purchase of property, plant and equipment | (662 533 441) | (498 290 337) |
| Purchase of intangible assets | - | (51 267) |
| Net cash flows from investing activities | (661 853 788) | (495 440 035) |
| Cash flows from financing activities | | |
| Receipts | | |
| Increase in borrowings | 100 000 000 | - |
| Increase in finance lease | - | 692 199 |
| Payments | | |
| Decrease in borrowings | (2 740 448) | - |
| Decrease in finance lease | (1 483 996) | - |
| Net cash flows from financing activities | 95 775 556 | 692 199 |
| Net increase/(decrease) in cash | 29 644 251 | 6 958 407 |
| Cash and cash equivalents at year begin | 27 426 613 | 20 468 193 |
| Cash and Cash Equivalents at year end | 2 57 070 864 | 27 426 600 |

* See Note 57

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

| | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|--------------------|--------------------|------------------------------------|--|-----------|
| 2024 | | | | | | |
| Financial performance | | | | | | |
| Revenue by source | | | | | | |
| Exchange revenue | | | | | | |
| Service charges - Water | 51 532 000 | 1 986 068 | 53 518 068 | 58 876 864 | 5 358 796 | BD1 |
| Service charges - Waste Water Management | 16 406 000 | (809 462) | 15 596 538 | 16 024 006 | 427 468 | BD2 |
| Sale of goods and rendering of services | 1 000 500 | (245 711) | 754 789 | 760 201 | 5 412 | BD3 |
| Interest earned from receivables | 521 000 | 263 453 | 784 453 | 691 100 | (93 353) | BD4 |
| Interest earned from current and non current assets | 3 000 000 | 4 500 000 | 7 500 000 | 15 458 240 | 7 958 240 | BD5 |
| Rental from fixed assets | 500 000 | (41 820) | 458 180 | 558 834 | 100 654 | BD6 |
| Licence and permits | 60 000 | 43 218 | 103 218 | 106 561 | 3 343 | BD7 |
| Operational revenue | 369 000 | 73 216 | 442 216 | 593 899 | 151 683 | BD8 |
| | 73 388 500 | 5 768 962 | 79 157 462 | 93 069 705 | 13 912 243 | |
| Non-exchange revenue | | | | | | |
| Fines, penalties and forfeits | 1 000 000 | (146 551) | 853 449 | 875 061 | 21 612 | BD9 |
| Transfer and subsidies - Operational | 643 859 000 | 102 585 561 | 746 444 561 | 746 444 194 | (367) | BD10 |
| Gains on disposal of assets | - | - | - | 679 653 | 679 653 | BD11 |
| Other gains | - | - | - | 5 704 000 | 5 704 000 | |
| | 644 859 000 | 102 439 010 | 747 298 010 | 753 702 908 | 6 404 898 | |
| Total Revenue by source (excl. capital transfers and contributions) | 718 247 500 | 108 207 972 | 826 455 472 | 846 772 613 | 20 317 141 | |
| Expenditure | | | | | | |
| Employee costs | (290 728 149) | (10 413 783) | (301 141 932) | (315 068 195) | (13 926 263) | BD12 |
| Remuneration of councillors | (9 485 927) | (297 990) | (9 783 917) | (10 362 184) | (578 267) | BD13 |
| Inventory consumed | (42 130 000) | (4 695 640) | (46 825 640) | (45 329 982) | 1 495 658 | BD14 |
| Debt impairment | (10 000 002) | - | (10 000 002) | (30 812 251) | (20 812 249) | BD15 |
| Depreciation and amortisation | (90 000 004) | - | (90 000 004) | (114 268 905) | (24 268 901) | BD16 |
| Finance charges | (1 000 000) | - | (1 000 000) | (7 148 951) | (6 148 951) | BD17 |
| Contracted services | (128 719 368) | (145 373 039) | (274 092 407) | (370 958 210) | (96 865 803) | BD18 |
| Transfers and subsidies | (6 000 000) | 1 736 078 | (4 263 922) | (3 533 875) | 730 047 | BD19 |
| Irrecoverable debts written off | - | - | - | (8 134 277) | (8 134 277) | BD20 |
| Operational costs | (144 038 685) | (58 758 262) | (202 796 947) | (236 463 024) | (33 666 077) | BD21 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

| | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|----------------------|----------------------|------------------------------------|--|-----------|
| Losses on disposal of Assets | - | - | - | (505 720) | (505 720) | BD22 |
| Total Expenditure | (722 102 135) | (217 802 636) | (939 904 771) | (1 142 585 574) | (202 680 803) | |
| Deficit | (3 854 635) | (109 594 664) | (113 449 299) | (295 812 961) | (182 363 662) | |
| Transfers and subsidies - capital (monetary allocations) | 805 127 000 | (35 295 104) | 769 831 896 | 768 386 000 | (1 445 896) | BD23 |
| Transfers and subsidies - capital (in-kind) | - | - | - | 9 478 | 9 478 | BD24 |
| Surplus for the year | 801 272 365 | (144 889 768) | 656 382 597 | 472 582 517 | (183 800 080) | |

Financial position

Assets

Current assets

| | | | | | | |
|--|--------------------|----------------------|--------------------|--------------------|---------------------|------|
| Cash and cash equivalents | 345 287 704 | (253 189 322) | 92 098 382 | 57 070 896 | (35 027 486) | BD25 |
| Trade and other receivables from exchange transactions | 59 575 488 | (12 846 926) | 46 728 562 | 36 516 228 | (10 212 334) | BD26 |
| Receivables from non-exchange transactions | - | 7 109 325 | 7 109 325 | 5 696 264 | (1 413 061) | BD27 |
| Inventory | 2 556 478 | 267 942 | 2 824 420 | 3 965 972 | 1 141 552 | BD28 |
| VAT | 50 650 049 | 30 058 673 | 80 708 722 | 64 890 141 | (15 818 581) | BD29 |
| Other current assets | 22 422 124 | 3 265 921 | 25 688 045 | 29 541 253 | 3 853 208 | BD30 |
| Total current assets | 480 491 843 | (225 334 387) | 255 157 456 | 197 680 754 | (57 476 702) | |

Non-current assets

| | | | | | | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------|
| Property, plant and equipment | 6 247 523 379 | (585 045 072) | 5 662 478 307 | 5 521 477 597 | (141 000 710) | BD31 |
| Heritage assets | - | 7 816 633 | 7 816 633 | 7 816 633 | - | BD32 |
| Intangible assets | 1 448 | 50 380 | 51 828 | 27 945 | (23 883) | BD33 |
| Other non-current assets | - | - | - | 10 144 | 10 144 | |
| Total non-current assets | 6 247 524 827 | (577 178 059) | 5 670 346 768 | 5 529 332 319 | (141 014 449) | |
| Total assets | 6 728 016 670 | (802 512 446) | 5 925 504 224 | 5 727 013 073 | (198 491 151) | |

Liabilities

Current liabilities

| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|------|
| Financial liabilities | - | 1 483 991 | 1 483 991 | 18 788 808 | 17 304 817 | BD34 |
| Consumer deposits | 3 633 124 | (12 964) | 3 620 160 | 3 380 853 | (239 307) | BD35 |
| Trade and other payables from exchange transactions | 338 908 215 | 155 552 503 | 494 460 718 | 487 862 149 | (6 598 569) | BD36 |
| Trade and other payables from non-exchange transactions | - | - | - | 1 445 896 | 1 445 896 | BD37 |
| Provision | 2 378 000 | (224 000) | 2 154 000 | 34 192 639 | 32 038 639 | BD38 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

| | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|----------------------|----------------------|------------------------------------|--|-----------|
| VAT | 8 073 114 | (2 023 574) | 6 049 540 | 1 535 199 | (4 514 341) | BD39 |
| Other current liabilities | - | - | - | 747 000 | 747 000 | BD40 |
| Total current liabilities | 352 992 453 | 154 775 956 | 507 768 409 | 547 952 544 | 40 184 135 | |
| Non-current liabilities | | | | | | |
| Financial liabilities | 90 000 000 | 1 201 738 | 91 201 738 | 80 455 055 | (10 746 683) | BD41 |
| Long term portion of trade payables | - | - | - | 2 924 971 | 2 924 971 | BD42 |
| Other non-current liabilities | 38 340 000 | 2 769 000 | 41 109 000 | 44 070 000 | 2 961 000 | BD43 |
| Total non-current liabilities | 128 340 000 | 3 970 738 | 132 310 738 | 127 450 026 | (4 860 712) | |
| Total liabilities | 481 332 453 | 158 746 694 | 640 079 147 | 675 402 570 | 35 323 423 | |
| Net assets | 6 246 684 217 | (961 259 140) | 5 285 425 077 | 5 051 610 503 | (233 814 574) | |
| Community wealth/ Equity | | | | | | |
| Accumulated Surplus/(Deficit) | 6 246 684 217 | (962 333 186) | 5 284 351 031 | 5 051 610 489 | (232 740 542) | |
| Cash flow | | | | | | |
| Cash flow from operating activities | | | | | | |
| Receipts | | | | | | |
| Service charges | 51 641 655 | 1 356 766 | 52 998 421 | 35 089 577 | (17 908 844) | BD41 |
| Other revenue | 162 144 404 | 23 098 224 | 185 242 628 | 1 607 446 | (183 635 182) | BD42 |
| Transfers and Subsidies - Operational | 643 859 000 | 102 471 130 | 746 330 130 | 746 350 130 | 20 000 | BD43 |
| Transfers and Subsidies - Capital | 805 127 000 | (36 741 000) | 768 386 000 | 768 386 000 | - | BD44 |
| Interest | 3 000 000 | 4 500 000 | 7 500 000 | 15 873 965 | 8 373 965 | BD45 |
| | 1 665 772 059 | 94 685 120 | 1 760 457 179 | 1 567 307 118 | (193 150 061) | |
| Payments | | | | | | |
| Suppliers and employees | (672 640 343) | (99 869 747) | (772 510 090) | (965 293 456) | (192 783 366) | BD46 |
| Finance charges | - | - | - | (6 291 179) | (6 291 179) | BD47 |
| | (672 640 343) | (99 869 747) | (772 510 090) | (971 584 635) | (199 074 545) | |
| Net cash from/(used) operating activities | 993 131 716 | (5 184 627) | 987 947 089 | 595 722 483 | (392 224 606) | |
| Cash flow from investing activities | | | | | | |
| Receipts | | | | | | |
| Proceeds on disposal of PPE | - | - | - | 679 652 | 679 652 | BD48 |
| Payments | | | | | | |
| Capital assets | (789 966 960) | 29 915 958 | (760 051 002) | (662 533 441) | 97 517 561 | BD49 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

| | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|-------------------|----------------------|------------------------------------|--|-----------|
| Net cash from/(used) investing activities | (789 966 960) | 29 915 958 | (760 051 002) | (661 853 789) | 98 197 213 | |
| Cash flow from financing activities | | | | | | |
| Receipts | | | | | | |
| Borrowing long term/refinancing | 100 000 000 | - | 100 000 000 | 100 000 000 | - | BD50 |
| Payments | | | | | | |
| Repayment of borrowing | (10 000 000) | - | (10 000 000) | (4 224 444) | 5 775 556 | BD51 |
| Net cash from/(used) financing activities | 90 000 000 | - | 90 000 000 | 95 775 556 | 5 775 556 | |
| Net Increase/(Decrease) in cash held | 293 164 756 | 24 731 331 | 317 896 087 | 29 644 250 | (288 251 837) | |
| Cash/cash equivalents at the year begin: | 173 116 990 | (145 690 377) | 27 426 613 | 27 426 613 | - | BD52 |
| Cash/cash equivalents at the year end: | 466 281 746 | (120 959 046) | 345 322 700 | 57 070 863 | (288 251 837) | BD53 |

Commentary

Refer to note 55 for budget variance explanations.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

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

1. Summary of significant accounting policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest Rand.

1.2 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.2.1 Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Lease classification – municipality as lessor

The municipality has entered into lease agreements to rent a small portion of its administration building. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Determination of repairs and maintenance cost

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.2 Significant judgements and estimates (continued)

Componentisation of infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

1.2.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Post-retirement benefits and Other long term obligations

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

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

Other key assumptions for pension obligations are based on current market conditions.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of financial assets

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.2 Significant judgements and estimates (continued)

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

The Accounting Policies on impairment of cash and non-cash generating assets as well as inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-cash generating assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Non-Cash Generating Assets

The Municipality considers its objective of using an asset to designate non-cash generating assets. Those assets that are not used in the objective of generating a commercial return but to deliver services are designated as non-cash generating assets

1.3 Going concern assumption

These annual financial statements were prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The Municipality considers its objective of using an asset to designate non-cash generating assets. Those assets that are not used in the objective of generating a commercial return but to deliver services are designated as non-cash generating assets

1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and Correction of prior period errors are disclosed in the notes to the annual financial statements where applicable.

1.7 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 municipality elected the cost model for Property, plant and equipment.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if

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

Initial recognition and measurement

Property, plant and equipment are initially recognised at amortised cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

Subsequent measurement - cost mode

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Property, plant and equipment (continued)

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use after taking into account the assets' residual value where applicable

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

| Item | Depreciation method | Average useful life |
|--------------------------------|---------------------|---------------------|
| Land | Straight-line | indefinite |
| Machinery and equipment | Straight-line | |
| • Emergency equipment | | 10-30 years |
| • Office equipment | | 3-25 years |
| Furniture and office equipment | Straight-line | |
| • Furniture and fittings | | 3-5 years |
| Transport assets | Straight-line | |
| • Specialist vehicles | | 4-15 years |
| • Other vehicles | | 4-15 years |
| Computer equipment | Straight-line | |
| • Computer equipment | | 5-23 |
| • Computer equipment | | 3-11 years |
| Community assets | Straight-line | |
| • Buildings | | 15-70 years |
| • Recreational Facilities | | 15-70 years |
| Sanitation infrastructure | Straight-line | |
| Water supply infrastructure | Straight-line | |
| • Office equipment | | 7-70 years |
| • Computer equipment | | 5 years |
| • Computer equipment | | 5 years |
| Buildings | 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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

Effective interest rate

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

1.8 Heritage assets

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

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

Initial recognition and measurement

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations. A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Heritage asset is initially measured at cost at the date of acquisition or in the case where a heritage asset is acquired through a non-exchange transaction (i.e. donation or grant) at deemed cost, being the fair value of the asset at acquisition date.

The cost of a heritage asset is a purchase price and other costs directly attributable to bring the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management of the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes attributable costs of dismantling and removing the asset and restoring the site on which the asset is located.

Where there is no evidence to determine the market value of an item of heritage asset in an active market, a valuation technique is used to determine the fair value.

Subsequent measurement

The municipality uses the cost model to value each class of heritage asset. Subsequent expenditure relating to heritage assets is capitalised if that expenditure meets all the requirement of heritage asset and can be measured reliable. Subsequent expenditure is only capitalised when that expenditure increases the level of benefit from present and future generation.

Heritage assets are not depreciated; however, the municipality assesses impairment to all heritage assets at each reporting date.

Derecognition

The carrying amount of an item of heritage asset is de-recognised on disposal or when no future economic benefit or service potential or for the benefit of present and future generations.

The gains or losses derived from de-recognition is recognised in the surplus or deficit when the heritage asset is de-recognised

Gains and losses are determined as the difference between the carrying amount (cost less accumulated depreciation and impairment) and the disposal proceeds and included in the Statement of Financial Performance.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its Statement of Financial Position only 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 amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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.

Subsequent measurement - Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

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

| Item | Depreciation method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer software | Straight-line | 5 - 7 years |

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10 Inventory

Initial recognition

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

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

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

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

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

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Inventory (continued)

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Subsequent measurement

Inventories, consisting of consumable stores, materials and water, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.11 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

1.11.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Financial instruments (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

| Type of financial asset | Classification in terms of GRAP 104 |
|---------------------------|-------------------------------------|
| Cash and cash equivalents | Financial assets at amortised cost |
| Accounts receivable | Financial assets at amortised cost |

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

| Type of financial liability | Classification in terms of GRAP 104 |
|--|---------------------------------------|
| Long-term liabilities | Financial liability at amortised cost |
| Current portion of long-term liabilities | Financial liability at amortised cost |
| Accounts payables | Financial liability at amortised cost |

1.11.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instrument is recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Financial instruments (continued)

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial Liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.11.3 Impairment of financial assets

All financial assets measured at amortised cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

Consumer debtors

Consumer debtors are assessed individually thereafter collectively considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

All financial assets measured at amortised cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

All financial assets measured at amortised cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired..

1.11.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Financial instruments (continued)

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange transaction, are accounted for in accordance with GRAP 23.

1.11.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.12 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.13 Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 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 excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.17 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.

Entity as lessee - operating leases

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.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent is expensed in the period in which they are incurred.

Entity as lessor - operating leases

Operating lease revenue is recognised as revenue 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.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.18 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Contingent assets and contingent liabilities (continued)

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.19 Revenue

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

Recognition and measurement

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

1.19.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system.

Interest revenue is recognised on a time proportion basis, Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Revenue (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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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 buyer 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.

1.19.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines in the form of meter tampering fines. Fines are recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Revenue (continued)

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Transfers and subsidies

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.

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

Revenue recognition of forfeited retention

Retention forfeited is recognised as revenue in the statement of financial performance.

Retention forfeit is recognised when service provider does not meet the retention release conditions.

1.20 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset or expense is recognised.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.22 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Leave pay

Leave pay is recognised in the statement of financial performance for leave days accumulated, and recognised as a provision in the statement of financial position.

Bonus provisions

bonus provision is recognised in the statement of financial performance for months accumulated towards the 12 month cycle, and recognised as a provision in the statement of financial position.

Post-employment benefits: Defined contribution plans

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

Post-retirement health care benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits for current employees of the municipality. According to the municipality, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Interest costs are recognised immediately in the Statement of Financial Performance.

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 Employee benefits (continued)

Pension obligations

The Municipality's personnel are members of either the Government Employees Pension Fund (GEPF) or one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. Except for the NJMPF Provident fund, the aforementioned funds are defined benefit funds. As these defined benefit funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific employer and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution funds.

Municipal Councillors

Councillors belong to the Councillors Pension Fund which is a defined contribution fund and employers have no legal or constructive obligation for any shortfalls in valuation of the fund.

1.23 Value Added Tax

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors

VAT is a statutory receivable in terms of the VAT act, levied at 15% on qualifying payments and receipts.

Input VAT accrual and input VAT (General and Capital) are recognised when expenditure is incurred and when cash payments are made, respectively.

Output VAT accrual is recognised when revenue is billed. Output VAT (payable to SARS) is recognised once payment is received from debtors or when cash receipts are recorded. Output VAT impairment is recognised when debtors are impaired. Output VAT accrual and Output VAT impairment are treated as a financial instrument in terms of GRAP 104.

Statutory receivables/payables are recognised when VAT201 submission has been made to SARS.

1.24 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Explanatory comments on material differences are provided in a separate budget statement in the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over or under spending in line items. The changes between the approved and final budget are a consequence of reallocations within the approved budget by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

The approved budget is classified by economic nature per items on the same basis as adopted in the financial statements.

1.25 Commitments

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Commitments are disclosed inclusive of VAT.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.26 Non-cash-generating assets

The municipality holds Non-Cash-Generating Assets that are used for service delivery purposes. All assets that are used for service delivery purposes are categorised as Non-cash-generating assets. GRAP is used to determine impairment of Non-Cash-Generating assets. Impairment loss is the amount the carrying value exceeds recoverable service amount of an asset. Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

The municipality determines present value of the remaining service potential of non-generating assets (value in use) through depreciated replacement cost model.

1.27 Impairment of cash-generating assets

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

All cash generating assets are measured at amortised cost, or cost, these assets are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a cash generating asset or group of cash generating assets is impaired.

Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

1.28 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

1.29 Segment information

A segment is an activity of an entity:

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

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

Segmental information was based and identified on the MFMA S71 monthly budget statement/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports is organised around the type of service delivered, in a standardised format, namely the C2 schedule.

The municipality manages its assets and liability as a whole and is not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Segment information (continued)

Measurement

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

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

1.30 Related parties and related party transactions

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements

1.31 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.31 Events after reporting date (continued)

- 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.

1.32 Transfers and subsidies paid

The municipality transfers monetary or in-kind benefits to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.33 New standards and interpretations

1.33.1 Standards, amendments to standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:

| | Effective date: Years beginning on or after | Expected impact: |
|--|---|---|
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | The impact of the interpretation is not material. |
| • GRAP 25 (as revised): Employee Benefits | 01 April 2023 | The impact of the interpretation is not material. |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | 01 April 2023 | The impact of the interpretation is not material. |
| • GRAP 2020: Improvements to the Standards of GRAP 2020 | 01 April 2023 | The impact of the interpretation is not material. |
| • Guideline: Guideline on Accounting for Landfill Sites | 01 April 2023 | The impact of the interpretation is not material. |
| • GRAP 1 (amended): Presentation of Financial Statements (Materiality) | 01 April 2023 | The impact of the interpretation is not material. |

1.1 Standards, amendments to standards and interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:

| Effective date: Years beginning on or after | Expected impact: |
|---|------------------|
|---|------------------|

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.33 New standards and interpretations (continued)

- | | | |
|--|---------------|--|
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | The impact of the amendment is not material. |
|--|---------------|--|

1.33.2 Standards, amendments to standards and interpretations issued, but not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:

Effective date:
Years beginning on or after

Expected impact:

- | | | |
|---|------------------------|--|
| • GRAP 2023: Improvements to the Standards of GRAP 2023 | Still to be determined | Unlikely there will be a material impact |
|---|------------------------|--|

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|-------------------|-------------------|
| 2. Cash and cash equivalents | | |
| 2.1 Cash and cash equivalents | | |
| Cash and cash equivalents consist of the following: | | |
| Cash at bank | | |
| Bank account | 57 070 095 | 27 425 813 |
| Cash on hand | 800 | 800 |
| Total cash and cash equivalents | 57 070 895 | 27 426 613 |

For the purposes of the Cash flow statement, bank balances, cash and cash equivalents include cash-on-hand, cash in banks.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of bank balances, cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

2.2 Bank accounts

The municipality has the following bank accounts:

| | | | |
|--|---|-------------------|-------------------|
| ABSA Bank Limited (Primary bank account) | Cheque Account - Account Number 404- 716-2045 | 54 738 471 | 27 075 408 |
| ABSA Bank Limited (National skills fund grant) | Cheque Account - Account Number 937- 555-1092 | 2 331 624 | 350 405 |
| Total | | 57 070 095 | 27 425 813 |

2.3 Difference between cash book and bank statement

2024

| | Cash book | Bank statement |
|--|-------------------|-------------------|
| ABSA Bank Limited (Primary bank account) | 54 738 471 | 54 738 471 |
| ABSA Bank Limited (National skills fund grant) | 2 331 624 | 2 331 624 |
| | 57 070 095 | 57 070 095 |

2023

| | Cash book | Bank statement |
|--|-------------------|-------------------|
| ABSA Bank Limited (Primary bank account) | 27 075 408 | 27 075 408 |
| ABSA Bank Limited (National skills fund grant) | 350 405 | 350 405 |
| | 27 425 813 | 27 425 813 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | | 2024 | 2023 |
|---|-----|-------------------|-----------------------|
| 2. Cash and cash equivalents (continued) | | | |
| 2022 | | | |
| | | Cash book | Bank statement |
| ABSA Bank Limited (Primary bank account) | | 20 057 448 | 20 057 448 |
| ABSA Bank Limited (National skills fund grant) | | - | - |
| | | 20 057 448 | 20 057 448 |
| 3. Trade and other receivables from exchange transactions | | | |
| Trade service and consumer service debtors | 3.1 | | |
| Waste water management | | 1 278 952 | 1 022 268 |
| Water | | 4 934 065 | 3 474 184 |
| Service charges | | 6 672 | 38 016 |
| | | 6 219 689 | 4 534 468 |
| Other receivables from exchange transactions | 3.2 | | |
| Prepayments and advances | | 30 289 333 | 1 883 125 |
| Property rental debtors | | 7 206 | 24 315 |
| | | 30 296 539 | 1 907 440 |
| Total trade and other receivables from exchange transactions | | 36 516 228 | 6 441 908 |

3.1 Consumer receivables

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance of businesses only. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

consumer receivables are recognised as financial instruments since the customer willingly enters into a contractual agreement with the municipality for the supply of services. The transaction arises as a result of billed revenue for the use of water and sewer services.

consumer receivables are recognised as financial instruments since the customer willingly enters into a contractual agreement with the municipality for the supply of services. The transaction arises as a result of billed revenue for the use of water and sewer services.

| | 2024 | | | 2023 | | |
|--|--------------------|----------------------|------------------|--------------------|----------------------|------------------|
| | Gross | Impairment | Total | Gross | Impairment | Total |
| Consumer receivables from exchange transactions | | | | | | |
| Waste water management | 47 490 769 | (46 211 817) | 1 278 952 | 42 794 360 | (41 772 092) | 1 022 268 |
| Water | 185 794 917 | (180 860 852) | 4 934 065 | 152 780 376 | (149 306 192) | 3 474 184 |
| Service charges | 284 205 | (277 533) | 6 672 | 53 786 | (15 770) | 38 016 |
| Total consumer receivables from exchange transactions | 233 569 891 | (227 350 202) | 6 219 689 | 195 628 522 | (191 094 054) | 4 534 468 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.1.1 Ageing of consumer receivables

2024

| | Not due | | | Past due | | | |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| | Total | Current | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Consumer receivables from exchange transactions | | | | | | | |
| Total by debt type | | | | | | | |
| Waste water management | 47 490 769 | 1 547 093 | 1 021 055 | 880 688 | 898 664 | 852 642 | 42 290 627 |
| Water | 185 794 917 | 7 557 483 | 4 868 071 | 4 294 216 | 3 864 258 | 4 210 097 | 161 000 792 |
| Service charges | 284 205 | 5 975 | 261 567 | 1 920 | 240 | - | 14 503 |
| Total by debt type | 233 569 891 | 9 110 551 | 6 150 693 | 5 176 824 | 4 763 162 | 5 062 739 | 203 305 922 |
| Aging per customer group | | | | | | | |
| Organs of state | 26 685 496 | 4 037 568 | 1 380 270 | 1 060 198 | 1 107 613 | 1 125 905 | 17 973 942 |
| Commercial customers | 17 207 435 | 1 129 838 | 773 666 | 523 423 | 595 116 | 727 140 | 13 458 252 |
| Households | 189 676 960 | 3 943 145 | 3 996 757 | 3 593 203 | 3 060 433 | 3 209 694 | 171 873 728 |
| Total by customer group | 233 569 891 | 9 110 551 | 6 150 693 | 5 176 824 | 4 763 162 | 5 062 739 | 203 305 922 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

2023

| | Total | Not due | | | Past due | | |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| | | Current | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Consumer receivables from exchange transactions | | | | | | | |
| Total by debt type | | | | | | | |
| Waste water management | 42 794 360 | 1 106 962 | 818 931 | 794 553 | 746 365 | 772 426 | 38 555 123 |
| Water | 152 780 376 | 4 270 629 | 2 753 443 | 2 707 584 | 2 529 405 | 3 085 588 | 137 433 727 |
| Service charges | 53 786 | 8 311 | 224 | 107 | 191 | 161 | 44 792 |
| Total by debt type | 195 628 522 | 5 385 902 | 3 572 598 | 3 502 244 | 3 275 961 | 3 858 175 | 176 033 642 |
| Aging per customer group | | | | | | | |
| Organs of state | 16 455 994 | 1 564 772 | 814 811 | 895 973 | 647 464 | 773 331 | 11 759 643 |
| Commercial customers | 13 792 321 | 763 074 | 575 490 | 401 199 | 408 666 | 447 645 | 11 196 247 |
| Households | 165 380 207 | 3 058 056 | 2 182 297 | 2 205 072 | 2 219 831 | 2 637 199 | 153 077 752 |
| Total by customer group | 195 628 522 | 5 385 902 | 3 572 598 | 3 502 244 | 3 275 961 | 3 858 175 | 176 033 642 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.1.2 Impairment reconciliation of consumer receivables

| | 2024 | | | 2023 | | |
|--|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
| | Opening balance | Impairment raised | Closing balance | Opening balance | Impairment raised | Closing balance |
| Consumer receivables from exchange transactions | | | | | | |
| Waste water management | (41 772 092) | (4 439 725) | (46 211 817) | (32 709 633) | (9 062 459) | (41 772 092) |
| Water | (149 306 192) | (31 554 660) | (180 860 852) | (105 892 521) | (43 413 671) | (149 306 192) |
| Service charges | (15 770) | (261 763) | (277 533) | (11 996) | (3 774) | (15 770) |
| Total consumer receivables | (191 094 054) | (36 256 148) | (227 350 202) | (138 614 150) | (52 479 904) | (191 094 054) |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.1.3 Ageing of impaired consumer receivables

2024

| | Total | Not due | | | Past due | | |
|--|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| | | Current | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Consumer receivables from exchange transactions | | | | | | | |
| Aging by debt type | | | | | | | |
| Waste water management | (46 211 817) | (1 055 490) | (894 899) | (804 527) | (830 978) | (801 806) | (41 824 117) |
| Water | (180 860 852) | (5 105 890) | (4 269 311) | (3 946 233) | (3 590 818) | (4 011 137) | (159 937 463) |
| Service charges | (277 533) | - | (261 084) | (1 796) | (226) | - | (14 427) |
| Total by debt type | (227 350 202) | (6 161 380) | (5 425 294) | (4 752 556) | (4 422 022) | (4 812 943) | (201 776 007) |
| Aging per customer group | | | | | | | |
| Organs of state | (23 767 607) | (2 293 249) | (1 108 705) | (896 782) | (958 141) | (1 009 316) | (17 501 414) |
| Commercial customers | (15 980 016) | (515 737) | (552 645) | (428 076) | (522 982) | (674 116) | (13 286 460) |
| Households | (187 602 579) | (3 352 394) | (3 763 944) | (3 427 698) | (2 940 899) | (3 129 511) | (170 988 133) |
| Total by customer group | (227 350 202) | (6 161 380) | (5 425 294) | (4 752 556) | (4 422 022) | (4 812 943) | (201 776 007) |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

2023

| | Total | Not due | | | Past due | | |
|--|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| | | Current | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Consumer receivables from exchange transactions | | | | | | | |
| Aging by debt type | | | | | | | |
| Waste water management | (41 772 092) | (691 477) | (683 421) | (717 627) | (682 074) | (708 645) | (38 288 848) |
| Water | (149 306 192) | (2 655 814) | (2 097 560) | (2 467 725) | (2 349 892) | (2 910 097) | (136 825 104) |
| Service charges | (15 770) | (91) | (71) | (104) | (140) | (112) | (15 252) |
| Total by debt type | (191 094 054) | (3 347 382) | (2 781 052) | (3 185 456) | (3 032 106) | (3 618 854) | (175 129 204) |
| Aging per customer group | | | | | | | |
| Organs of state | (14 649 507) | (599 414) | (571 736) | (739 117) | (528 802) | (622 789) | (11 587 649) |
| Commercial customers | (12 753 022) | (307 304) | (303 980) | (344 923) | (365 733) | (421 443) | (11 009 639) |
| Households | (163 691 525) | (2 440 664) | (1 905 336) | (2 101 416) | (2 137 571) | (2 574 621) | (152 531 917) |
| Total by customer group | (191 094 054) | (3 347 382) | (2 781 052) | (3 185 456) | (3 032 106) | (3 618 853) | (175 129 205) |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

3. Trade and other receivables from exchange transactions (continued)

The impairment provision was calculated after individually assessing consumer receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of consumer debtors.

In determining the recoverability of a consumer receivables, the municipality considers any change in the credit quality of the consumer receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Included in the Allowance for Doubtful Debts are individually impaired consumer receivables. The impairment recognised represents the difference between the carrying amount of these consumer receivables and the present value of the recoverable amount. The municipality holds no collateral over these balances.

Category O - Debtors with credit balance. These are not financial assets and will not be considered for impairment assessment. Category A - Debtors with only current balances. There are no indicators of impairment and as such not to be impaired.

Category B - Debtors that are paying but not enough to clear their balance to at least current but enough to the amount paid is more than opening balance.

Category C - Debtors paying below their opening and debtors without payment at all in the year.

3.1.4 Consumer debt past due not impaired

2024

| | Total | 30 days | 60 days | 90 days | 120 days | 120+ days |
|--|------------------|----------------|----------------|----------------|----------------|------------------|
| Consumer receivables from exchange transactions | | | | | | |
| Waste water management | 785 551 | 125 529 | 75 994 | 66 683 | 50 836 | 466 509 |
| Water | 2 211 134 | 513 717 | 294 008 | 240 040 | 177 998 | 985 371 |
| Service charges | 696 | 483 | 124 | 14 | - | 75 |
| Total consumer receivables | 2 997 381 | 639 729 | 370 126 | 306 737 | 228 834 | 1 451 955 |

2023

| | Total | 30 days | 60 days | 90 days | 120 days | 120+ days |
|--|------------------|----------------|----------------|----------------|----------------|----------------|
| Consumer receivables from exchange transactions | | | | | | |
| Waste water management | 540 978 | 71 893 | 76 329 | 63 706 | 63 309 | 265 741 |
| Water | 1 321 251 | 180 616 | 230 551 | 174 561 | 172 199 | 563 324 |
| Service charges | 147 | 6 | 3 | 52 | 49 | 37 |
| Total consumer receivables | 1 862 376 | 252 515 | 306 883 | 238 319 | 235 557 | 829 102 |

3.1.5 Consumer receivables pledged as security

There are no debtors pledged as security.

3.1.6 Credit quality of consumer receivables

Based on historical information, the debtors that are past due nor impaired do pay within a period of 12 months.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

3. Trade and other receivables from exchange transactions (continued)

3.2 Other receivables

| | 2024 | | | 2023 | | |
|---|-------------------|------------------|-------------------|------------------|--------------------|------------------|
| | Gross | Impairment | Total | Gross | Impairment | Total |
| Other receivables from exchange transactions | | | | | | |
| Prepayments and advances | 30 289 333 | - | 30 289 333 | 2 946 019 | (1 062 894) | 1 883 125 |
| Property rental debtors | 325 693 | (318 487) | 7 206 | 65 165 | (40 850) | 24 315 |
| Total | 30 615 026 | (318 487) | 30 296 539 | 3 011 184 | (1 103 744) | 1 907 440 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.2.1 Ageing of other receivables from exchange transactions

2024

| | Total | Not due | | | Past due | | |
|---|-------------------|---------------|---------------|---------------|----------------|---------------|-------------------|
| | | Current | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Other receivables from exchange transactions | | | | | | | |
| Prepayments and advances | 30 289 333 | - | - | - | - | - | 30 289 333 |
| Property rental debtors | 325 693 | 47 100 | 18 231 | 18 159 | 112 502 | 11 059 | 118 642 |
| Total | 30 615 026 | 47 100 | 18 231 | 18 159 | 112 502 | 11 059 | 30 407 975 |

2023

| | Total | Not due | | | Past due | | |
|---|------------------|------------------|--------------|--------------|--------------|--------------|---------------|
| | | Current | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Other receivables from exchange transactions | | | | | | | |
| Prepayments and advances | 2 946 019 | 2 946 019 | - | - | - | - | - |
| Property rental debtors | 65 165 | 9 395 | 9 423 | 9 442 | 9 302 | 9 302 | 18 301 |
| Total | 3 011 184 | 2 955 414 | 9 423 | 9 442 | 9 302 | 9 302 | 18 301 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.2.2 Impairment reconciliation of other receivables from exchange transactions

| | 2024 | | | 2023 | | |
|---|--------------------|-------------------|--|------------------|--------------------|--------------------|
| | Opening balance | Impairment raised | Impairment reversed / debt written off | Closing balance | Impairment raised | Closing balance |
| Other receivables from exchange transactions | | | | | | |
| Prepayments and advances | (1 062 894) | - | 1 062 894 | - | (1 062 894) | (1 062 894) |
| Property rental debtors | (40 850) | (277 637) | - | (318 487) | (40 850) | (40 850) |
| Total | (1 103 744) | (277 637) | 1 062 894 | (318 487) | (1 103 744) | (1 103 744) |

3.2.3 Ageing of other impaired receivables from exchange transactions

2024

| | Total | Not due | | | Past due | | |
|---|------------------|----------|----------|----------|-----------|----------|-----------|
| | | Current | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Other receivables from exchange transactions | | | | | | | |
| Property rental debtors | (318 487) | (47 100) | (18 231) | (18 159) | (112 502) | (11 059) | (111 436) |

2023

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

| | Total | Not due | | | Past due | | |
|---|--------------------|--------------------|----------------|----------------|----------------|----------------|----------------|
| | | Current | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Other receivables from exchange transactions | | | | | | | |
| Prepayments and advances | (1 062 894) | (1 062 894) | - | - | - | - | - |
| Property rental debtors | (40 850) | (5 312) | (5 341) | (5 360) | (5 220) | (5 220) | (14 397) |
| Total | (1 103 744) | (1 068 206) | (5 341) | (5 360) | (5 220) | (5 220) | (5 220) |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

3. Trade and other receivables from exchange transactions (continued)

3.2.4 Other receivables from exchange transactions past due not impaired

2024

| | Past due | |
|---|----------|-----------|
| | Total | 120+ days |
| Other receivables from exchange transactions | | |
| Property rental debtors | 7 791 | 7 791 |

2023

| | Past due | | | | | |
|---|----------|---------|---------|---------|----------|-----------|
| | Total | 30 days | 60 days | 90 days | 120 days | 120+ days |
| Other receivables from exchange transactions | | | | | | |
| Property rental debtors | 20 231 | 4 082 | 4 082 | 4 082 | 4 082 | 3 903 |

3.2.5 Other receivables from exchange transactions pledged as security

There are no debtors pledged as security.

3.2.6 Credit quality of other receivables from exchange transactions

Based on historical information, the debtors that are past due nor impaired do pay within a period of 12 months.

Based on historical information, the debtors under other receivables from exchange transactions are accrual in nature and are reversed in line with accrual accounting at the beginning of the financial year.

4. Receivables from non-exchange transactions

| | | | |
|------------------------------------|-----|-------------------|-------------------|
| Other receivables | 4.1 | | |
| Accrued income | | - | 131 103 |
| Unauthorised Expenditure | | - | 2 717 840 |
| Irregular Expenditure | | 3 966 450 | 3 966 450 |
| Fruitless and Wasteful Expenditure | | 1 729 814 | 4 223 482 |
| Other debtors | | 10 129 154 | 7 343 441 |
| | | 15 825 418 | 18 382 316 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

4. Receivables from non-exchange transactions (continued)

4.1 Receivables from non-exchange transactions

| | 2024 | | | 2023 | | |
|------------------------------------|-------------------|------------|-------------------|-------------------|------------|-------------------|
| | Gross | Impairment | Total | Gross | Impairment | Total |
| Other receivables | | | | | | |
| Accrued income | - | - | - | 131 103 | - | 131 103 |
| Unauthorised | - | - | - | 2 717 840 | - | 2 717 840 |
| Expenditure | | | | | | |
| Irregular Expenditure | 3 966 450 | - | 3 966 450 | 3 966 450 | - | 3 966 450 |
| Fruitless and Wasteful Expenditure | 1 729 814 | - | 1 729 814 | 4 223 482 | - | 4 223 482 |
| Other debtors | 10 129 154 | - | 10 129 154 | 7 343 441 | - | 7 343 441 |
| | 15 825 418 | - | 15 825 418 | 18 382 316 | - | 18 382 316 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from non-exchange transactions (continued)

4.1.1 Impairment reconciliation of receivables from non-exchange transactions

| | 2024 | | | | 2023 | | | |
|------------------------------------|-----------------|-------------------|--|-----------------|-----------------|-------------------|--|------------------|
| | Opening balance | Impairment raised | Impairment reversed / debt written off | Closing balance | Opening balance | Impairment raised | Impairment reversed / debt written off | Closing balance |
| Other receivables | | | | | | | | |
| Unauthorised Expenditure | | | | | | | (2 717 840) | 2 717 840 |
| Fruitless and Wasteful Expenditure | | | | | | | (1 987 365) | 1 987 365 |
| | | | | | | | (4 705 205) | 4 705 205 |

No impairment has been recognised in the current year due to the nature of these debtors.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|-------------------|-------------------|
| 4. Receivables from non-exchange transactions (continued) | | |
| 4.1.2 Other receivables from non-exchange transactions pledged as security | | |
| There are no debtors pledged as security. | | |
| 4.1.3 Credit quality of other receivables from non-exchange transactions | | |
| Based on historical information, the debtors that are past due nor impaired do pay within a period of 12 months. | | |
| Receivables from non exchange transactions - Other debtors listing | | |
| Debtor: Department of Water and Sanitation | - | 2 717 840 |
| Debtor: Abaqulusi Municipality | 1 239 361 | 1 266 921 |
| Debtor: Ulundi Municipality | 653 676 | 1 303 907 |
| Debtor: Nongoma Municipality | 1 314 042 | 1 333 792 |
| Debtor: eDumbe Municipality | 385 285 | 583 864 |
| Debtor: Upongola Municipality | 248 021 | 1 054 521 |
| Debtor: Enduneni Constructors | - | 783 423 |
| Debtor: World Focus | - | 284 241 |
| Debtor: Amanzi Ichweba | - | 1 431 988 |
| Debtor: BP Drakensburg | - | 136 888 |
| Debtor: Tracker - Rand Machant | - | 134 248 |
| Debtor: Lindani Catering | - | 1 950 |
| Debtor: Nsakazi | 279 070 | - |
| Debtor: KwaZulu-Natal Amafa and Research Institute | - | 20 000 |
| Debtor: Sizolwenkosi | 116 841 | 116 841 |
| Debtor: Employee cost in advance | 35 644 | 53 991 |
| Debtor: Accrued Interest | 295 470 | 711 195 |
| Debtor: Accrued Income | - | 111 103 |
| Debtor: Dlamini Ndlovu | 1 333 903 | 1 333 903 |
| Debtor: Debit orders Absa | 1 126 408 | 1 035 250 |
| Debtor: Debit orders FNB | 4 831 247 | - |
| Debtor: Irregular expenditure | 3 966 450 | 3 966 450 |
| | 15 825 418 | 18 382 316 |

5. Deposits

| | | |
|----------|------------|------------|
| Deposits | 19 406 873 | 18 178 536 |
|----------|------------|------------|

The municipality recognises deposits as current assets when the deposit is paid. Deposits are recognised as an asset as the municipality is entitled to the money once the deposit holder or the municipality has closed the account. As timing of when a deposit holder or the municipality will close the account is unknown, the deposits are classified as a current assets.

Deposits paid are for Eskom and Attorneys.

6. VAT Receivable

| | | |
|-----------------------|-------------------|-------------------|
| Input VAT accrual | 47 060 742 | 50 369 860 |
| Input VAT receivable | 14 566 235 | 4 874 741 |
| Statutory receivables | 2 564 383 | 27 524 833 |
| Total | 64 191 360 | 82 769 434 |

The prior year comparatives have been restated, please refer to note 57 for more detail information.

The VAT 201 return for May 2023 and June 2023 were outstanding at 30 June 2023 amounting to R27 524 833.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|------------------|------------------|
| 6. VAT Receivable (continued) | | |
| The VAT 201 return for June 2024 was outstanding at 30 June 2024 amounting to R2 564 383. | | |
| 7. Inventories | | |
| Consumables | 2 570 009 | 1 204 839 |
| Water | 1 395 963 | 1 631 243 |
| Total Inventories | 3 965 972 | 2 836 082 |
| Consumables | | |
| Opening Balance | 1 204 838 | 1 529 252 |
| Acquisitions | 12 471 238 | 9 289 159 |
| Issues | (11 106 067) | (9 304 560) |
| Adjustments | - | (173 906) |
| Write-offs | - | (135 106) |
| | 2 570 009 | 1 204 839 |
| Water | | |
| Opening balance | 1 631 243 | 1 027 227 |
| Acquisitions | 37 475 885 | 44 630 424 |
| Issues | (37 711 165) | (44 026 408) |
| | 1 395 963 | 1 631 243 |

Refer to note 34 for inventory consumed and recognised as expense.

7.1 Inventory pledged as security

There was no inventory pledged as security.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---------------|----------|--|--|--|-----------------------|-------|---|-----------------------------|--------|---|-------------------------------------|---------------|----------|--|--|--|-----------------------|-------|---|-----------------------------|--------|---|--------------|---------------|----------|
| 8. Operating lease receivable | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating lease | 5 225 | - | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>The municipality leases out some of its office space to three tenants, two of the tenants have a fixed escalation, and one has an escalation linked to CPI.</p> <p>The first tenant has an escalation of 10% annually at anniversary date, the lease term is for a period on 36 months, from 01 October 2022 to 30 September 2025.</p> <p>The second tenant has an escalation of 7% annually at anniversary date, the lease term is for a period of 36 months, from 01 August 2023 to 31 July 2026.</p> <p>The third tenant has an escalation linked to CPI annually at anniversary date, the lease term is for a period of 36 months, from 01 July 2023 to 30 June 2026.</p> <p>No contingent rent is receivable.</p> <p>The operating lease asset resulted from straightlining.</p> <p>The municipality as lessee</p> <p>The receivables under operating leases are as follow:</p> <table><tbody><tr><td>Total future minimum lease payments</td><td></td><td></td></tr><tr><td>Payable within 1 year</td><td style="text-align: right;">5 225</td><td style="text-align: right;">-</td></tr><tr><td>Payable within 2 to 5 years</td><td style="text-align: right;">10 144</td><td style="text-align: right;">-</td></tr><tr><td>Total minimum lease payments</td><td style="text-align: right;">15 369</td><td style="text-align: right;">-</td></tr><tr><td>Present value of minimum lease payments</td><td></td><td></td></tr><tr><td>Payable within 1 year</td><td style="text-align: right;">5 225</td><td style="text-align: right;">-</td></tr><tr><td>Payable within 2 to 5 years</td><td style="text-align: right;">10 144</td><td style="text-align: right;">-</td></tr><tr><td>Total</td><td style="text-align: right;">15 369</td><td style="text-align: right;">-</td></tr></tbody></table> | | | Total future minimum lease payments | | | Payable within 1 year | 5 225 | - | Payable within 2 to 5 years | 10 144 | - | Total minimum lease payments | 15 369 | - | Present value of minimum lease payments | | | Payable within 1 year | 5 225 | - | Payable within 2 to 5 years | 10 144 | - | Total | 15 369 | - |
| Total future minimum lease payments | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Payable within 1 year | 5 225 | - | | | | | | | | | | | | | | | | | | | | | | | | |
| Payable within 2 to 5 years | 10 144 | - | | | | | | | | | | | | | | | | | | | | | | | | |
| Total minimum lease payments | 15 369 | - | | | | | | | | | | | | | | | | | | | | | | | | |
| Present value of minimum lease payments | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Payable within 1 year | 5 225 | - | | | | | | | | | | | | | | | | | | | | | | | | |
| Payable within 2 to 5 years | 10 144 | - | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 15 369 | - | | | | | | | | | | | | | | | | | | | | | | | | |
| Current liability | 5 225 | - | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-current liability | 10 144 | - | | | | | | | | | | | | | | | | | | | | | | | | |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

9.1 Summary

| | 2024 | | | 2023 | | |
|--------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 470 000 | - | 470 000 | 470 000 | - | 470 000 |
| Buildings | 45 445 591 | (22 259 219) | 23 186 372 | 45 445 591 | (20 975 461) | 24 470 130 |
| Water Supply Infrastructure | 6 238 473 715 | (826 437 349) | 5 412 036 366 | 5 578 603 214 | (725 038 841) | 4 853 564 373 |
| Sanitation Infrastructure | 74 820 835 | (35 866 827) | 38 954 008 | 74 472 337 | (33 845 286) | 40 627 051 |
| Community Assets | 47 657 343 | (17 476 043) | 30 181 300 | 47 657 342 | (16 249 928) | 31 407 414 |
| Transport Assets | 42 934 324 | (37 011 957) | 5 922 367 | 42 836 539 | (33 799 249) | 9 037 290 |
| Machinery and Equipment | 16 389 611 | (10 007 958) | 6 381 653 | 15 957 630 | (7 905 654) | 8 051 976 |
| Furniture and Office Equipment | 4 782 840 | (3 031 472) | 1 751 368 | 4 434 691 | (2 444 631) | 1 990 060 |
| Computer Equipment | 10 590 616 | (7 996 449) | 2 594 167 | 10 019 142 | (5 952 010) | 4 067 132 |
| Total | 6 481 564 875 | (960 087 274) | 5 521 477 601 | 5 819 896 486 | (846 211 060) | 4 973 685 426 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

| | Opening balance | Additions | Disposals | Depreciation | Total |
|--------------------------------|----------------------|--------------------|------------------|----------------------|----------------------|
| Land | 470 000 | - | - | - | 470 000 |
| Buildings | 24 470 130 | - | - | (1 283 758) | 23 186 372 |
| Water Supply Infrastructure | 4 853 215 883 | 660 218 994 | - | (101 398 511) | 5 412 036 366 |
| Sanitation Infrastructure | 40 975 547 | - | - | (2 021 539) | 38 954 008 |
| Community Assets | 31 407 416 | - | - | (1 226 116) | 30 181 300 |
| Transport Assets | 9 037 291 | 920 014 | (489 422) | (3 545 516) | 5 922 367 |
| Machinery and Equipment | 8 051 974 | 431 982 | - | (2 102 303) | 6 381 653 |
| Furniture and Office Equipment | 1 990 064 | 348 145 | - | (586 841) | 1 751 368 |
| Computer Equipment | 4 067 132 | 623 772 | (16 297) | (2 080 440) | 2 594 167 |
| Total | 4 973 685 437 | 662 542 907 | (505 719) | (114 245 024) | 5 521 477 601 |

Reconciliation of property, plant and equipment – 2023

| | Opening balance | Additions | Disposals | Depreciation | Total |
|--------------------------------|----------------------|--------------------|------------------|----------------------|----------------------|
| Land | 470 000 | - | - | - | 470 000 |
| Buildings | 25 753 888 | - | - | (1 283 758) | 24 470 130 |
| Water Supply Infrastructure | 4 457 010 863 | 491 520 734 | (671) | (94 966 553) | 4 853 564 373 |
| Sanitation Infrastructure | 43 322 340 | - | - | (2 695 289) | 40 627 051 |
| Community Assets | 30 675 265 | 1 726 075 | - | (993 926) | 31 407 414 |
| Transport Assets | 13 708 120 | - | (312 112) | (4 358 718) | 9 037 290 |
| Machinery and Equipment | 7 016 416 | 1 800 713 | (43 209) | (721 944) | 8 051 976 |
| Furniture and Office Equipment | 1 528 847 | 1 084 628 | (131 817) | (491 598) | 1 990 060 |
| Computer Equipment | 4 877 914 | 2 158 187 | (198 942) | (2 770 027) | 4 067 132 |
| Total | 4 584 363 653 | 498 290 337 | (686 751) | (108 281 813) | 4 973 685 426 |

The prior year comparatives have been restated, please refer to note 57 for more detail information.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Capital work in progress has been reclassified and included under each relevant class of PPE in line with paragraph 87 of GRAP 17.

9.2 Property, plant and equipment under construction

2024

| | Infrastructure assets | Total |
|--|--------------------------|----------------------|
| Accumulated expenditure included in carrying value of property, plant and equipment | | |
| Of which: | | |
| Opening balance | 1 315 352 780 | 1 315 352 780 |
| Additions/capital expenditure | 660 218 994 | 660 218 994 |
| Transferred to completed items | (620 645 478) | (620 645 478) |
| | 1 354 926 296 | 1 354 926 296 |

2023

| | Infrastructure assets | Community assets | Total |
|--|--------------------------|---------------------|----------------------|
| Accumulated expenditure included in carrying value of property, plant and equipment | | | |
| Of which: | | | |
| Opening balance | 1 078 168 494 | 14 827 956 | 1 092 996 450 |
| Additions/capital expenditure | 491 520 734 | 1 726 075 | 493 246 809 |
| Transferred to completed items | (254 336 448) | (16 554 031) | (270 890 479) |
| | 1 315 352 780 | - | 1 315 352 780 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

9. Property, plant and equipment (continued)

9.3 Restrictions on property, plant and equipment

There is no restriction on title and Property, plant and Equipment.

9.4 Property, plant and equipment pledged as security

There is no Property, plant and Equipment. pledged as security

9.5 Maintenance of property, plant and equipment

Class of Property Plant and Equipment (Repairs and Maintenance)

| | | |
|---|--------------------|--------------------|
| Transport assets | 5 261 470 | 4 728 491 |
| Maintenance of buildings and facilities | 2 537 562 | 1 384 461 |
| Infrastructure | 152 390 844 | 120 585 689 |
| Furniture and office equipment | 154 081 | 676 227 |
| Computer equipment | - | 20 466 |
| Total | 160 343 957 | 127 395 334 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|--------------------|--------------------|
| 9. Property, plant and equipment (continued) | | |
| Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected | | |
| Ceza Stand Alone Water Supply Phase 4 : Bulk. Reason for delay: Increase of the original scope for the subcontractor. | - | 27 779 646 |
| Nkonjeni Borehole Augmentation. Reason for delay: Eskom Power Supply. | - | 29 516 516 |
| Usuthu Holinyoka Pump Station Mechanical Installation. Reason for delay: Bulk pipeline constructed long ago has now leaks which delays commissioning of this project as it is complete. | - | 28 893 937 |
| Usuthu Lindizwe Pump Station Mechanical Installation. Reason for delay: Bulk pipeline constructed long ago has now leaks which delays commissioning of this project as it is complete. | - | 33 893 937 |
| Upgrade of Nongoma Reticulation Ward 14 Phase 2. Reason for delay: Increase of the original scope (114 households have been added) | - | 11 659 881 |
| Simdlangentsha West Regional Water Supply Scheme - Construction Frischgewaagd, Abstraction Works, Staff Accommodation and Bilanyoni Booster Pumpstation. Reason for delay: Delays on Eskom power for the transformer. | - | 29 272 306 |
| Simdlangentsha West Regional Water Supply Scheme - Construction Frischgewaagd, Abstraction Works, Staff Accommodation and Bilanyoni Booster Pumpstation Reason for delay: Budget Constraint. | 34 597 917 | - |
| Construction of Rising Main from Ulundi Water Treatment Works to Mabelane Reservoir Delays on the delivery of high lift Pumps. All cables have been installed and the transformer is connected. The high lift pumps have been delivered, installation is underway and commissioning of the pumps will take place on 06 September 2024. | 70 670 165 | - |
| Emhlangeni Water Supply Scheme Eskom power supply delays. Eskom Installation is complete and there is energy supply but the installed meters were faulty. Faulty meters have taken by Eskom for calibration and returned at the end of August 2024 | 42 623 372 | - |
| Ulundi Water Treatment Works 22KV Medium Voltage Switch Gear Upgrade Delays on the delivery of high lift Pumps. All cables have been installed and the transformer is connected. The high lift pumps have been delivered, installation is underway and commissioning of the pumps will take place on 06 September 2024. | 17 242 572 | - |
| | 165 134 026 | 161 016 223 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|------|--------------------|
| 9. Property, plant and equipment (continued) | | |
| Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s) | | |
| Zululand Rudimentary Programme: Siting, Drilling, Testing and Equipping of Borehole North. Reason for delay: Contractor Terminated due to poor performance and re-advertised, awaiting contractor's appointment letter.] | - | 36 388 800 |
| Mandlakazi RWSS Phase 5.1 - Construction of Mngamunde Domestic Reticulation Network for Zone B / B1. Reason for delay: Contractor Terminated due to poor performance, and re-advertised, awaiting contractor's appointment letter. | - | 18 125 011 |
| Construction of Mandlakazi Phase 5.2 : Bulk Water Supply. Reason for delay: The project was suspended due to budget constraint. Now that the budget is available, the contractor is back on site. | - | 65 450 000 |
| | - | 119 963 811 |

10. Intangible assets

10.1 Reconciliation of carrying value

2024

| | | Computer software | Total |
|--|----|-------------------|---------------|
| Opening carrying value as at 01 July 2023 | | | |
| Cost | | 237 902 | 237 902 |
| Accumulated depreciation and impairment | | (186 074) | (186 074) |
| | | 51 828 | 51 828 |
| Amortisation | 36 | (23 883) | (23 883) |
| Closing carrying value as at 30 June 2024 | | 27 945 | 27 945 |
| 2023 | | | |
| Cost | | 237 902 | 237 902 |
| Accumulated amortisation and impairment | | (209 957) | (209 957) |
| | | 27 945 | 27 945 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

10. Intangible assets (continued)

2023

| | | Computer software | Total |
|--|----|-------------------|---------------|
| Opening carrying value as at 01 July 2022 | | | |
| Cost | | 186 633 | 186 633 |
| Accumulated depreciation and impairment | | (171 772) | (171 772) |
| | | 14 861 | 14 861 |
| Additions from acquisitions | | 51 269 | 51 269 |
| Amortisation | 36 | (17 820) | (17 820) |
| | | 33 449 | 33 449 |
| Other changes | | 3 517 | 3 517 |
| Closing carrying value as at 30 June 2023 | | 51 827 | 51 827 |
| Cost | | 237 902 | 237 902 |
| Accumulated amortisation and impairment | | (186 075) | (186 075) |
| | | 51 827 | 51 827 |

10.2 Restrictions on intangible assets

There were no items of intangible assets that have restricted title in the current financial year.

10.3 Intangible assets pledged as security

There were no items of intangible assets that were pledged as security in the current financial year.

11. Heritage assets

11.1 Reconciliation of carrying value

2024

| | | Other assets | Total |
|--|---|--------------|-----------|
| Opening carrying value as at 01 July 2023 | | | |
| Cost | - | 7 816 633 | 7 816 633 |
| Cost | - | 7 816 633 | 7 816 633 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|---------------------|------------------|
| 11. Heritage assets (continued) | | |
| 2023 | | |
| | Other assets | Total |
| Opening carrying value as at 01 July 2022 | | |
| Cost | 7 806 633 | 7 806 633 |
| Accumulated impairment losses | - | - |
| | 7 806 633 | 7 806 633 |
| Carrying value of disposals / transfers | | |
| Cost | 10 000 | 10 000 |
| Closing carrying value as at 30 June 2023 | 7 816 633 | 7 816 633 |
| Cost | 7 816 633 | 7 816 633 |
| Accumulated impairment losses | - | - |
| | 7 816 633 | 7 816 633 |

11.2 Restrictions on heritage assets

There were no items of heritage assets that have restricted title in the current financial year.

11.3 Heritage assets pledged as security

There were no heritage assets pledged as security during the current financial year.

12. Consumer deposits

| | | |
|-------------------|------------------|------------------|
| Rental properties | 41 060 | 5 364 |
| Water | 3 339 793 | 3 614 795 |
| Total | 3 380 853 | 3 620 159 |

Deposits are released on termination of the contract or when the contractual services are delivered.

13. Trade and other payables from exchange transactions

| | | | |
|--------------------|------|--------------------|--------------------|
| Bulk purchases | 13.1 | 103 295 059 | 46 643 202 |
| Contractors | 13.2 | 86 977 473 | 59 431 587 |
| Payroll accruals | 13.3 | 945 997 | 1 929 877 |
| Other payables | 13.4 | 296 358 605 | 335 590 267 |
| Statutory payables | 13.5 | 285 015 | - |
| Total | | 487 862 149 | 443 594 933 |

13.1 Bulk purchases

| | | |
|------------------|--------------------|-------------------|
| Bulk water | 91 464 948 | 34 449 389 |
| Bulk electricity | 11 830 111 | 12 193 813 |
| Total | 103 295 059 | 46 643 202 |

13.2 Contractors

| | | |
|------------|------------|------------|
| Retentions | 86 977 473 | 59 431 587 |
|------------|------------|------------|

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|--------------------|--------------------|
| 13. Trade and other payables from exchange transactions (continued) | | |
| 13.3 Payroll accruals | | |
| Bonus | 4 115 | 147 021 |
| Leave accrual | 109 540 | 922 943 |
| Long service award | - | 128 109 |
| Overtime | 412 240 | 258 200 |
| Pension and retirement contributions | - | 155 803 |
| Standby | 420 102 | 317 801 |
| Total | 945 997 | 1 929 877 |
| 13.4 Other payables | | |
| Payables and accruals | 293 768 435 | 331 359 754 |
| Unallocated deposits | 474 695 | 517 567 |
| Advance payments | 2 115 475 | 3 712 946 |
| Total | 296 358 605 | 335 590 267 |
| 13.5 Statutory payables | | |
| PAYE deductions | 285 015 | - |
| 14. Vat payables | | |
| VAT credit: Output accrual | 29 773 547 | 24 893 003 |
| Output VAT: Provision for doubtful debt impairment | (28 937 128) | (24 278 486) |
| Total | 836 419 | 614 517 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

15. Payables from non-exchange transactions

| | | 2024 | | | | 2023 | | | | |
|----------------------|------|------------------|--------------------|----------------------|------------------|------------------|--------------------|----------------------|--------------------------|------------------|
| | | Opening balance | Funds received | Transfer to revenue | Closing balance | Opening balance | Funds received | Transfer to revenue | Repayment unspent grants | Closing balance |
| Capital | | | | | | | | | | |
| Monetary Allocations | 15.1 | 1 445 896 | 768 386 000 | (768 386 000) | 1 445 896 | 2 410 794 | 610 306 000 | (610 501 921) | (768 977) | 1 445 896 |
| Operational | | | | | | | | | | |
| Monetary Allocations | 15.2 | 114 064 | 114 659 130 | (114 773 194) | - | - | 72 553 009 | (72 438 945) | - | 114 064 |
| Total | | 1 559 960 | 883 045 130 | (883 159 194) | 1 445 896 | 2 410 794 | 682 859 009 | (682 940 866) | (768 977) | 1 559 960 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

15. Payables from non-exchange transactions (continued)

15.1 Unspent capital monetary allocations

| | 2024 | | | | 2023 | | | | |
|---|------------------|--------------------|----------------------|------------------|------------------|--------------------|----------------------|--------------------------|------------------|
| | Opening balance | Funds received | Transfer to revenue | Closing balance | Opening balance | Funds received | Transfer to revenue | Repayment unspent grants | Closing balance |
| National Government | | | | | | | | | |
| Municipal Infrastructure Grant | - | 256 512 000 | (256 512 000) | - | - | 259 530 000 | (259 530 000) | - | - |
| Regional Bulk Infrastructure Grant | - | 413 905 000 | (413 905 000) | - | - | 250 247 000 | (250 247 000) | - | - |
| Rural Road Asset Management Systems Grant | - | 2 969 000 | (2 969 000) | - | 768 977 | 2 529 000 | (2 529 000) | (768 977) | - |
| Water Services Infrastructure Grant | - | 95 000 000 | (95 000 000) | - | - | 95 000 000 | (95 000 000) | - | - |
| Total | - | 768 386 000 | (768 386 000) | - | 768 977 | 607 306 000 | (607 306 000) | (768 977) | - |
| Provincial Government | | | | | | | | | |
| KwaZulu-Natal | 1 445 896 | - | - | 1 445 896 | 1 641 817 | 3 000 000 | (3 195 921) | - | 1 445 896 |
| Total unspent capital monetary allocations | 1 445 896 | 768 386 000 | (768 386 000) | 1 445 896 | 2 410 794 | 610 306 000 | (610 501 921) | (768 977) | 1 445 896 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

15. Payables from non-exchange transactions (continued)

15.2 Unspent operational monetary allocations

| | 2024 | | | 2023 | | | Closing balance |
|---|-----------------|--------------------|----------------------|-----------------|-------------------|---------------------|-----------------|
| | Opening balance | Funds received | Transfer to revenue | Opening balance | Funds received | Transfer to revenue | |
| Departmental Agencies and Accounts | | | | | | | |
| National departmental agencies | 79 821 | 102 248 030 | (102 327 851) | - | 60 171 109 | (60 091 288) | 79 821 |
| National Government | | | | | | | |
| Expanded Public Works Programme Integrated Grant | - | 7 077 000 | (7 077 000) | - | 8 517 000 | (8 517 000) | - |
| Local Government Financial Management Grant | - | 1 200 000 | (1 200 000) | - | 1 200 000 | (1 200 000) | - |
| Total | - | 8 277 000 | (8 277 000) | - | 9 717 000 | (9 717 000) | - |
| Provincial Government | | | | | | | |
| KwaZulu-Natal | 34 243 | 4 134 100 | (4 168 343) | - | 2 664 900 | (2 630 657) | 34 243 |
| Total unspent operational monetary allocations | 114 064 | 114 659 130 | (114 773 194) | - | 72 553 009 | (72 438 945) | 114 064 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|-------------------|-------------------|
| 16. Employee benefit obligation | | |
| Non-current employee benefits | | |
| Post employment health care benefits | 16.1 30 750 000 | 30 426 000 |
| Current employee benefits | | |
| Post employment health care benefits | 16.1 747 000 | 500 000 |
| Total | 31 497 000 | 30 926 000 |
| Multi-employer pension funds | | |
| Employees belong to a variety of approved pension and provident funds. | | |
| These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. | | |
| 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 in sub-funds 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 total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed. | | |
| 16.1 Post employment health care benefits | | |
| The liability in respect of past service has been estimated as follow: | | |
| Present value of the defined benefit obligation-partly or wholly unfunded | 31 497 000 | 30 926 000 |
| Current | 747 000 | 500 000 |
| Non-current | 30 750 000 | 30 426 000 |
| Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening balance | 30 926 000 | 27 571 000 |
| Net expense recognised in the statement of financial performance | 571 000 | 3 355 000 |
| | 31 497 000 | 30 926 000 |
| Net expense recognised in the statement of financial performance | | |
| Current service cost | 1 597 000 | 2 156 000 |
| Interest cost | 4 494 000 | 3 730 000 |
| Actuarial (gains) losses | (4 781 000) | (2 038 000) |
| Benefits paid | (739 000) | (493 000) |
| | 571 000 | 3 355 000 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

16. Employee benefit obligation (continued)

Key assumptions used

The Municipality operated on five accredited Medical Aid schemes, namely Keyhealth, LA Health, SAMWUMED, Bonitas and Hosmed.

Financial variables: Two most important variables used in our valuation are discount rate and medical aid inflation rate. Nominal and real zero curve as at 30 June 2024 that was supplied by JSE to determine discount rate and CPI assumptions at each relevant time period.

Assumptions used at the reporting date:

| | | |
|-----------------------------|---------------------|---------------------|
| Average retirement age | 63 | 63 |
| Discount rates used | 13.83 % | 14.28 % |
| Consumer price inflation | 8.20 % | 8.72 % |
| Medical aid inflation rate | 9.70 % | 10.22 % |
| Net effective discount rate | 3.77 % | 3.68 % |
| | SA 85-90 PA 90-1 | SA 85-90 PA 90-1 |

17. Provision

| | | | |
|-------------------|------|------------|------------|
| Employee benefits | 17.1 | 47 512 639 | 42 237 845 |
| Current | | 34 192 639 | 29 176 845 |
| Non-current | | 13 320 000 | 13 061 000 |

17.1 Employee benefits

| | | | |
|---------------------|--------|-------------------|-------------------|
| Bonus | 17.1.1 | 6 334 779 | 5 745 257 |
| Leave | 17.1.2 | 25 850 860 | 21 777 588 |
| Long-service awards | 17.1.3 | 15 327 000 | 14 715 000 |
| Total | | 47 512 639 | 42 237 845 |

17.1.1 Bonus

| | | |
|------------------------------|------------------|------------------|
| Opening Balance | 5 745 257 | 5 417 690 |
| Additional provisions raised | 589 522 | 327 567 |
| Total | 6 334 779 | 5 745 257 |

| | | |
|---------|-----------|-----------|
| Current | 6 334 779 | 5 745 257 |
|---------|-----------|-----------|

17.1.2 Leave

| | | |
|------------------------------|-------------------|-------------------|
| Opening Balance | 21 777 588 | 19 074 245 |
| Additional provisions raised | 4 073 272 | 2 703 343 |
| Total | 25 850 860 | 21 777 588 |

| | | |
|---------|------------|------------|
| Current | 25 850 860 | 21 777 588 |
|---------|------------|------------|

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|-------------------|-------------------|
| 17. Provision (continued) | | |
| 17.1.3 Long-service awards | | |
| Opening Balance | 14 715 000 | 15 525 000 |
| Additional provisions raised | 3 343 000 | 967 000 |
| Reductions (Payments, remeasurement etc.) | (1 808 000) | (1 777 000) |
| Reversals | (923 000) | - |
| Total | 15 327 000 | 14 715 000 |

| | | |
|-------------|------------|------------|
| Current | 2 007 000 | 1 654 000 |
| Non-current | 13 320 000 | 13 061 000 |

Long-service award

Independent actuaries and consultants carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

| | | |
|-----------------------------|--------|--------|
| Discount rate | 11.38% | 11.24% |
| General Salary inflation | 6.62% | 7.17% |
| Net effective discount rate | 3.80% | 3.80% |
| Average retirement age | 63 | 63 |

Eligible employees

| | Member | Member |
|-----------|--------|--------|
| Age 20-29 | 23 | 36 |
| Age 30-39 | 179 | 207 |
| Age 40-49 | 232 | 225 |
| Age 50-59 | 109 | 115 |
| Age 60+ | 50 | 46 |

Membership summary

| | | |
|------------------------------|---------|---------|
| Number of members | 593 | 629 |
| Average past service (years) | 11 | 11 |
| Average salary (annual) | 287 165 | 272 467 |

Benefit Structure

Service years

| | Award (Number of days) | Award (Number of days) |
|----|------------------------------|------------------------------|
| 5 | 5 | 5 |
| 10 | 10 | 10 |
| 15 | 20 | 20 |
| 20 | 30 | 30 |
| 25 | 30 | 30 |
| 30 | 30 | 30 |
| 35 | 30 | 30 |
| 40 | 30 | 30 |
| 45 | 30 | 30 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | | 2024 | 2023 |
|--|------|-------------------|------------------|
| 17. Provision (continued) | | | |
| Amounts recognised in the statement of financial performance | | | |
| The amounts recognised in the statement of financial performance are as follow: | | | |
| Current service cost | | 1 360 000 | 1 391 000 |
| Interest cost | | 1 630 000 | 1 749 000 |
| Expected benefit payments | | (1 455 000) | (1 777 000) |
| Recognised actuarial (gains) losses | | (923 000) | (2 173 000) |
| Total expense included in employee related costs | 32 | 612 000 | (810 000) |
| 18. Borrowings | | | |
| The municipality entered into an annuity loans agreement with ABSA Bank. | | | |
| Total borrowings | | | |
| Annuity loans | | 97 259 552 | - |
| Less: Current portion transferred to current liabilities | | (17 711 896) | - |
| Total non-current borrowings | | 79 547 656 | - |
| 18.1 Summary of arrangements | | | |
| The annuity loan has a settlement period of 10 years at a fixed interest rate of 11.85% per annum. | | | |
| Installments are repayable half yearly (December) and at financial year end (June). | | | |
| 19. Lease liabilities | | | |
| Finance lease liabilities | 19.1 | 1 201 724 | 2 685 720 |
| Operating lease liabilities | 19.2 | 782 586 | 542 591 |
| Sub-total | | 1 984 310 | 3 228 311 |
| Less: Transferred to current liabilities | | | |
| Current portion of Finance lease liabilities | 19.1 | (1 076 911) | (1 483 982) |
| Total non-current liabilities | | 907 399 | 1 744 329 |
| 19.1 Obligation under finance leases | | | |
| The municipality as lessee | | | |
| The obligations under finance leases are as follow: | | | |
| Total future minimum lease payments | | | |
| Payable within 1 year | | 1 133 736 | 1 659 780 |
| Payable within 2 to 5 years | | 124 813 | 1 260 077 |
| Total minimum lease payments | | 1 258 549 | 2 919 857 |
| Less: Future finance charges | | (56 825) | (234 137) |
| Total | | 1 201 724 | 2 685 720 |
| Present value of minimum lease payments | | | |
| Payable within 1 year | | 1 076 911 | 1 483 982 |
| Payable within 2 to 5 years | | 124 813 | 1 201 738 |
| Total | | 1 201 724 | 2 685 720 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|-------------------|-------------------|
| 19. Lease liabilities (continued) | | |
| Current liability | 1 076 911 | 1 483 982 |
| Non-current liability | 124 813 | 1 201 738 |
| The Municipality entered into a three year finance lease agreements for the procurement of laptops and printers. | | |
| The lease period is 36 months, | | |
| The first lease agreement is for the procurement of computers commencing in December 2021 at a borrowing rate of 7% per annum | | |
| The second lease agreement is also for the procurement of computers commencing in September 2022 at a borrowing rate of 9 % per annum | | |
| The third lease agreement is for the procurement of printers commencing in September 2022 at a borrowing rate of 9 % per annum | | |
| 19.2 Obligation under operating leases | | |
| The municipality as lessee | | |
| The obligations under operating leases are as follow: | | |
| Total future minimum lease payments | | |
| More than 5 years | 782 586 | 542 591 |
| Present value of minimum lease payments | | |
| More than 5 years | 782 586 | 542 591 |
| Non-current liability | 782 586 | 542 591 |
| Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 9 years 11 months, rentals shall escalate at a rate of 7% per annum. No contingent rent is payable. | | |
| The operating lease liability resulted from straightling. | | |
| 20. Trade and other payables from exchange transactions | | |
| Bulk water | | |
| Opening Balance | 32 779 089 | 62 633 207 |
| Transfer to(from) current liabilities | (29 854 118) | (29 854 118) |
| | 2 924 971 | 32 779 089 |
| 21. Services charges | | |
| Waste water management | | |
| Exchange – Consumption | 16 024 007 | 14 831 359 |
| Water management | | |
| Exchange – Consumption | 58 876 864 | 39 169 620 |
| Total | 74 900 871 | 54 000 979 |

The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 | |
|---|-------------------|------------------|--------|
| 22. Sales of goods and rendering of services | | | |
| Clearance Certificates | 367 | 335 | |
| Entrance Fees | - | 26 214 | |
| Sale of Goods | 617 217 | 1 399 278 | |
| Shared Services | 142 616 | - | |
| Total | 760 200 | 1 425 827 | |
| 23. Interest earned from receivables | | | |
| Exchange receivables | 23.1 | 691 101 | 75 296 |
| 23.1 Interest earned from exchange receivables | | | |
| Consumer receivables | | | |
| Water | 630 996 | 56 992 | |
| Waste water management | 54 920 | 16 963 | |
| Service charges | (659) | 988 | |
| | 685 257 | 74 943 | |
| Other receivables | | | |
| Property rental debtors | 5 844 | 353 | |
| Total | 691 101 | 75 296 | |
| 24. Interests earned from current and non-current assets | | | |
| Bank accounts | 3 031 237 | 1 636 743 | |
| Short-term investments and call accounts | 12 427 003 | 5 796 638 | |
| Total | 15 458 240 | 7 433 381 | |
| 25. Licences or permits | | | |
| Exchange revenue | 25.1 | 106 561 | 87 515 |
| 25.1 Licenses and permits - Exchange revenue | | | |
| Health certificates | 106 561 | 76 304 | |
| Trading | - | 11 211 | |
| Total | 106 561 | 87 515 | |
| 26. Rental from fixed assets | | | |
| Market related | 558 834 | 180 833 | |
| 26.1 Rental by asset class | | | |
| Market related | | | |
| Property, plant and equipment | 558 834 | 180 833 | |
| 26.2 Rental by type | | | |
| Market related | | | |
| Property, plant and equipment | | | |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 | |
|---|----------------|----------------------|----------------------|
| 26. Rental from fixed assets (continued) | | | |
| Other assets | | | |
| • Ad-hoc rentals | 558 834 | 180 833 | |
| Rent on land | | | |
| Total | 558 834 | 180 833 | |
| 27. Operational revenue | | | |
| Administrative Handling Fees | - | 8 015 | |
| Commission | 7 666 | - | |
| Inspection fees | - | 4 350 | |
| Insurance Refund | 35 000 | - | |
| Registration fees | 44 886 | 15 657 | |
| Skills Development Levy Refund | 506 347 | 534 649 | |
| Total | 593 899 | 562 671 | |
| 28. Fines, penalties and forfeits | | | |
| Penalties | 28.1 | 664 899 | 152 521 |
| Forfeits | 28.2 | 210 162 | 757 149 |
| Total | | 875 061 | 909 670 |
| 28.1 Penalties | | | |
| Disconnection fees | | 664 899 | 152 521 |
| 28.2 Forfeits | | | |
| Deposits | | 8 542 | 24 912 |
| Retentions | | 201 620 | 732 237 |
| Total | | 210 162 | 757 149 |
| 29. Transfers and subsidies - Revenue | | | |
| Operational | | | |
| Monetary allocations | 29.1 | 746 444 194 | 658 829 922 |
| Capital | | | |
| Allocations in-kind | 29.2 | 9 478 | - |
| Monetary allocations | 29.3 | 768 386 000 | 610 501 921 |
| Total transfers and subsidies: Capital | | 768 395 478 | 610 501 921 |
| Total | | 1 514 839 672 | 1 269 331 843 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|--------------------|--------------------|
| 29. Transfers and subsidies - Revenue (continued) | | |
| 29.1 Monetary allocations: Operational | | |
| National governments | 8 277 000 | 9 717 000 |
| Provincial government | 4 168 343 | 2 630 657 |
| Departmental agencies and accounts | 102 327 851 | 60 091 288 |
| National revenue fund | 631 671 000 | 586 390 977 |
| Total | 746 444 194 | 658 829 922 |
| National governments | | |
| Expanded Public Works Programme Integrated Grant | 7 077 000 | 8 517 000 |
| Local Government Financial Management Grant | 1 200 000 | 1 200 000 |
| | 8 277 000 | 9 717 000 |
| Provincial government | | |
| KZN grant Indonsa Culture Center | 1 911 000 | 1 911 000 |
| National Arts Council Grant | 57 343 | 19 657 |
| KZN Amafa and Research Institute | 200 000 | 200 000 |
| Prince Mangosuthu Airport Grant | 2 000 000 | 500 000 |
| | 4 168 343 | 2 630 657 |
| Departmental agencies and accounts | | |
| Local Government, Water and Related Service SETA | 1 693 864 | 478 000 |
| National Skills Fund | 100 633 987 | 59 613 288 |
| | 102 327 851 | 60 091 288 |
| 29.2 Allocations in-kind: Capital | | |
| Private enterprises | 9 478 | - |
| 29.3 Monetary allocations: Capital | | |
| National government | 768 386 000 | 607 306 000 |
| Provincial governments | - | 3 195 921 |
| Total | 768 386 000 | 610 501 921 |
| National government | | |
| Municipal Infrastructure Grant | 256 512 000 | 259 530 000 |
| Rural Road Asset Management Systems Grant | 2 969 000 | 2 529 000 |
| Water Services Infrastructure Grant | 95 000 000 | 95 000 000 |
| Regional Bulk Infrastructure Grant | 413 905 000 | 250 247 000 |
| | 768 386 000 | 607 306 000 |
| Provincial governments | | |
| KZN-KwaMajomela Project | - | 1 641 817 |
| Accelerated Intervention Programme (Boreholes) | - | 1 554 104 |
| | - | 3 195 921 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | | 2024 | 2023 |
|---|------|--------------------|--------------------|
| 30. Gain/(Loss) on disposal of fixed and intangible assets | | | |
| Gains/(losses) on disposals | 30.1 | 173 933 | 2 214 821 |
| 30.1 Gains/(losses) on disposals | | | |
| Property, plant and equipment | | 173 933 | 2 214 821 |
| 31. Actuarial (losses) gain | | | |
| Actuarial Assessments | | 5 704 000 | 4 211 000 |
| 32. Employee related cost | | | |
| Senior management | 32.1 | 12 551 363 | 9 945 332 |
| Municipal staff | 32.2 | 302 516 833 | 276 347 354 |
| Total | | 315 068 196 | 286 292 686 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

32. Employee related cost (continued)

32.1 Senior management costs

2024

| | Municipal manager | Chief financial officer | Director of Corporate services | Director of Community services | Director of Planning | Director Technical Services | Chief Operations Officer | Chief Operations & Maintenance Specialist | Total |
|--------------------------|-------------------|-------------------------|--------------------------------|--------------------------------|----------------------|-----------------------------|--------------------------|---|-------------------|
| Basic salary | 1 315 154 | 979 584 | 1 223 895 | 1 201 833 | 964 733 | 723 809 | 955 894 | 908 295 | 8 273 197 |
| Bonuses | 106 030 | 88 835 | 88 835 | 88 835 | 88 835 | 88 835 | 79 341 | 77 481 | 707 027 |
| Service-related benefits | 6 492 | - | 255 001 | 16 167 | - | - | - | 18 585 | 296 245 |
| Allowances | 458 754 | 364 323 | 422 677 | 412 824 | 346 897 | 262 789 | 278 224 | 254 975 | 2 801 463 |
| Bargaining council | 137 | 137 | 137 | 102 | 137 | 102 | 137 | 137 | 1 026 |
| Medical | - | - | - | - | 270 | - | 63 329 | 52 918 | 116 517 |
| Pension | - | - | - | - | - | - | 172 061 | 167 358 | 339 419 |
| Unemployment insurance | 2 125 | 2 125 | 2 125 | 1 771 | 2 125 | 1 948 | 2 125 | 2 125 | 16 469 |
| | 1 888 692 | 1 435 004 | 1 992 670 | 1 721 532 | 1 402 997 | 1 077 483 | 1 551 111 | 1 481 874 | 12 551 363 |

2023

| | Municipal manager | Chief financial officer | Director of Corporate services | Director of Community services | Director of Planning | Director Technical Services | Chief Operations Officer | Total |
|--------------------------|-------------------|-------------------------|--------------------------------|--------------------------------|----------------------|-----------------------------|--------------------------|------------------|
| Basic salary | | 1 055 869 | 613 299 | 945 475 | 866 650 | 934 293 | 935 411 | 6 236 659 |
| Bonuses | | 80 544 | 111 296 | 97 384 | 92 747 | 97 384 | 97 384 | 650 250 |
| Service-related benefits | | 218 074 | 360 530 | - | 13 646 | - | 11 102 | 603 352 |
| Allowances | | 497 503 | 204 631 | 331 435 | 284 882 | 311 242 | 309 426 | 2 218 920 |
| Bargaining council | | 119 | 86 | 130 | 119 | 130 | 130 | 844 |
| Medical | | - | - | - | - | 702 | - | 59 383 |
| Pension | | - | - | - | - | - | - | 161 756 |
| Unemployment insurance | | 2 125 | 1 417 | 2 125 | 1 948 | 2 125 | 2 303 | 14 168 |
| | | 1 854 234 | 1 291 259 | 1 376 549 | 1 259 992 | 1 345 876 | 1 355 756 | 9 945 332 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

32. Employee related cost (continued)

The Municipal Manager and Executive Directors are remunerated in terms of the Upper Limites of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Managers, issued in terms of the Local Government: Municipal Systems Act 32 of 2000.

The Remuneration of Executives as disclosed above refer to the actual amounts paid to them during the 2024 and 2023 years respectively.

Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed.

Refer to note 54 for related party disclosures

32.2 Municipal staff costs

| | | |
|---|--------------------|--------------------|
| Basic salary | 201 041 835 | 184 933 902 |
| Service-related benefits | 36 519 136 | 31 969 521 |
| Allowances | 13 958 252 | 12 803 341 |
| Bargaining council | 197 733 | 167 189 |
| Medical | 16 898 483 | 14 860 079 |
| Pension | 25 400 524 | 23 326 136 |
| Post-retirement benefit: Medical | 5 352 000 | 5 393 000 |
| Post-retirement benefit: Other benefits | 1 535 000 | 1 363 000 |
| Unemployment insurance | 1 613 870 | 1 531 186 |
| Total | 302 516 833 | 276 347 354 |

33. Remuneration of councillors

| | | | |
|----------------------------------|------|-------------------|------------------|
| Mayor | 33.1 | 1 163 491 | 1 346 543 |
| Chief whip | 33.2 | 721 632 | 493 761 |
| Speaker | 33.3 | 830 416 | 790 358 |
| Deputy mayor | 33.4 | 826 555 | 785 981 |
| Executive committee | 33.5 | 1 997 873 | 1 916 493 |
| Section 79 committee chairperson | 33.6 | 446 742 | 425 961 |
| All other councillors | 33.7 | 4 375 473 | 3 516 806 |
| Total | | 10 362 182 | 9 275 903 |

33.1 Mayor

Allowances and service related benefits

| | | |
|-------------------------|------------------|------------------|
| Cell phone allowance | 43 705 | 40 800 |
| Housing allowance | 180 000 | 360 000 |
| Motor vehicle allowance | 237 148 | 229 606 |
| Office-bearer allowance | 602 888 | 614 396 |
| | 1 063 741 | 1 244 802 |

Social contributions

| | | |
|----------------------------|------------------|------------------|
| Medical aid benefits | 13 680 | 13 680 |
| Pension fund contributions | 86 070 | 88 061 |
| | 99 750 | 101 741 |
| Total | 1 163 491 | 1 346 543 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|------------------|------------------|
| 33. Remuneration of councillors (continued) | | |
| 33.2 Chief whip | | |
| Allowances and service related benefits | | |
| Office-bearer allowance | 502 525 | 332 300 |
| Travelling allowance | 16 933 | - |
| Cell phone allowance | 42 000 | 34 000 |
| Motor vehicle allowance | 153 636 | 111 851 |
| | 715 094 | 478 151 |
| Social contributions | | |
| Pension fund contributions | 6 538 | 15 610 |
| Total | 721 632 | 493 761 |
| 33.3 Speaker | | |
| Allowances and service related benefits | | |
| Cell phone allowance | 45 600 | 40 800 |
| Motor vehicle allowance | 198 126 | 183 686 |
| Office-bearer allowance | 513 201 | 493 995 |
| | 756 927 | 718 481 |
| Social contributions | | |
| Pension fund contributions | 73 489 | 71 877 |
| Total | 830 416 | 790 358 |
| 33.4 Deputy mayor | | |
| Allowances and service related benefits | | |
| Cell phone allowance | 45 600 | 40 800 |
| Motor vehicle allowance | 195 660 | 183 686 |
| Office-bearer allowance | 512 481 | 490 294 |
| | 753 741 | 714 780 |
| Social contributions | | |
| Pension fund contributions | 72 814 | 71 201 |
| Total | 826 555 | 785 981 |
| 33.5 Executive committee | | |
| Allowances and service related benefits | | |
| Cell phone allowance | 136 800 | 120 391 |
| Motor vehicle allowance | 456 804 | 434 570 |
| Office-bearer allowance | 1 303 375 | 1 228 632 |
| | 1 896 979 | 1 783 593 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|------------------|------------------|
| 33. Remuneration of councillors (continued) | | |
| Social contributions | | |
| Medial aid benefits | 2 280 | 31 154 |
| Pension fund contributions | 98 614 | 101 746 |
| | 100 894 | 132 900 |
| Total | 1 997 873 | 1 916 493 |

33.6 Section 79 committee chairperson

| | | |
|--|----------------|----------------|
| Allowances and service related benefits | | |
| Cell phone allowance | 45 600 | 40 800 |
| Motor vehicle allowance | 99 336 | 94 391 |
| Office-bearer allowance | 252 106 | 245 894 |
| | 397 042 | 381 085 |
| Social contributions | | |
| Medical aid benefits | 13 680 | 9 130 |
| Pension fund contributions | 36 020 | 35 746 |
| | 49 700 | 44 876 |
| Total | 446 742 | 425 961 |

33.7 All other councillors

| | | |
|--|------------------|------------------|
| Allowances and service related benefits | | |
| Cell phone allowance | 499 600 | 363 800 |
| Motor vehicle allowance | 882 979 | 651 370 |
| Office-bearer allowance | 2 838 337 | 2 376 563 |
| | 4 220 916 | 3 391 733 |
| Social contributions | | |
| Medial aid benefits | 11 400 | - |
| Pension fund contributions | 143 157 | 125 073 |
| | 154 557 | 125 073 |
| Total | 4 375 473 | 3 516 806 |

In kind benefits

The Speaker, the Mayor, the Deputy Mayor and the Executive Committee Members are full-time.

The Speaker, Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Speaker, Mayor and Deputy Mayor are provided with bodyguards.

The Councillors are provided with body guards where request has been approved.

Refer to note 54 for related party disclosures.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | | 2024 | 2023 |
|--|------|--------------------|--------------------|
| 34. Inventory consumed | | | |
| Consumables | | 1 868 489 | 1 336 564 |
| Materials and supplies | | 5 750 329 | 7 968 906 |
| Water | | 37 711 165 | 44 026 520 |
| Total | | 45 329 983 | 53 331 990 |
| 35. Debt impairment | | | |
| Trade and other receivables from exchange transactions | 3 | 31 875 145 | 30 377 669 |
| Non Specific Accounts | | (1 062 894) | (3 642 312) |
| Total | | 30 812 251 | 26 735 357 |
| 36. Depreciation and amortisation | | | |
| Amortisation | | | |
| Intangible assets | 10.1 | 23 883 | 17 820 |
| Depreciation | | | |
| Property, plant and equipment | | 114 245 026 | 108 281 813 |
| Total | | 114 268 909 | 108 299 633 |
| 37. Finance costs | | | |
| Interest | 37.1 | 7 148 951 | 552 621 |
| 37.1 Interest cost | | | |
| Financial liabilities | | | |
| • Annuity loans | | 6 115 390 | - |
| Finance leases | 19.1 | 175 789 | 260 856 |
| Overdue accounts | 13.4 | 857 772 | 291 765 |
| Total | | 7 148 951 | 552 621 |
| 38. Contracted services | | | |
| Consultants and professional services | 38.1 | 24 693 209 | 22 259 639 |
| Contractors | 38.2 | 134 704 786 | 152 816 167 |
| Outsourced services | 38.3 | 211 560 214 | 191 622 447 |
| Total | | 370 958 209 | 366 698 253 |
| 38.1 Consultants and professional services | | | |
| Business advisory services | | | |
| Accounting and auditing | | 26 000 | 26 000 |
| Actuaries | | 24 000 | 22 000 |
| Audit committee | | 200 468 | 394 763 |
| Forensic investigators | | 1 108 887 | 138 603 |
| Human resources | | 1 715 907 | 763 661 |
| Medical examinations | | 343 161 | 371 918 |
| Occupational health and safety | | - | 364 120 |
| Project management | | 14 760 611 | 15 754 314 |
| Quality control | | 35 776 | 41 786 |
| Total business advisory services | | 18 214 810 | 17 877 165 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|-------------------|-------------------|
| 38. Contracted services (continued) | | |
| Legal services | | |
| Collection | 684 869 | 1 957 727 |
| Legal advice and litigation | 5 793 530 | 2 424 747 |
| Total legal services | 6 478 399 | 4 382 474 |
| Total consultants and professional services | 24 693 209 | 22 259 639 |

38.2 Contractors

| | | |
|---|--------------------|--------------------|
| General services | | |
| Artists and performers | 1 330 600 | 919 885 |
| Audio-visual services | 38 500 | - |
| Fire protection | 130 000 | - |
| Gardening services | 4 448 771 | 2 018 803 |
| Medical services | 312 100 | 142 500 |
| Pest control and fumigation | - | 26 328 |
| Photographer | 24 500 | 63 250 |
| Safeguard and security | 274 866 | - |
| Sewerage services | - | 21 776 579 |
| Stage and sound crew | 2 981 260 | 1 144 072 |
| Total general services | 9 540 597 | 26 091 417 |
| Maintenance services | | |
| Maintenance of buildings and facilities | 1 739 130 | 1 384 461 |
| Maintenance of equipment | 154 081 | 636 634 |
| Maintenance of unspecified assets | 123 270 978 | 124 703 655 |
| Total maintenance service | 125 164 189 | 126 724 750 |
| Total contractor | 134 704 786 | 152 816 167 |

38.3 Outsourced services

| | | |
|---|--------------------|--------------------|
| Business and advisory services | | |
| Business and Financial Management | 456 713 | 10 584 964 |
| Human Resources | 100 663 587 | 60 898 968 |
| Qualification Verification | 27 649 | 91 304 |
| Research and Advisory | 1 981 702 | 2 983 508 |
| Total business and advisory services | 103 129 651 | 74 558 744 |
| General services | | |
| Catering Services | 6 164 375 | 3 858 207 |
| Hygiene Services | 575 455 | 280 593 |
| Internal Auditors | 2 828 231 | 3 278 794 |
| Meter Management | 517 140 | 633 640 |
| Transport Services | 59 400 | - |
| Water Takers | 50 554 651 | 73 236 880 |
| Total general services | 60 699 252 | 81 288 114 |
| Trading services | | |
| Security Services | 47 731 311 | 35 775 589 |
| Total outsourced services | 211 560 214 | 191 622 447 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|-------------------|------------------|
| 39. Transfers and subsidies - Expenditure | | |
| Operational | | |
| Allocations in-kind | 39.1 3 533 875 | 4 682 749 |
| 39.1 Allocations in-kind: Operational | | |
| Households | 252 000 | 165 000 |
| Non-profit Institutions | 3 281 875 | 4 517 749 |
| Total | 3 533 875 | 4 682 749 |
| 39.2 Monetary allocations: Operational | | |
| 40. Irrecoverable debts written off | | |
| Irrecoverable debts written off | 8 134 277 | 2 191 696 |
| Write offs resulted from successful indigent applications and a subsequent council resolution. | | |
| Irrecoverable debts written off per class | | |
| Trade and other receivables from exchange transactions | 2 643 698 | 2 189 652 |
| Receivables from non-exchange transactions | 5 490 579 | - |
| Deposits | - | 2 044 |
| | 8 134 277 | 2 191 696 |
| 41. Operating leases | | |
| Machinery and Equipment | 705 801 | 135 284 |
| Other Assets | 1 115 643 | 1 115 031 |
| Transport Assets | 21 878 890 | 5 169 987 |
| Total | 23 700 334 | 6 420 302 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|--------------------|--------------------|
| 42. Operational cost | | |
| Achievements and Awards | - | 56 650 |
| Advertising, Publicity and Marketing | 3 205 590 | 6 293 198 |
| Assets less than the Capitalisation Threshold | 200 043 | 180 471 |
| Bank Charges, Facility and Card Fees | 677 397 | 382 000 |
| Bargaining Council | 2 960 307 | 2 672 788 |
| Bursaries (Employees) | 159 810 | 85 772 |
| Cash Discount | 3 467 942 | 739 543 |
| Cleaning Services | 29 280 | - |
| Communication | 2 881 244 | 2 685 019 |
| Entertainment | 56 710 | 138 684 |
| Eskom Connection Fees | 443 699 | 748 173 |
| External Audit Fees | 4 554 351 | 4 114 565 |
| External Computer Service | 7 942 168 | 7 900 187 |
| Hire Charges | 50 458 512 | 33 555 770 |
| Honoraria (Voluntarily Workers) | 94 900 | 129 500 |
| Insurance Underwriting | 3 211 254 | 2 034 539 |
| Licences | 284 284 | 331 496 |
| Management Fee | 6 969 462 | 4 725 589 |
| Municipal Services | 83 089 990 | 66 924 707 |
| Printing, Publications and Books | 105 580 | 722 747 |
| Professional Bodies, Membership and Subscription | 29 589 | 32 881 |
| Registration Fees | 90 148 | 109 910 |
| Seating Allowance for Traditional Leaders | 3 131 | 3 299 |
| Signage | 78 800 | 33 050 |
| Skills Development Fund Levy | 2 693 967 | 2 456 009 |
| Transport Provided as Part of Departmental Activit | 4 642 390 | 2 392 135 |
| Travel and Subsistence | 13 207 900 | 17 131 028 |
| Uniform and Protective Clothing | 2 235 588 | 2 277 832 |
| Vehicle Tracking | 169 669 | 221 251 |
| Warrantees and Guarantees | - | 186 162 |
| Wet Fuel | 17 153 116 | 14 734 409 |
| Workmen's Compensation Fund | 1 665 874 | 2 140 796 |
| Total | 212 762 695 | 176 140 160 |
| 43. Inventory losses/write-down | | |
| Inventory | - | 135 106 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|--------------------|--------------------|
| 44. Net cash from/(used) operating activities | | |
| Surplus for the year | 472 582 510 | 299 677 380 |
| Adjustments for: | | |
| Depreciation and amortisation | 114 268 909 | 108 299 633 |
| Bad debts written off | 8 134 277 | 2 191 696 |
| (Gains) / Losses on disposal of assets | (173 933) | (2 214 821) |
| Actuarial gains/losses | 5 704 000 | 4 211 000 |
| Movements in employees benefits | 141 794 | 1 364 912 |
| Debtors Impairment | 30 812 251 | 26 735 357 |
| Inventory losses | - | 135 106 |
| Public contributions and donations | (9 478) | - |
| Transfers and subsidies paid | (3 533 875) | (4 682 749) |
| Retention forfeits | (201 620) | (732 237) |
| Deposit forfeits | (8 542) | (24 912) |
| Movement in working capital | | |
| (Increase) / Decrease in receivables from non-exchange transactions | 2 556 898 | (1 592 884) |
| (Increase) / Decrease in inventory | 2 403 985 | 4 268 040 |
| (Increase) / Decrease in receivables from exchange transactions | (40 614 640) | (19 287 213) |
| (Increase) / Decrease in VAT receivables | 18 799 976 | (25 311 416) |
| (Increase) / Decrease in prepayments | (28 406 208) | (75 147) |
| (Increase) / Decrease in deposits made | (1 228 337) | (843 960) |
| (Increase) / Decrease in operating lease receivable | (15 369) | - |
| Increase / (Decrease) in consumer deposits | (230 764) | 23 826 |
| Increase / (Decrease) in trade and other payables | 44 468 836 | 117 193 323 |
| Increase / (Decrease) in payables from non-exchange transactions | (114 064) | (850 834) |
| Increase / (Decrease) in operating lease liability | 239 995 | 308 182 |
| Increase / (Decrease) in non-current payables from exchange transactions | (29 854 118) | (7 086 039) |
| Net cash flows from operating activities | 595 722 483 | 501 706 243 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|-------------------|-------------------|
| 45. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 1 201 640 099 | 859 390 806 |
| Total capital commitments | | |
| Already contracted for but not provided for | 1 201 640 099 | 859 390 806 |
| Total commitments | | |
| Total commitments | | |
| Authorised capital expenditure | 1 201 640 099 | 859 390 806 |
| The Municipality has entered into various contracts for capital infrastructure projects that are expected to be completed in future. All commitments disclosed are VAT inclusive. | | |
| Operating leases - as lessee (expense) | | |
| Minimum lease payments due | | |
| - within one year | 41 046 104 | 35 764 771 |
| - in second to fifth year inclusive | 10 726 095 | 43 092 078 |
| - later than five years | 2 101 442 | 5 127 505 |
| | 53 873 641 | 83 984 354 |
| Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 9 years 11 months, rentals shall escalate at a rate of 7% per annum. No contingent rent is payable. | | |
| Operating lease payments represent rentals payable by the municipality for the rental of municipal vehicles. Leases are negotiated for an average term of 3 years, rentals shall escalate at a rate linked to CPI on the anniversary date of the lease contract. No contingent rent is payable. | | |
| Operating lease payments represent rentals payable by the municipality for the rental of Machinery and equipment. Leases are negotiated for an average term of 3 years, rentals are fixed for an average of three years. No contingent rent is payable. | | |
| Rental expenses relating to operating leases | | |
| Minimum lease payments | 22 008 637 | 6 417 471 |
| Operating leases - as lessor (income) | | |
| Minimum lease payments due | | |
| - within one year | 603 055 | 361 760 |
| - in second to fifth year inclusive | 579 724 | 766 080 |
| | 1 182 779 | 1 127 840 |

The municipality leases out some of its office space to three tenants, two of the tenants have a fixed escalation, and one has an escalation linked to CPI.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

45. Commitments (continued)

The first tenant has an escalation of 10% annually and the lease term is for a period on 36 months, from 01 October 2022 to 30 September 2025.

the second tenant has an escalation of 7% annually and the lease term is for a period of 36 months, from 01 August 2023 to 31 July 2026.

the third tenant has an escalation linked to CPI annually and the lease term is for a period of 36 months, from 01 July 2023 to 30 June 2026.

No contingent rent is receivable.

46. Water losses

| | | |
|--------------------------------|------------|------------|
| Unavoidable annual real losses | 90 582 130 | 99 047 798 |
|--------------------------------|------------|------------|

Water loss volumes

| | | |
|--------------------------------|------------------|------------------|
| Purified | 20 680 906 | 17 468 516 |
| Units sold | (5 218 698) | (4 175 238) |
| Supplied through water tankers | (201 152) | (231 168) |
| Unbilled unmetered consumption | (10 102 149) | (8 431 350) |
| | 5 158 907 | 4 630 760 |

Water loss percentage %

| | | |
|------------------|------|------|
| Technical losses | 25 % | 27 % |
|------------------|------|------|

Zululand District Municipality produces water for both urban and rural areas. The Municipality currently has mainly urban areas on their billing system. Water is supplied through subsidised schemes in the rural areas hence the municipality is incurring water losses due to the difference between consumers who qualified to be billed versus households that do not fall into this category. In addition water leaks, illegal connections and aging infrastructure are also contributing factors.

Correction of prior period error

Unavoidable annual real losses

| | | |
|------------------------|---|-------------------|
| As previously reported | - | 279 386 777 |
| Correction of error | - | (180 338 979) |
| | - | 99 047 798 |

Water loss volumes

| | | |
|------------------------|---|------------------|
| As previously reported | - | 13 062 110 |
| Correction of error | - | (8 431 350) |
| | - | 4 630 760 |

Water loss percentage %

| | | |
|------------------------|---|-----------|
| As previously reported | - | 75 % |
| Correction of error | - | (48)% |
| | - | 27 |

Correction of prior period error relates to adjustment in water loss units and water loss balance in line with the Department of water and sanitation guidelines. The guideline requires that unbilled unmetered consumption units be subtracted from purified units to get water loss units.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

47. Contingent liabilities

| | | |
|------------------------|--------|--------|
| Contingent liability 1 | 50 000 | 50 000 |
|------------------------|--------|--------|

Zululand District Municipality // Employee 1

G&B ref: P1402/22

Labour Court case no: D 768/ 2021

Employee 1 launched a review application to review and set aside an arbitration award declaring his suspension fair. ZDM has filed its answering affidavit. No further steps have been taken by Employee 1 at this stage.

Labour Court Case No: D 68/ 23

Employee 1 launched an urgent application to find the Municipality, the Municipal Manager and other officials in contempt of court of the arbitration award under case no: KPD 042202. ZDM is opposing the urgent application. The application was set down for 17 March 2023 and postponed to the opposed roll.

The prospects of matter is pending a set down date on the opposed roll.

The prospects of succeeding with the review application are reasonable if the preliminary points are successful.

The prospects of succeeding with the urgent application are reasonable.

| | | |
|------------------------|--------|---|
| Contingent liability 2 | 10 000 | - |
|------------------------|--------|---|

Zululand District Municipality // Employee 2

G&B ref: P 2728/23

Bargaining council case no: KPD 072309

Employee 2 was charged for misconduct and subsequently dismissed. Following an appeal hearing, the dismissal was upheld in May 2023.

Employee 2 referred a dispute to the SALGBC in July 2023 arguing that the dismissal is substantively and procedurally unfair.

The arbitration convened and concluded on 12 June 2024.

The SALGBC issued an award on 8 July 2024 in favour of the Municipality, namely that the dismissal was substantively and procedurally fair.

The Municipality succeeded in the arbitration.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|---------|------|
| 47. Contingent liabilities (continued) | | |
| Contingent liability 3 | 250 000 | - |
| Zululand District Municipality // Employee 3 | | |
| G&B ref: P 1686/23 | | |
| The arbitration is set down for 26 July 2024 and 14 August 2024. | | |
| On 30 October 2023, Employee 3 was charged by the Municipality for misconduct pertaining to dishonesty. Employee 3 plead not guilty. | | |
| Following an internal disciplinary, Employee 3 was found guilty of the charges and dismissed. | | |
| Employee 3 has referred an unfair dismissal dispute to the SALGBC under case number KPD032407. | | |
| The arbitration is set down for 26 July 2024 and 14 August 2024. | | |
| The prospects of succeeding are reasonable. | | |
| Contingent liability 4 | 75 000 | - |
| Zululand District Municipality // Employee 4 | | |
| G&B ref: P 1035/24 | | |
| Bargaining council case no: KPD062322 | | |
| The Municipality dismissed Employee 4 in May 2023. Employee 4 referred an unfair dismissal dispute to the SALGBC under case number KPD062322. | | |
| In January 2024, a Default Award was obtained against the Municipality | | |
| The Municipality subsequently successfully applied for the award to be rescinded. The award was issued on 5 July 2024. | | |
| The Municipality is currently waiting for the set down date for the arbitration. | | |
| The rescission and condonation applications were successful. | | |
| Prospects of success relating to the main dispute will be assessed once we have full instructions. | | |
| Contingent liability 5 | 75 000 | - |
| Zululand District Municipality // Employee 5 | | |
| G&B ref: P 0333/24 | | |
| CCMA under case number KNDB10170/21 | | |
| Employee 5 has instituted proceedings in the CCMA under case number KNDB10170/21 alleging various acts of harassment and discrimination against him. | | |
| The matter is part-heard and last sat in February 2024. The Municipality is awaiting a new set down date. | | |
| Reasonable prospects of success. | | |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---------|---------|
| 47. Contingent liabilities (continued) | | |
| Contingent liability 6 | 150 000 | - |
| Zululand District Municipality // Employee 6 | | |
| G&B ref: P 0145/24 | | |
| Internal disciplinary proceedings | | |
| The Municipality instituted internal disciplinary proceedings against Employee 6 in February 2024 for misconduct relating to breaching policies specifically the IT and SCM policies. | | |
| Employee 6 pled not guilty and is defending the charges. | | |
| The hearing is part-heard and is scheduled to continue 17-19, 23 & 24 July 2024. | | |
| Reasonable prospects of success. | | |
| Contingent liability 7 | 500 000 | 500 000 |
| Zululand District Municipality // MEC COGTA (COGTA's report) | | |
| G&B ref: P 1175/20 | | |
| High Court Case No: 5660/2020 | | |
| ZDM successfully applied to have COGTA's report purportedly conducted in terms of section 106(1)(b) of the Municipal Systems Act declared unlawful, reviewed and set aside. | | |
| COGTA filed an application for leave to appeal and ZDM has served a notice of opposition. | | |
| The Municipality successfully defended the application for leave to appeal. | | |
| COGTA then petitioned the SCA for leave to appeal. The Municipality opposed this petition. On the 18th May 2023 the SCA granted COGTA's petition for leave to appeal to the full court of the KwaZulu-Natal Division of the High Court, Pietermaritzburg. The costs order of the court a quo in dismissing the application for leave to appeal was set aside and the costs of the application for leave to appeal in the SCA and the court a quo are now costs in the appeal. | | |
| The appeal is set down for 1 November 2024 before the full court of the KwaZulu Natal Division of the High Court, Pietermaritzburg. | | |
| Reasonable prospects of success. | | |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|-----------|-----------|
| 47. Contingent liabilities (continued) | | |
| Contingent liability 8 | - | 350 000 |
| Zululand District Municipality // MEC COGTA (Exco Composition) | | |
| G&B ref: L0572/22 | | |
| Application before KwaZulu-Natal High Court, Pietermaritzburg – CASE NO: 2565/22P | | |
| MEC-COGTA – KwaZulu-Natal instituted an application against the Municipality and Nongoma Local Municipality to challenge the composition numbers of the Municipal Executive Committee. | | |
| The Municipality opposed this application on the basis that it believes the MEC COGTA – KZN has misconstrued and misinterpreted the 2021 amendments of the Municipal Systems Act as placing a restriction on when the Municipal Council is able to change the composition of the Municipal Executive Committee. | | |
| The matter was set down for 27 July 2023 but COGTA has removed the matter from the roll. The matter was then re-enrolled for 11th September 2023 and argued on that date. Unfortunately the presiding judge passed away before delivering his judgment. The Judge President directed the matter be reargued. | | |
| The matter was reargued on 23 April 2024 before a new judge and judgment remains outstanding. | | |
| The Municipality has good prospects of opposing this application. | | |
| No estimated future cost. | | |
| Contingent liability 9 | 1 000 000 | 1 000 000 |
| Zululand District Municipality // Rocla | | |
| High Court urgent application brought by Rocla. Declarator order sought compelling ZDM to purchase 15000 units per the contract data. Matter referred to the SCA. | | |
| ZDM lost at the SCA. Rocla has not taxed its costs as yet but has indicated that it will be suing for damages in respect of the balance of the contract price, this has not been issued yet so exact amounts are not available. | | |
| Contingent liability 10 | 350 000 | 350 000 |
| Zululand District Municipality // JB Mavundla & Another | | |
| Mr Mavundla and Mr Nkosi have issued papers against ZDM to have the court declare them the lawful NFP councillors at the Municipality, The matter has been adjourned sine die. | | |
| The matter has been adjourned sine die | | |
| Contingent liability 11 | 2 196 570 | 2 196 569 |
| Zululand District Municipality // ESKOM Holdings | | |
| ESKOM has sued ZDM for damages sustained to its aircraft at the ZDM airport. | | |
| A plea has been filed and Eskom has not taken the matter further. | | |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|-------------------|-------------------|
| 47. Contingent liabilities (continued) | | |
| Contingent liability 12 | 40 000 000 | 40 000 000 |
| Zululand District Municipality // Minister of Water & Sanitation | | |
| Minister is suing ZDM for approximately R40million for water and water levies charges. The Minister of Water and Sanitation is pushing this matter to trial despite attempts at settlement. | | |
| The matter is set down for Trial in February 2025. | | |
| Contingent liability 13 | 400 000 | 2 205 459 |
| Zululand District Municipality // Moteko Construction | | |
| Moteko Construction has issued summons against ZDM for R156 6847.58 and ZDM has filed a counter-claim for R638 612.06. | | |
| Plaintiff has not yet set the matter down for trial. It has remained dormant for years. | | |
| Contingent liability 14 | 350 000 | 350 000 |
| Zululand District Municipality // TMS | | |
| TMS has issued papers against ZDM to review and set aside a tender for water services but have not proceeded to set it down. | | |
| The matter has been adjourned sine die | | |
| Contingent liability 15 | 8 213 829 | 8 213 829 |
| Zululand District Municipality // Multisolution | | |
| Multisolutions has issued an application against ZDM for payment of R8 213 829, 00 in respect of services rendered. ZDM has opposed the application. | | |
| The applicant has now filed a replying affidavit but has not yet set the matter down | | |
| Contingent liability 16 | - | 2 151 988 |
| Zululand District Municipality // Abaqulusi Local Municipality | | |
| Zululand district municipality has a dispute with Abaqulusi municipality for services received for the month of May and June 2023. | | |
| The billing dispute raised has been resolved with Abaqulusi local municipality. | | |
| Contingent liability 17 | 320 000 | - |
| Zululand District Municipality // JAMJO CIVILS | | |
| Jamjo filed an internal appeal and various interdicts against ZDM in respect of a tender in which they were not successful.the matter. | | |
| ZDM was successful in the MBAT hearings however Jamjo has taxed it's bills as against ZDM with the amount of R320 000.00 being due in respect of their legal fees as a result of a costs order against ZDM. ZDM will have to pay this amount to avoid a warrant of attachment being served. | | |
| | - | - |
| | 53 940 399 | 57 367 845 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

47. Contingent liabilities (continued)

Prior period error

| | | |
|---|---|-------------------|
| As previously reported | - | 73 893 083 |
| Correction of error - Zululand DM // ABSA and another | - | (15 525 238) |
| Correction of error - Zululand DM // Department of education | - | (500 000) |
| Correction of error - Zululand DM // Dlamini Ndlovu Engineering | - | (500 000) |
| | - | 57 367 845 |

The correction of prior period error relates to receivables that were presented as contingencies.

These litigations are in progress and have been included as receivables.

Zululand District Municipality // ABSA and another

Recovery of money from ABSA

Draft summons and particulars of claim have been sent to client for comments. They also have been sent to counsel.

Reasonable.

Zululand District Municipality // Department of education

ZDM has issued summons against DOE for recovery of unpaid invoices. The matter is in the early stages of exchange of pleadings.

Zululand District Municipality // Dlamini Ndlovu Engineering

ZDM has issued summons against Dlamini Ndlovu for recovery of an overpayment due to their negligence, The matter is in the early stages of exchange of pleadings.

48. Risk management

Financial risk management

The Department Financial Services monitors and manages the financial risk relating to the operations through internal policies and procedures. These risks include interest rate and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis and annually by external auditors. The municipality does not enter or trade financial instruments for speculative purposes.

Revenue

On assessment of the outstanding debtors material impairment was noted as most customers are a subject of indigent verification. Revenue Enhancement Strategy is in place that is looking to different ways to expand revenue base.

Expenses

Due to increased expectation for access to better hygiene practices, water as the core service delivery mandate of the municipality, must reach communities at an increased volume.

Therefore intervention through grant reprioritisation is seen as the solution. The diverting of grants for capital projects to support operations and operation expenditure. This has a possibility of sustained expectation.

Assets

There is no indication that an impairment loss has been incurred on assets except for the ones already recognised in the statement of financial position.

Liabilities

There are no promises, commitments or obligations that have been made that requires to determine whether a liability exist at the reporting date or whether disclosure is needed in the notes to the financial statement.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

48. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputations.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The municipality has agreed to a payment plan with the respective creditor to settle its non-current liabilities.

Capital risk management

The municipality's objectives when managing capital structure are to safeguard the municipality's ability to continue as a going concern to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of cash and cash equivalents disclosed in Note 2 and accumulated surplus as disclosed in the Statement of Changes in Net Assets.

Gearing ratio.

The municipality entered into a loan agreement with ABSA bank, the gearing ratio is 0.02.

49. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of 5 051 610 503 and that the municipality's total assets exceed its liabilities by 5 051 610 503.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

- The municipality is operating at a net asset position.
- There municipality has 10 year fixed term borrowing agreement of R 100 000 000 with ABSA bank.
- There is no indication of withdrawals of support from creditors.
- The Municipality is not operating at an overdraft facility.
- The current ratio (CA/CL) is 0,36:1. However included in this calculation is retention of 13 R 86 977 473 which is dependent on the future grant receipts and R 400 866 370 creditors at year-end. This retention does not have to be cash backed. Norm ratio is 2:1.
- The municipality has resulted to surplus for the current financial year and there is no significant deterioration in the value of assets used to generate cash flows.
- The municipality is still able to pay its creditors as they become due.
- National Sphere of Government will continue to allocate equitable share of national revenue and other Division of Revenue Act grants to municipalities.
- There is no labour difficulties that will render the Municipality dysfunctional.
- There are no material pending legal claims that may render municipality dysfunctional.
- There are no legal changes in law or regulation or government policy that may result in the liquidation of the municipality.
- The Municipal original budget was assessed as funded and later the adjustment budget was assessed as unfunded and the municipality adopted a budget funding plan.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

50. Other compulsory disclosures

| | SALGA contributions | Audit fees | PAYE and UIF | SDL | Pension and Medical aid | Value added tax |
|---|---------------------|-------------|----------------|-------------|-------------------------|------------------|
| As at 30 June 2024 | | | | | | |
| Opening balance | - | - | - | - | 155 803 | 27 524 833 |
| Subscription/fees | 2 960 307 | 4 554 351 | 43 133 792 | 2 693 968 | 68 359 330 | 153 250 434 |
| Amount paid /received – current year | (2 960 307) | (4 554 351) | (43 133 792) | (2 693 968) | (68 359 330) | (178 210 884) |
| Balance unpaid (included in payables) | - | - | 285 015 | - | (155 803) | - |
| Total amount approved by the accounting officer and noted by council | - | - | 285 015 | - | - | 2 564 383 |

| | SALGA contributions | Audit fees | PAYE and UIF | SDL | Pension and Medical aid | Value added tax |
|---|---------------------|-------------|--------------|-------------|-------------------------|-------------------|
| As at 30 June 2023 | | | | | | |
| Opening balance | - | - | - | - | - | 10 896 204 |
| Subscription/fees | 2 680 493 | 4 114 565 | 40 071 672 | 2 463 950 | 61 139 241 | 130 869 313 |
| Amount paid / received – current year | (2 680 493) | (4 114 565) | (40 071 672) | (2 463 950) | (61 139 241) | (114 240 684) |
| Balance unpaid (included in payables) | - | - | - | - | 155 803 | - |
| Total amount approved by the accounting officer and noted by council | - | - | - | - | 155 803 | 27 524 833 |

Please refer to note 57 for prior period adjustments.

51. Councillor's municipal accounts in arrears

| | Amount outstanding for more than 90 days | |
|--|--|---------------|
| List the name of the councillor which at any time during the relevant financial year was in arrears for more than 90 days | | |
| Cllr. Nkwanyana SE | 961 | 1 098 |
| Cllr. Nxumalo CM | 87 228 | 55 192 |
| Cllr Mncwango BJ | 845 | - |
| | 89 034 | 56 290 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|--------------------|--------------------|
| 52. Unauthorised, irregular, fruitless and wasteful expenditure | | |
| 52.1 Unauthorised expenditure | | |
| Opening balance as previously reported | 233 980 163 | 127 448 321 |
| Add: Unauthorised expenditure – current | 233 746 094 | 233 980 163 |
| Less: Amounts written-off – prior period | (233 980 163) | (127 448 321) |
| Closing balance | 233 746 094 | 233 980 163 |

Unauthorised expenditure was taken to council and authorised / written off, no unauthorised expenditure is under investigation.

Analysis of unauthorised expenditure

The over expenditure incurred by the municipal departments during the year is attributable to the following categories

| | | |
|----------------|--------------------|--------------------|
| Non-cash items | 75 485 973 | 24 592 686 |
| Cash items | 158 260 121 | 209 387 477 |
| | 233 746 094 | 233 980 163 |

Analysed as follows: non-cash items

| | | |
|-----------------------------------|-------------------|-------------------|
| Employee related cost | 13 907 957 | 9 786 910 |
| Depreciation and amortisation | 25 013 066 | 20 249 039 |
| Bad Debts written off | 8 134 277 | 2 191 696 |
| Inventories losses/write-downs | - | 135 106 |
| Finance costs (savings) | 7 112 704 | (153) |
| Debt Impairment (savings) | 20 812 249 | (7 571 813) |
| Transfers and subsidies (savings) | - | (198 099) |
| Losses on disposal of Assets | 505 720 | - |
| | 75 485 973 | 24 592 686 |

Analysed as follows: cash items

| | | |
|--|--------------------|--------------------|
| Employee related costs | - | 6 347 631 |
| Remuneration of councillors | 578 267 | 255 182 |
| Contracted services | 84 267 244 | 130 545 585 |
| Inventory consumed | (1 495 658) | 21 970 082 |
| Transfers and subsidies | (730 047) | - |
| Operational cost | 33 666 077 | 47 551 157 |
| Receivables from non exchange transactions | - | 2 717 840 |
| Funds not used for capital expenditure as intended | 41 974 238 | - |
| | 158 260 121 | 209 387 477 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | 2024 | 2023 |
|--|-------------------|-------------------|
| 52. Unauthorised, irregular, fruitless and wasteful expenditure (continued) | | |
| 52.2 Irregular expenditure | | |
| Opening balance as previously reported | 89 232 856 | 58 990 103 |
| Add: Irregular expenditure - current | 159 294 202 | 93 485 623 |
| Add: Irregular expenditure – prior period | - | 1 358 367 |
| Less Amount recoverable – prior period | (3 966 450) | - |
| Less: Amounts written-off – current | (135 741 642) | (19 645 134) |
| Less: Amounts written-off – prior period | (85 266 407) | (44 956 103) |
| Closing balance | 23 552 559 | 89 232 856 |

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

| | | |
|---------------------------|--------------------|-------------------|
| Non- compliance MSCMR | 149 102 366 | 70 717 422 |
| Non-compliance with CIDBR | - | 7 052 369 |
| Non-compliance with PPPFA | - | 17 074 199 |
| | 149 102 366 | 94 843 990 |

Cases under investigation

| | | |
|---|---|------------|
| Municipal Supply Chain Management Policies or By-laws | - | 13 995 316 |
|---|---|------------|

cases related to non-compliance with procurement process requirements.

After a forensic investigation was concluded, council committee recommended to write-off R 10 056 166 as no losses were suffered and recovery of R 3 939 150 be pursued as per recommendations of the council committee.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 85 255 022 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was no financial loss and no recovery is required in respect of the said amount

52.3 Fruitless and wasteful expenditure

| | | |
|--|------------------|------------------|
| Opening balance as previously reported | 1 046 939 | 303 721 |
| Add: Fruitless and wasteful expenditure – current | 3 108 256 | 1 046 939 |
| Add: Fruitless and wasteful expenditure – prior period | 140 144 | - |
| Less: Amounts written-off – current | (1 046 939) | (303 721) |
| Closing balance | 3 248 400 | 1 046 939 |

Details of fruitless and wasteful expenditure

| | | |
|------------------------------|------------------|------------------|
| Interest on overdue accounts | 666 422 | 295 889 |
| Over payment of suppliers | 395 911 | 136 888 |
| Contractors standing time | - | 614 162 |
| Interest on excess loan | 2 186 067 | - |
| | 3 248 400 | 1 046 939 |

Amount written-off

After the council committee investigations, council adopted the council committee recommendations to write-off an amount of R 1 046 939 from the total fruitless and wasteful expenditure amount as none of the expenditure attributed to gross negligence.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

53. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

Deviation from supply chain management regulations

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

| SGM paragraph reference | Disciplinary steps/criminal proceedings | | |
|-------------------------|--|------------------|------------------|
| 36 (1)(a) i | Dispense with the official procurement processes in an emergency | 718 047 | 555 691 |
| 36 (1)(a) ii | Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider. | 847 950 | 1 390 702 |
| 36 (1)(a) iii | Dispense with official procurement processes if such goods or services are produced for acquisition of special work of art or historical object | 105 000 | 1 104 277 |
| 36 (1)(a) v | Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes. | 1 444 893 | 6 705 736 |
| Total deviations | | 3 115 890 | 9 756 406 |

The deviations rand value disclosed is representative of the award value. In the event of a rates based award, an estimate is utilised based on certain projected provisions. In the event that an award value is not present, nor an estimate due to certain conditions, the actual expenditure incurred will be disclosed.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

54. Related party disclosures

54.1 Nature of related party relationships

| | |
|-------------------------------------|--|
| Related party Accounting Officer | Nature of relationship Refer to accounting officer's report note |
|-------------------------------------|--|

54.2 Remuneration of management

Management class: Councillors/mayoral committee members

2024

| Name | Basic salary | Other short-term employee benefits | Other benefits received | Total |
|-------------------------------------|------------------|------------------------------------|-------------------------|-------------------|
| Cllr Barnes IR (from June 2024) | - | - | - | - |
| Cllr Buthelezi TD (until June 2024) | 602 888 | 460 854 | 99 750 | 1 163 492 |
| Cllr Dlamini FM | 27 483 | - | - | 27 483 |
| Cllr Dlamini VV | 13 636 | - | - | 13 636 |
| Cllr Dubazane MR | 20 579 | - | - | 20 579 |
| Cllr Hadebe ISM | 553 544 | 231 267 | - | 784 811 |
| Cllr Jiyane KR (from May 2024) | - | - | - | - |
| Cllr Khumalo BK | 247 996 | 144 527 | 47 535 | 440 058 |
| Cllr Khumalo MB | 266 095 | 143 162 | 32 155 | 441 412 |
| Cllr Magagula NS | 17 170 | - | - | 17 170 |
| Cllr Masondo ND | 24 031 | - | - | 24 031 |
| Cllr Mavundla CM | 22 895 | - | - | 22 895 |
| Cllr Mavundla JB | 233 464 | 123 975 | - | 357 439 |
| Cllr Mavuso NP | 24 031 | - | - | 24 031 |
| Cllr Mbatha SI | 512 481 | 241 260 | 72 814 | 826 555 |
| Cllr Memela DT | 513 201 | 243 726 | 73 489 | 830 416 |
| Cllr Mncwango BJ | 203 012 | 123 975 | 29 071 | 356 058 |
| Cllr Mncwango SA | 201 002 | 120 960 | 28 804 | 350 766 |
| Cllr Mngomezulu ND | 20 579 | - | - | 20 579 |
| Cllr Mntambo M | 233 464 | 123 975 | - | 357 439 |
| Cllr Ndlela NP | 8 910 | 5 815 | - | 14 725 |
| Cllr Ndlovu TD | 245 738 | 137 074 | 32 940 | 415 752 |
| Cllr Ndwandwe TM | 25 211 | - | - | 25 211 |
| Cllr Nhlabathi BC | 233 464 | 123 975 | - | 357 439 |
| Cllr Nkosi SR (until June 2024) | 467 354 | 245 185 | - | 712 539 |
| Cllr Nkwanyana SE | 203 012 | 123 975 | 29 071 | 356 058 |
| Cllr Ntombela SS | 23 988 | - | - | 23 988 |
| Cllr Ntshangase TA | 22 852 | - | - | 22 852 |
| Cllr Ntuli KM | - | - | - | - |
| Cllr Nxumalo B (until April 2024) | 458 263 | 192 036 | - | 650 299 |
| Cllr Nxumalo SV | 20 579 | - | - | 20 579 |
| Cllr Nxumalo - Sibiyi CM | 23 988 | - | - | 23 988 |
| Cllr Selepe PP | 14 772 | - | - | 14 772 |
| Cllr Sikhakhane HN (from June 2024) | - | - | - | - |
| Cllr Shelembe S | 252 106 | 144 936 | 49 700 | 446 742 |
| Cllr Sibiyi AM | 26 304 | - | - | 26 304 |
| Cllr Sithole BH | 734 | - | - | 734 |
| Cllr Williams MP | 238 490 | 118 807 | - | 357 297 |
| Miss Xaba NG (from October 2023) | 46 005 | 19 755 | - | 65 760 |
| Cllr Zulu RM | 428 667 | 210 290 | 62 414 | 701 371 |
| Cllr Zungu NF | 19 486 | - | - | 19 486 |
| Cllr Zungu ZH | 26 304 | - | - | 26 304 |
| | 6 523 778 | 3 279 529 | 557 743 | 10 361 050 |

2023

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

54. Related party disclosures (continued)

| Name | Basic salary | Other short-term employee benefits | Other benefits received | Total |
|---------------------------------------|------------------|------------------------------------|-------------------------|------------------|
| Cllr Buthelezi TD | 614 396 | 630 406 | 101 741 | 1 346 543 |
| Cllr Dlamini FM | 29 413 | 218 | - | 29 631 |
| Cllr Dlamini VV | 21 590 | - | - | 21 590 |
| Cllr Dubazane MR | 20 323 | 218 | - | 20 541 |
| Cllr Hadebe ISM | 527 208 | 213 077 | - | 740 285 |
| Cllr Khumalo BK | 458 580 | 208 397 | 83 861 | 750 838 |
| Cllr Magagula NS | 21 459 | 218 | - | 21 677 |
| Cllr Masondo ND | 26 005 | 218 | - | 26 223 |
| Cllr Mavindla CN | 26 005 | 218 | - | 26 223 |
| Cllr Mavundla JB | 221 103 | 113 462 | - | 334 565 |
| Cllr Mavuso NP | 26 109 | 218 | - | 26 327 |
| Cllr Mbatha SI | 312 193 | 159 835 | 45 903 | 517 931 |
| Cllr Mdlalose SM (until May 2023) | 205 949 | 103 992 | - | 309 941 |
| Cllr Mdletshe AT | 18 181 | - | - | 18 181 |
| Cllr Memela DT | 493 995 | 224 486 | 71 877 | 790 358 |
| Cllr Mncwango BJ | 202 876 | 113 462 | 56 866 | 373 204 |
| Cllr Mncwango SA (from February 2023) | 77 391 | 47 350 | 11 609 | 136 350 |
| Cllr Mngomezulu ND | 22 596 | 218 | - | 22 814 |
| Cllr Mntambo M | 224 158 | 113 462 | - | 337 620 |
| Cllr Ndlela NP | 242 844 | 133 488 | 49 039 | 425 371 |
| Cllr Ndlovu TD | 372 044 | 178 113 | 53 464 | 603 621 |
| Cllr Ndwandwe TM | 30 550 | 218 | - | 30 768 |
| Cllr Nhlabathi BC | 226 252 | 113 462 | - | 339 714 |
| Cllr Nkwanyana SE | 202 532 | 113 462 | 28 433 | 344 427 |
| Cllr Ntombela SS | 28 211 | 218 | - | 28 429 |
| Cllr Ntshangase TA | 24 868 | 218 | - | 25 086 |
| Cllr Nxumalo B | 348 280 | 155 072 | - | 503 352 |
| Cllr Nxumalo SV | 22 596 | 218 | - | 22 814 |
| Cllr Nxumalo-Sibiya CM | 24 868 | 218 | - | 25 086 |
| Cllr Prince MMM Zulu | 116 423 | 56 892 | 15 610 | 188 925 |
| Cllr Selepe PP | 16 979 | - | - | 16 979 |
| Cllr Shelembe S | 245 894 | 135 191 | 44 866 | 425 951 |
| Cllr Sibiya AM | 28 277 | 218 | - | 28 495 |
| Cllr Sithole BH | 23 732 | 218 | - | 23 950 |
| Cllr Williams MP | 21 317 | - | - | 21 317 |
| Cllr Zulu RM | 198 554 | 113 462 | - | 312 016 |
| Cllr Zungu NF | 24 868 | 218 | - | 25 086 |
| Cllr Zungu ZH | 29 413 | 218 | - | 29 631 |
| | 5 778 032 | 2 930 559 | 563 269 | 9 271 860 |

Management class: Executive management

2024

| Name | Basic salary | Other short-term employee benefits | Other benefits received | Total |
|-------------|--------------|------------------------------------|-------------------------|-----------|
| Hlongwa RN | 1 315 154 | 571 277 | 2 262 | 1 888 693 |
| Mosia SP | 955 894 | 357 564 | 237 651 | 1 551 109 |
| Msibi NS | 979 584 | 453 157 | 2 262 | 1 435 003 |
| Linda MS | 1 223 895 | 606 690 | 9 267 | 1 839 852 |
| Msimango RN | 723 809 | 511 445 | 2 051 | 1 237 305 |
| Jeje TM | 908 295 | 332 456 | 222 538 | 1 463 289 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

54. Related party disclosures (continued)

| | | | | |
|-------------|------------------|------------------|----------------|-------------------|
| Soko TG | 964 733 | 435 731 | 2 532 | 1 402 996 |
| Nene FK | 965 675 | 422 770 | 1 308 | 1 389 753 |
| Ntombela TA | 236 158 | 84 271 | 566 | 320 995 |
| | 8 273 197 | 3 775 361 | 480 437 | 12 528 995 |

2023

| Name | Basic salary | Other short-term employee benefits | Other benefits received | Total |
|-------------|------------------|------------------------------------|-------------------------|------------------|
| Hlongwa RN | 1 185 018 | 854 876 | 2 244 | 2 042 138 |
| Mosia SP | 895 724 | 448 977 | 222 691 | 1 567 392 |
| Msibi NS | 528 272 | 540 081 | 1 326 | 1 069 679 |
| Linda M S | 945 475 | 428 818 | 2 255 | 1 376 548 |
| Msimango RN | 935 411 | 333 772 | 2 255 | 1 271 438 |
| Soko TG | 934 293 | 327 473 | 2 957 | 1 264 723 |
| Nene FK | 856 587 | 281 963 | 2 067 | 1 140 617 |
| Manqele PM | - | 80 544 | 177 | 80 721 |
| Jordaan WJ | - | 73 038 | 177 | 73 215 |
| Gumede RTM | - | 9 052 | - | 9 052 |
| Kheswa S | - | 81 153 | - | 81 153 |
| Zulu SB | - | 4 594 | - | 4 594 |
| Ngubane BS | - | 11 102 | - | 11 102 |
| | 6 280 780 | 3 475 443 | 236 149 | 9 992 372 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

55. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

55.1. Statement of financial performance

Revenue from exchange transactions

BD1 - Services charges - Water - The meters installed have assisted in correcting the billing. However, there are still customers who are billed on average due to faulty meters, therefore resulted to higher billing than budgeted.

BD2 - Service charges - Waste Water Management - These are billed customers that are connected to the sewer system, the difference results from the fact that there are customers billed at average.

BD3 - Sale of Goods and Rendering of Services - This includes sale of tender documents, the actual is slightly below the budget, it depends on the sale of tenders of new project.

BD4 - Interest earned from receivables - The municipality charged the interest on outstanding water account for the businesses only as per credit policy. The interest is less than budgeted due to its dependence on outstanding account, however, there has been increase in interest compared to previous year due increase in debtors but less than the budget.

BD5 - Interests earned from current and non-current assets - This is dependent on the availability of funds that were not immediately required to settle payments, therefore, invested to call account and 32 days' notice. The municipality accumulated the interest in the second half of the year after mid-year adjustment budget.

BD6 - Rental from fixed assets - The two tenants vacated the building prior to the year end, the municipality entered into new lease agreement with revised rates, the rental received became more than expected.

BD7 - Licences or permits - These are the licences issued by the municipal health on the renewal date. Most of the receipts were from renewal of licences.

BD8 - Operational revenue - Other revenue consists of Skills development levy refund, Registration fees, landing fees, administrative handling fees, clearance certificates and Sale of tender documents. Major increase above budget is on skills development levy refund and sale of tender documents.

Revenue from non-exchange transactions

BD9 - Fines, penalties and forfeits - Fines, penalties, forfeits are amounts charged on illegal connections, deposit forfeits and health fines based on health inspections and reconnection fees on non-paying disconnected customers. The municipality adjusted the budget since the training was provided to environmental health practitioners and the benefit did materials in 2023-2024 financial year.

BD10 - Transfer and subsidies - Operational - The Indonsa Art centre grant is still in progress, the municipality has incurred expenditure but still waiting for invoices to pay as the year end accrual.

BD11 - Gains on disposal of assets - This is the gain on disposal of municipality asset that were no longer suitable for service delivery.

Expenditure

BD12 - Employee related costs - The employee related cost includes leave provision, bonus provision, standby, overtime and post-retirement benefits. The municipality has overspent on post-retirement benefits, leave pay was overspent, Standby allowance was overspent by the municipality due to circumstances that arise during the year in water and sewer plants.

BD13 - Remuneration of councillors - The councillor's allowance was overspent due changes on the upper limits as per published gazette and the adjustment was not duly prepared since it was beyond mid-year adjustment.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

55. Budget information (continued)

BD14 - Inventory consumed - This includes the purchase of raw water, portable water, material, and supplies. There variance results from savings on consumable stores and material & supplies.

BD15 - Debt impairment - This depends on the actual debtors as at the end of the financial year.

BD16 - Depreciation and amortisation - The significant increase in depreciation was due to completed assets transferred from work in progress and started to depreciate and extended above budget.

BD17 - Finance charges - The municipality have lease agreement that is finance lease and loan. The interest is included in finance cost line, interest resulting from overdue account is also included. The loan was approved during the year; therefore, no budget was allocated.

BD18 - Contracted services - The contracted services comprise of maintenance of municipal infrastructure or assets, Business and Advisory Services and project management. The major cost drivers are water tankers, security, legal cost and maintenance. These major cost drivers have increased beyond the budget while striving to provide service delivery.

BD19 - Transfers and subsidies - This is support given to the community by municipality in the form of lightning conductors, disaster relief material and LED projects. This includes assistance with seedlings, planting, and many other LED activities. The saving was on the relief material and lightning conductors.

BD20 - Irrecoverable debts written off - These are the debtors written off following the council resolution on debtors that are indigent and UIFW, there was no budget allocated to write offs.

BD21 - Operational costs - This includes all operating cost such ESKOM, operating leases, S&T, municipality services etc. The municipality has overspent on ESKOM, fleet lease, higher charges.

BD22 - Losses on disposal of Assets - This is the loss on disposal of assets.

BD23 - Transfers and subsidies - capital (monetary allocations) - The municipality received all grants that were budgeted in 2324 financial year, the difference is the one that was unspent in 2223 financial year which is borehole intervention program.

BD24 - Transfers and subsidies - capital (in-kind) - This was a donation from a private enterprise to Indonsa art centre and was not anticipated during the budget process.

55.2. Statement of financial position

Current assets

BD25 - Cash and cash equivalents - Cash and cash equivalent is estimated based on the expected performance on expenditure (Considering payments of suppliers, employees, and capital grants) and revenue, and considering the collection level of the municipality. The large variance is because the municipality has paid huge amounts of creditors from previous year on top of the current budgeted payment.

BD26 - Trade and other receivables from exchange transactions - Trade and other receivables from exchange transactions include debtors from water, sanitation services, other service charges and rental of properties. The municipality's actual debtors have decreased as compared to the budget since the municipality's debtors have increased and therefor the impairment on water and sanitation debtors increased, resulting to debtors be lower than budgeted.

BD27 - Receivables from non-exchange transactions - This includes all other non-exchange debtors, including shared services debtors from Local municipalities and all other debtors. The municipality's budgeted higher than the actual debtors, this means that the municipality has managed to reduce the amount of other debtors.

BD28 - Inventory - Inventories consist of water stock, material and supplies and consumable stores. The budget is less than actual because of consumable stock purchase and issued during the year.

BD29 - VAT - VAT Receivable is the net amount of input VAT raised. The municipality's budget is higher than the actual due to the municipality's large amount of payment during the year end, which resulted in increased VAT input variance.

BD30 - Other current assets - These are the deposit payments to ESKOM, Attorneys that the municipality paid when opening new accounts.

Non-current assets

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

55. Budget information (continued)

BD31 - Property Plant and Equipment - Property plant and equipment include capital acquisition and the amount of all assets owned by the municipality, Capital acquisition which are additions to property plant and equipment. The municipality has over budgeted in the property plant and equipment.

BD32 - Heritage assets - The municipality Heritage asset is the statue and the carrying value remain as budgeted.

BD33 - Intangible assets - This is the carrying value of intangible assets, the municipality did not purchase new intangible assets.

BD33 - Other non-current assets - This is non current portion of the operating lease received by the municipality.

Non-current Liabilities

BD41 - Financial liabilities - The municipality is in a lease agreement with Business Connections (BCX), the contract is for the laptops that the municipality will use for the agreed period and will be given to the Municipality at the end of the contract. The municipality has also acquired loan. This is the non-current portion for both loan and finance lease.

BD42 - Long term portion of trade payables - This is the long-term debt with DWS. An arrangement has been signed by the Municipality and the department of water and sanitation. This resulted in the new amount being calculated and being above the budget.

BD43 - Other non-current liabilities - This is employee benefit such as post-employment benefits and long - service awards, there has been a slight increase in both post-retirement benefits as per actuarial' s calculations.

Current liabilities

BD34 - Financial liabilities - This includes the current portion of finance lease and current portion of loan repayment. The increase results from the current portion of loan liability which R17 million and finance lease.

BD35 - Consumer deposits - This is change on consumer deposits depending on new accounts opened

BD36 - Trade and other payables from exchange transactions - The Payables from exchange transactions consist of trade payables and all other payables. This includes the bulk purchase such as DWS, payables such maintenance payables and all other payables.

BD37 - Payables from non-exchange transactions - The municipality has unspent grants, the municipality has spent grants within the limits of grant conditions. Unspent grants will be spent in 2024-2025 financial year, the municipality has never budgeted for unspent grants, the unspent grant is borehole intervention grant.

BD38 - Provision - This is the current provision for leave pay and annual bonus, this results from the correction of leave provision from employee cost payable to leave provision and bonus provision.

BD39 - VAT payable - This is the VAT output resulting from revenue generated.

BD40 - Other current liabilities - This is the current provision for long service award, leave pay and annual bonus.

55.3. Cashflow flow statement

Cashflows from operating activities

BD41 - Service charges - The budgeted collection of Service charges is 65%. The actual collection rate is 62% of budgeted collection rate. This results from low or poor collection level from debtors. There is higher level of unemployment and mostly is rural area, that results in low collection level.

BD42 - Other revenue - The budget for other revenue includes amounts for tender fees, skills development levy refund and any other revenue the Municipality may be entitled to receive such as VAT refund. The Treasury template for cash flow statements presentation in the budget is different from cash flow statements presented in AFS. On the AFS refund from SARS is considered in working capital under payments to suppliers and employees, while on the budget is treated direct as other revenue.

BD43 - Transfers and Subsidies - Operational - Some of the grants were not fully received last financial year and the debtor was raised, hence the receipts is in this financial year , grant such as AMAFA.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

55. Budget information (continued)

BD44 - Transfers and Subsidies - Capital - No variance.

BD45 - Interest income - Interest on investment - is interest received when the Municipality makes cash investments or call accounts. The investment performance during the first half of the year was good, the budget for interest was adjusted up, the performance further improved in the second half of the year due to available cash from grants that were not utilised immediately and invested.

BD46 - Suppliers and employees - Payments to suppliers and employees reflects all payments paid to suppliers, the municipality overspent in most expenditure categories as presented on the budget statement of financial performance above. The reason for this overspending is higher commitments on contracts that support service delivery and payments of previous liabilities.

BD47 - Finance charges - The municipality entered into a finance lease agreement and an annuity loan agreement. The loan was approved during the year; therefore, no budget was allocated.

Cashflows from investing activities

BD48 - Proceeds from sale of property, plant and equipment - These are the proceeds from the sale of assets, the municipality did not provide the budget, but the necessity to dispose prevail during the year.

BD49 - Capital assets - The municipality's capital acquisition budget is higher than the actual acquisition because there are expenditures that were capital in nature, but could not be capitalised, so they were expensed, such as project management expenses.

Cashflows fro financing activities

BD50 - Borrowing long term/refinancing - No variance

BD50 - Repayment of borrowing - This is the finance lease paid and loan payment during the financial year.

56. Events after the reporting date

There are no events identified after reporting date that warrant disclosure.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification

The following restatements and adjustments occurred which are set out below:

57.1 Adjustments of Statement of financial position items

2024

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|--|------|------------------------|---------------------|-------------------|----------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 2 | 27 426 613 | - | - | 27 426 613 |
| Trade and other receivables from exchange transactions | 3 | 27 788 003 | (23 183 577) | 1 837 482 | 6 441 908 |
| Receivables from non-exchange transactions | 4 | 14 398 777 | 3 965 195 | 18 344 | 18 382 316 |
| Deposits | 5 | - | 18 178 536 | - | 18 178 536 |
| VAT Receivable | 6 | 76 892 047 | 5 877 387 | - | 82 769 434 |
| Inventories | 7 | 2 824 420 | 11 662 | - | 2 836 082 |
| Receivables from exchange transactions | | 1 855 826 | - | (1 855 826) | - |
| | | 151 185 686 | 4 849 203 | - | 156 034 889 |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 4 991 969 915 | (18 284 489) | - | 4 973 685 426 |
| Intangible assets | 10 | 51 827 | - | - | 51 827 |
| Heritage assets | 11 | 7 816 633 | - | - | 7 816 633 |
| Receivables from non-exchange transactions | | 18 178 536 | (18 178 536) | - | - |
| | | 5 018 016 911 | (36 463 025) | - | 4 981 553 886 |
| Total assets | | 5 169 202 597 | (31 613 822) | - | 5 137 588 775 |
| Net assets and liabilities | | | | | |
| Current liabilities | | | | | |
| Lease liabilities | 19 | - | - | 1 483 982 | 1 483 982 |
| Consumer deposits | 12 | 3 620 159 | - | - | 3 620 159 |
| Payables from exchange transactions | 13 | 454 405 633 | 16 712 145 | (27 522 845) | 443 594 933 |
| Payables from non-exchange transactions | 15 | 1 559 960 | - | - | 1 559 960 |
| Employee benefit obligation | 16 | 500 000 | - | - | 500 000 |
| Provisions | 17 | 1 654 000 | - | 27 522 845 | 29 176 845 |
| Operating lease liability | 19 | 542 591 | (542 591) | - | - |
| VAT payables | 14 | - | 614 517 | - | 614 517 |
| Finance lease liability | 19 | 1 483 982 | - | (1 483 982) | - |
| | | 463 766 325 | 16 784 071 | - | 480 550 396 |
| Non-current liabilities | | | | | |
| Lease liabilities | 19 | 1 201 738 | 542 591 | - | 1 744 329 |
| Employee benefits | 16 | 30 426 000 | - | - | 30 426 000 |
| Provisions | 17 | 13 061 000 | - | - | 13 061 000 |
| Trade and other payables from exchange transactions | 20 | 32 779 089 | - | - | 32 779 089 |
| | | 77 467 827 | 542 591 | - | 78 010 418 |
| Total net assets | | 4 627 968 430 | (48 940 458) | - | 4 579 027 972 |
| Total net assets and liabilities | | 5 169 202 582 | (31 613 796) | - | 5 137 588 786 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

57.2 Adjustments of Statement of financial performance items

2024

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|---|------|------------------------|---------------------|-------------------|------------------------|
| Revenue | | | | | |
| Exchange revenue | | | | | |
| Services charges - Waste water management | 21 | 14 831 359 | - | - | 14 831 359 |
| Services charges - Water | 21 | 39 169 620 | - | - | 39 169 620 |
| Interest on investments | 24 | 7 433 381 | - | - | 7 433 381 |
| Interest on receivables | 23 | 75 296 | - | - | 75 296 |
| Licences or permits | | - | - | 87 515 | 87 515 |
| Operational revenue | | - | - | 562 671 | 562 671 |
| Sales of goods and rendering of services | 22 | - | - | 1 425 827 | 1 425 827 |
| Rental from fixed assets | 26 | 180 833 | - | - | 180 833 |
| Other income | | 2 076 013 | - | (2 076 013) | - |
| | | 63 766 502 | - | - | 63 766 502 |
| Non-exchange revenue | | | | | |
| Transfers and subsidies | 29 | 1 269 331 843 | - | - | 1 269 331 843 |
| Fines, penalties and forfeits | 28 | 909 670 | - | - | 909 670 |
| Gains on disposal | 30 | 2 214 821 | - | - | 2 214 821 |
| Actuarial gain | 31 | 4 211 000 | - | - | 4 211 000 |
| | | 1 276 667 334 | - | - | 1 276 667 334 |
| Total revenue | | 1 340 433 836 | - | - | 1 340 433 836 |
| Expenditure | | | | | |
| Employee related cost | 32 | (286 175 778) | (116 908) | - | (286 292 686) |
| Remuneration of councillors | 33 | (9 275 903) | - | - | (9 275 903) |
| Depreciation and amortisation | 36 | (100 249 047) | (8 050 586) | - | (108 299 633) |
| Debt impairment | 35 | (6 428 188) | (20 307 169) | - | (26 735 357) |
| Irrecoverable Debt Written Off | 40 | (2 191 696) | - | - | (2 191 696) |
| Finance costs | 37 | (552 621) | - | - | (552 621) |
| Inventory consumed | 34 | (51 978 067) | (1 353 923) | - | (53 331 990) |
| Contracted services | 38 | (364 771 463) | (1 926 790) | - | (366 698 253) |
| Transfers and subsidies | 39 | (4 682 749) | - | - | (4 682 749) |
| Operational cost | 42 | (163 288 156) | (19 272 306) | 6 420 302 | (176 140 160) |
| Operating leases | 41 | - | - | (6 420 302) | (6 420 302) |
| Inventories (write-down) | 43 | (135 106) | - | - | (135 106) |
| Total expenditure | | (989 728 774) | (51 027 682) | - | (1 040 756 456) |
| surplus/loss | | 350 705 062 | (51 027 682) | - | 299 677 380 |

Statement of financial position

Trade and other receivables from exchange transactions

| | |
|---|------------------|
| As previously reported | 27 788 003 |
| Correction of prior period error - impairment adjustment (a) | (23 183 577) |
| Re-classification from other receivables from exchange transactions (b) | 1 837 482 |
| Re-classification from non-exchange receivables debtor balance (c) | 1 062 894 |
| Re-classification from non-exchange receivables impairment balance (c) | (1 062 894) |
| | 6 441 908 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

(a) Correction of prior period error relates to re-performed impairment calculation to also include government debtors.

(b) Re-classification relates to other receivables being grouped together with trade receivables from exchange transactions, mSCOA alignment

(c) Re-classification of both debtor balance and impairment amount from non exchange to exchange receivables due to mSCOA alignment

Receivables from non-exchange transactions

| | |
|---|-------------------|
| As previously reported | 14 398 777 |
| Correction of prior period error - Output VAT treatment on auctioneer (a) | (36 900) |
| Correction of prior period error - Debtor employee advances (b) | 35 645 |
| Correction of prior period error - Irregular expenditure debtor 2022 (c) | 3 939 150 |
| Correction of prior period error - Irregular expenditure debtor 2023 (c) | 27 300 |
| Re-classification from other receivables from exchange transactions (d) | 18 344 |
| | <hr/> |
| | 18 382 316 |

(a) Correction of prior period error relates to incorrect interpretation of auctioneer VAT treatment, debtor was incorrectly raised inclusive of VAT.

(b) Correction of prior period error relates to excess amount paid to employee to be recovered, employee was paid inclusive of PAYE and UIF deductions.

(c) Correction of prior period error relates to recoverable irregular expenditure

(d) Re-classification from other receivables from exchange transactions to receivables from non exchange transactions due to mSCOA alignment.

Deposits

| | |
|--------------------------------------|-------------------|
| As previously reported | - |
| Correction of prior period error (a) | 18 178 536 |
| | <hr/> |
| | 18 178 536 |

(a) Reclassification from non-current receivables from non-exchange transactions.

VAT Receivable

| | |
|---|-------------------|
| As previously reported | 76 892 047 |
| Correction of prior period error - Input VAT on payments 2023 (a) | 3 591 674 |
| Correction of prior period error - Input VAT on payments 2022 (b) | (1 317 256) |
| Correction of prior period error - Output VAT treatment on auctioneer (c) | 36 900 |
| Correction of prior period error - Output VAT accrual reclassification (d) | 24 893 002 |
| Correction of prior period error - Output VAT accrual impairment reclassification (e) | (21 326 933) |
| | <hr/> |
| | 82 769 434 |

(a) Correction of prior period error relates to VAT adjustment of payments accrued as at 30 June 2023.

(b) Correction of prior period error relates to VAT adjustment of payments accrued as at 30 June 2022.

(c) Correction of prior period error relates to incorrect interpretation of auctioneer VAT treatment, debtor was incorrectly raised inclusive of VAT.

(d) Correction of prior period error relates to output VAT accrual reclassification to VAT payable.

(e) Correction of prior period error relates to output VAT accrual impairment reclassification to VAT payable.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

Inventories

| | |
|--|------------------|
| As previously reported | 2 824 420 |
| Correction of prior period error - inventory not capitalised (a) | 11 662 |
| Correction of prior period error - water inventory not capitalised (b) | 1 353 923 |
| Correction of prior period error - water inventory not issued (c) | (1 353 923) |
| | <hr/> |
| | 2 836 082 |

(a) Correction of prior period error relates to consumables purchased and delivered but not capitalized at 30 June 2023.

(b) Correction of prior period error relates to water inventory purchased but not capitalized at 30 June 2023.

(c) Correction of prior period error relates to inventory issued but not derecognised at 30 June 2023.

Receivables from exchange transactions

| | |
|---|-------------|
| As previously reported | 1 855 826 |
| Re-classification to trade and other receivables from exchange transactions (a) | (1 837 482) |
| Re-classification to receivables from non-exchange transactions (b) | (18 344) |
| | <hr/> |
| | - |

(a) Re-classification relates to other receivables being grouped together with trade and other receivables from exchange transactions, mSCOA alignment.

(b) Re-classification from other receivables from exchange transactions to receivables from non exchange transactions due to mSCOA alignment.

Non-current receivables from non-exchange transactions

| | |
|----------------------------------|--------------|
| As previously reported | 18 178 536 |
| Correction of prior period error | (18 178 536) |
| | <hr/> |
| | - |

Reclassification to deposits, mSCOA alignment.

Property, plant and equipment

| | |
|--|----------------------|
| As previously reported | 4 991 969 915 |
| Correction of prior period error - movable asset not capitalized (a) | 394 988 |
| Correction of prior period error - accumulated depreciation 2022 (b) | (10 633 639) |
| Correction of prior period error - accumulated depreciation 2023 (b) | (8 045 881) |
| Correction of prior period error - accumulated depreciation 2023 (c) | 51 |
| Correction of prior period error - cost 2023 (d) | (8) |
| | <hr/> |
| | 4 973 685 426 |

(a) Correction of prior period error relates to a movable asset not capitalized, the asset was identified through verification.

(b) Correction of prior period error relates to depreciation of asset not capitalized.

(c) Correction of prior period error relates to depreciation recalculation.

(d) Correction of prior period error relates to adjustment in cost of asset.

Lease liabilities

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

| | |
|---|------------------|
| As previously reported | - |
| Re-classification of finance lease obligation | 1 483 982 |
| | 1 483 982 |

(a) Re-classification resulted from mSCOA alignment, finance lease obligation and operating lease obligation have been grouped together to lease liabilities.

Payables from exchange transactions - Current

| | |
|--|--------------------|
| As previously reported | 454 405 633 |
| Correction of prior period error - payments accrued as at 30 June 2022 (a) | (10 098 959) |
| Correction of prior period error - payments accrued as at 30 June 2023 (b) | 26 658 556 |
| Correction of prior period error - Employee related cost salaries (c) | (40 147) |
| Correction of prior period error - Debtor employee advances (d) | 36 892 |
| Correction of prior period error - Employee related cost pension contributions (e) | 155 803 |
| Re-classification to employee benefits (f) | (27 522 845) |
| | 443 594 933 |

(a) Correction of prior period error relates to adjustment of payments accrued as at 30 June 2022.

(b) Correction of prior period error relates to adjustment of payments accrued as at 30 June 2023.

(c) Correction of prior period error relates to reversal of employee related cost incorrectly raised.

(d) Correction of prior period error relates to excess amount paid to employee to be recovered, employee was paid inclusive of PAYE and UIF deductions.

(e) Correction of prior period error relates to adjustment in pension fund contributions.

(f) Re-classification bonus provision and leave provision from payables from exchange transactions to provision.

Vat payables

| | |
|---|----------------|
| As previously reported | - |
| Correction of prior period error - Output VAT accrual reclassification (d) | 24 893 002 |
| Correction of prior period error - Output VAT accrual impairment reclassification (e) | (21 326 933) |
| Correction of prior period error - Output VAT accrual impairment recalculation (e) | (2 951 552) |
| | 614 517 |

(a) Correction of prior period error relates to output VAT accrual reclassification to VAT payable.

(b) Correction of prior period error relates to output VAT accrual impairment reclassification to VAT payable.

(c) Correction of prior period error relates to VAT on debtors impairment, impairment calculation was re-performed to also include government debtors.

Finance lease obligation

| | |
|--|-------------|
| As previously reported | 1 483 991 |
| Re-classification to lease liabilities | (1 483 991) |
| | - |

(a) Re-classification resulted from mSCOA alignment, finance lease obligation and operating lease obligation have been grouped together to lease liabilities.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

Provisions - Current

| | |
|--|-------------------|
| As previously reported | 1 654 000 |
| Re-classification to employee benefits (a) | 27 522 845 |
| | <hr/> |
| | 29 176 845 |

(a) Re-classification of payables from exchange transactions to provision, mSCOA reclassification.

Operating lease liability

| | |
|--------------------------------------|-----------|
| As previously reported | 542 591 |
| Correction of prior period error (a) | (542 591) |
| | <hr/> |
| | - |

(a) Correction of error relates to reclassification resulting from mSCOA alignment, operating lease obligation and finance lease obligation have been grouped together to lease liabilities, further more operating leases have been reclassified to non current since the obligation will not be payable in the current year.

Lease liabilities non-current

| | |
|--------------------------------------|------------------|
| As previously reported | 1 201 738 |
| Correction of prior period error (a) | 542 591 |
| | <hr/> |
| | 1 744 329 |

(a) Correction of error relates to reclassification resulting from mSCOA alignment, operating lease obligation and finance lease obligation have been grouped together to lease liabilities, further more operating leases have been reclassified to non current since the obligation will not be payable in the current year.

Accumulated surplus

| | |
|---|----------------------|
| As previously reported | 4 627 968 430 |
| Correction of prior period error - Employee related cost (a) | (116 908) |
| Correction of prior period error - Contracted services 2023 (b) | (1 926 791) |
| Correction of prior period error - Operational cost 2023 (b) | (561 000) |
| Correction of prior period error - Inventory consumed 2023 (b) | (1 353 923) |
| Correction of prior period error - Contracted services 2022 (c) | 13 281 853 |
| Correction of prior period error - Operational cost 2022 (c) | (19 272 297) |
| Correction of prior period error - Debt impairment (d) | (20 307 169) |
| Correction of prior period error - accumulated depreciation infrastructure 2022 (e) | (10 633 639) |
| Correction of prior period error - accumulated depreciation infrastructure 2023 (e) | (8 045 884) |
| Correction of prior period error - accumulated depreciation movables 2023 (e) | (4 759) |
| Correction of prior period error - accumulated depreciation (f) | 51 |
| Correction of prior period error - PPE cost (g) | 8 |
| | <hr/> |
| | 4 579 027 972 |

(a) Correction of prior period error relates to reversal of employee related cost incorrectly raised, and superannuation pension fund reconciling difference at 30 June 2023.

(b) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023.

(c) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2022.

(d) Correction of prior period error relates to re-performed impairment calculation to also include government debtors.

(e) Correction of prior period error relates to depreciation of assets not capitalized.

(f) Correction of prior period error relates to correction in depreciation.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

(g) Correction of prior period error relates to correction in cost.

Statement of Financial Performance

Licences or permits

| | |
|---|---------------|
| As previously reported | - |
| Re-classification from other income (a) | 87 515 |
| | 87 515 |

(a) Reclassification from other income to licences and permits

Operational revenue

| | |
|---|----------------|
| As previously reported | - |
| Re-classification from other income (a) | 562 671 |
| | 562 671 |

(a) Reclassification from other income to operating revenue.

Sales of goods and rendering of services

| | |
|---|------------------|
| As previously reported | - |
| Re-classification from other income (a) | 1 425 827 |
| | 1 425 827 |

(a) Reclassification from other income to Sales of goods and rendering of services.

Other income

| | |
|---|-------------|
| As previously reported | 2 076 013 |
| Re-classification to licences or permits (a) | (87 515) |
| Re-classification to operating revenue (b) | (562 671) |
| Re-classification to sales of goods and rendering of services (c) | (1 425 827) |
| | - |

(a) Reclassification from other income to licences and permits

(b) Reclassification from other income to operating revenue

(c) Reclassification from other income to Sales of goods and rendering of services

Employee related cost

| | |
|----------------------------------|----------------------|
| As previously reported | (286 175 778) |
| Correction of prior period error | (116 908) |
| | (286 292 686) |

(a) Correction of prior period error relates to reversal of employee related cost incorrectly raised, and superannuation pension fund reconciling difference at 30 June 2023.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

Depreciation and amortisation

| | |
|--|--------------------|
| As previously reported | 100 249 047 |
| Correction of prior period error - movable assets 2023 (a) | 4 759 |
| Correction of prior period error - infrastructure 2023 (b) | 8 045 878 |
| Correction of prior period error - movable assets (c) | (51) |
| | <hr/> |
| | 108 299 633 |

(a) Correction of prior period error relates to depreciation of movable assets not capitalized.

(b) Correction of prior period error relates to depreciation of assets not capitalized.

(c) Correction of prior period error relates to correction in depreciation.

Debt impairment

| | |
|--------------------------------------|-------------------|
| As previously reported | 6 428 188 |
| Correction of prior period error (a) | 20 307 169 |
| | <hr/> |
| | 26 735 357 |

(a) Correction of prior period error relates to re-performed impairment calculation to also include government debtors.

Inventory consumed

| | |
|--------------------------------------|-------------------|
| As previously reported | 51 978 067 |
| Correction of prior period error (a) | 1 353 923 |
| | <hr/> |
| | 53 331 990 |

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023.

Contracted services

| | |
|----------------------------------|--------------------|
| As previously reported | 364 771 463 |
| Correction of prior period error | 1 926 790 |
| | <hr/> |
| | 366 698 253 |

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023.

Operational cost

| | |
|--------------------------------------|--------------------|
| As previously reported | 163 288 156 |
| Correction of prior period error (a) | 19 272 306 |
| Re-classification | (6 420 302) |
| | <hr/> |
| | 176 140 160 |

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023

(b) Reclassification from operating cost to operating leases

Operating leases

| | |
|------------------------|------------------|
| As previously reported | - |
| Re-classification (a) | 6 420 302 |
| | <hr/> |
| | 6 420 302 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

(a) Reclassification from operating cost to operating leases.

58. Segment information

General information

Identification of segments

The municipality is organised and reports to management based on the primary functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes. Aggregated segments were identified as the segments that generate economic benefits or service potential, and such segments are community and public safety, economic and environmental services, and trading services. Other segments were identified as those that do not generate service economic benefits but are of support services to other segments. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

Below are the segments:

Community and Public Safety

- Community and social services
- Public safety
- Health

Economic and environmental services

- Planning and development

Trading services

- Water management
- Waste management

Unallocated

Unallocated segment represent governance and administration whis is mainly support services.

The municipality's operations are in the KwaZulu Natal Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessiv

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Segment information (continued)

2024

| | Community and public safety | Economic and environmental services | Trading services | Other | Unallocated | Total |
|---|-----------------------------|-------------------------------------|--------------------|---------------------|--------------------|----------------------|
| Segment revenue | | | | | | |
| External revenue from non-exchange transactions | 2 177 821 | 2 969 000 | 772 850 483 | 2 000 000 | 735 717 429 | 1 515 714 733 |
| External revenue from exchange transactions | 107 604 | 142 616 | 74 900 871 | 44 886 | 1 724 388 | 76 920 365 |
| Interests on investments | - | - | - | - | 15 458 240 | 15 458 240 |
| Interest earned from receivables | - | - | 685 257 | - | 5 844 | 691 101 |
| Gains | - | - | - | - | 5 877 933 | 5 877 933 |
| Total | 2 285 425 | 3 111 616 | 848 436 611 | 2 044 886 | 758 783 834 | 1 614 662 372 |
| Segment expenses | | | | | | |
| Total segment expenses | 26 637 509 | 29 276 254 | 498 084 124 | 12 300 249 | 423 551 615 | 989 849 751 |
| Depreciation and amortisation | 572 895 | 98 308 | 107 411 064 | 447 405 | 5 739 237 | 114 268 909 |
| Finance costs | - | - | 6 115 390 | - | 1 033 561 | 7 148 951 |
| Debt impairment | - | - | 31 370 039 | - | (557 788) | 30 812 251 |
| Total | 27 210 404 | 29 374 562 | 642 980 617 | 12 747 654 | 429 766 625 | 1 142 079 862 |
| Surplus for the year | (24 924 979) | (26 262 946) | 205 455 994 | (10 702 768) | 329 017 209 | 472 582 510 |
| Other information | | | | | | |
| Segment assets | 1 143 823 | 22 573 784 | 5 464 711 671 | (4 671 383) | 242 556 399 | 5 726 314 294 |
| Segment liabilities | - | - | 4 369 084 | - | 671 280 152 | 675 649 236 |
| Total capital expenditure | 286 210 | 74 570 | 660 238 794 | - | 1 943 333 | 662 542 907 |

2023

| | Community and public safety | Economic and environmental services | Trading services | Other | Unallocated | Total |
|---|-----------------------------|-------------------------------------|--------------------|----------------|--------------------|----------------------|
| Segment revenue | | | | | | |
| External revenue from non-exchange transactions | 2 130 657 | 4 170 817 | 614 919 558 | 500 000 | 648 520 481 | 1 270 241 513 |
| External revenue from exchange transactions | 154 712 | - | 54 000 979 | 15 657 | 2 086 477 | 56 257 825 |
| Interests on investments | - | - | - | - | 7 433 381 | 7 433 381 |
| Interest earned from receivables | - | - | 74 943 | - | 353 | 75 296 |
| Gains | - | - | - | - | 6 515 092 | 6 515 092 |
| Total | 2 285 369 | 4 170 817 | 668 995 480 | 515 657 | 664 555 784 | 1 340 523 107 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Segment information (continued)

Segment expenses

| | | | | | | |
|-------------------------------|------------|------------|-------------|-----------|-------------|-------------|
| Total segment expenses | 27 032 783 | 22 613 282 | 519 301 187 | 9 841 145 | 326 245 342 | 905 033 739 |
| Depreciation and amortisation | 504 617 | 91 952 | 101 809 173 | 234 148 | 5 659 743 | 108 299 633 |
| Losses | 15 187 | 5 932 | 203 258 | - | - | 224 377 |
| Finance costs | - | - | - | - | 552 621 | 552 621 |
| Debt impairment | - | - | 30 365 096 | - | (3 629 739) | 26 735 357 |

| | | | | | | |
|--------------|-------------------|-------------------|--------------------|-------------------|--------------------|----------------------|
| Total | 27 552 587 | 22 711 166 | 651 678 714 | 10 075 293 | 328 827 967 | 1 040 845 727 |
|--------------|-------------------|-------------------|--------------------|-------------------|--------------------|----------------------|

| | | | | | | |
|-----------------------------|---------------------|---------------------|-------------------|--------------------|--------------------|--------------------|
| Surplus for the year | (25 267 218) | (18 540 349) | 17 316 766 | (9 559 636) | 335 727 817 | 299 677 380 |
|-----------------------------|---------------------|---------------------|-------------------|--------------------|--------------------|--------------------|

Other information

| | | | | | | |
|---------------------------|-----------|------------|---------------|-------------|-------------|---------------|
| Segment assets | 1 464 535 | 21 018 514 | 4 895 562 369 | (4 178 274) | 223 721 631 | 5 137 588 775 |
| Segment liabilities | 34 243 | - | 5 741 230 | - | 552 785 341 | 558 560 814 |
| Total capital expenditure | 1 551 391 | - | 491 994 934 | 8 500 | 4 786 781 | 498 341 606 |

B. REPORT AND OPINION OF THE AUDITOR GENERAL

This is the audit opinion for the 2023/24 financial year issued by AGSA.



AUDITOR-GENERAL
SOUTH AFRICA

AUDITOR'S REPORT

Zululand District Municipality

2023-24

Date: 30 November 2024

Report of the auditor-general to KwaZulu-Natal Provincial Legislature and the council of the Zululand District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Zululand District Municipality set out on pages 83 to 84 which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cashflow statement and statement of comparison of budget information and actual amounts for the year then ended, as well as notes to 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 Zululand District Municipality as at 30 June 2024 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 56 of 2003 (MFMA) and Division of Revenue Act 5 of 2023 (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 responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Material impairments – consumer receivables from exchange transactions

7. As disclosed in note 3 to the financial statements, the municipality increased the provision for impairment on consumer receivables from exchange transactions to R227,35 million (2022-23: R191,09 million) as the recoverability of these amounts were considered to be doubtful.

Material contingent liabilities

8. With reference to note 47 to the financial statements, the municipality is defending a claim of R40 million related to water and water levies charges. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Restatement of corresponding figures

9. As disclosed in note 57 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

Other matters

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

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

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

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
17. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a key performance area that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

| Key performance area | Page numbers | Purpose |
|---|--------------|---|
| Basic service delivery and infrastructure | 99 to 100 | Continuously managing all existing infrastructure capital assets to minimize the total cost of owning and operating these assets (Effective asset management, internal & community capacity building, collecting revenue, tariffs, monitoring & evaluation, environmental management) |

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

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

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

21. I did not identify any material findings on the reported performance information for the basic service delivery and infrastructure key performance area.

Other matters

22. I draw attention to the matter below.

Achievement of planned targets

23. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements and measures taken to improve performance.

Material misstatement

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for the basic service delivery and infrastructure key performance area. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

| |
|--|
| Report on compliance with legislation |
|--|

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

26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Procurement and contract management

29. Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) and did not qualify for the contract in accordance with section 18(1) of the CIDB Act.

Expenditure management

30. Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.

31. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R233,75 million, as disclosed in note 52.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the budget relating to contracted services.

32. Reasonable steps were not taken to prevent irregular expenditure amounting to R159,29 million as disclosed in note 52.2 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 the supply chain management (SCM) regulations.

33. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R3,25 million, as disclosed in note 52.3 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on overdue accounts.

Other information in the annual report

34. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.

35. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

36. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

37. I did not receive the other information prior to the date of this report. When I do receive it 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

38. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
39. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
40. The accounting officer and senior management did not exercise adequate oversight to implement effective monitoring controls to prevent unauthorised, irregular and fruitless and wasteful expenditure, adherence to legislated payment timelines and the compliance with the applicable supply chain management prescripts.

Material irregularities

41. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularity

Cash resources not appropriately safeguarded

49. The municipality did not comply with section 62(2)(c) read with section 63(1)(a) of the MFMA which requires the accounting officer to take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed and take responsibility for the management of assets of the municipality, including the safeguarding and maintenance of those assets.
50. A municipal official that was responsible for the preparation of the bank reconciliation, passing of journals entries and generation of reports for the review by the deputy chief financial officer misappropriated municipal funds resulting in a financial loss of R1,18 million. The accounting officer was notified of the material irregularity on 9 December 2022.
51. The following actions were taken to resolve the material irregularity:
 - The municipality recovered R129 225,02 via a salary adjustment journal against the official's leave payout at year end, as the official is no longer an employee at the municipality as he is now deceased.
 - In attempts to recover the remaining balance, a letter was sent to the pension fund requesting that the funds be withheld.
 - The accounting officer updated policies and procedures relating to banking and Investment and SCM, which included prohibiting any requests to utilise for cash that is

not yet banked and enhancing the cash management processes to allow for segregation of duties and reconciliations.

- An investigation into the material irregularity conducted by the service provider was completed on 8 August 2023.
- The accounting officer addressed the control deficiencies identified by the investigation.

53. The accounting officer has taken appropriate actions to address the material irregularity and the material irregularity is resolved.

Other reports

42. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. 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.

43. At the request of the municipality, an independent consultant conducted a forensic investigation into an alleged cyber-attack that resulted in fraudulent payments being made from municipal bank accounts on 27 December 2023. The investigation was completed in May 2024 and the municipality was in the process of implementing the report's recommendations at the date of this report.

Auditor General

Pietermaritzburg

30 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

The auditor-general's responsibility for the audit

The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|--|
| Municipal Finance Management Act 56 of 2003 | Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), Sections: 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), Sections: 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b) |
| MFMA: Municipal Budget and Reporting Regulations, 2009 | Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c) |
| MFMA: Municipal Investment Regulations, 2005 | Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3) |
| MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014 | Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1) |
| MFMA: Municipal Supply Chain Management Regulations, 2017 | Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations: 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f) |
| Construction Industry Development Board Act 38 of 2000 | Section: 18(1) |
| Construction Industry Development Board Regulations, 2004 | Regulations: 17, 25(7A) |
| Division of Revenue Act | Sections: 11(6)(b), 12(5), 16(1); 16(3) |
| Municipal Property Rates Act 6 of 2004 | Section: 3(1) |
| Municipal Systems Act 32 of 2000 | Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), Sections: 54A(1)(a), 56(1)(a), 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b) |
| MSA: Disciplinary Regulations for Senior Managers, 2011 | Regulations: 5(2), 5(3), 5(6), 8(4) |

| Legislation | Sections or regulations |
|---|---|
| MSA: Municipal Planning and Performance Management Regulations, 2001 | Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 15(1)(a)(i), 15(1)(a)(ii) |
| MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006 | Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3) |
| MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 | Regulations 17(2), 36(1)(a) |
| MSA: Municipal Staff Regulations | Regulations: 7(1),31 |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section: 34(1) |
| Preferential Procurement Policy Framework Act 5 of 2000 | Sections: 2(1)(a), 2(1)(f) |
| Preferential Procurement Regulations, 2017 | Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations: 11(1), 11(2) |
| Preferential Procurement Regulations, 2022 | Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4) |

C. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by COGTA and National Treasury.

The Annual Financial Statements have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines including GRAP.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the department for the financial year ended 30 June 2024.

Yours faithfully

Accounting Officer

Name:

Date:

D. ANNUAL PERFORMANCE REPORT 2023/24

ANNUAL PERFORMANCE REPORT - TOP LAYER/ ORGANIZATIONAL FINANCIAL YEAR: 2023/2024

| | | | | | | 2022/2023 | | 2023/2024 | | | | | | | |
|---------|----------------|---------|---------------------------------|----------|-----------|---|---|---|---|---------------------------------|-----------------|--------|---------------------|------------------------|-----------------------|
| KPI NO. | PROGRAM DRIVER | OUTCOME | IDP Strategic Objective Ref No. | STRATEGY | INDICATOR | ANNUAL TARGET 01 JULY 2022 - 30 JUNE 2023 | ANNUAL ACTUAL 01 JULY 2022 - 30 JUNE 2023 | ANNUAL TARGET 01 JULY 2023 - 30 JUNE 2024 | ANNUAL ACTUAL 01 JULY 2023 - 30 JUNE 2024 | ACCUMULATIVE /NON-ACCUMULATIVE5 | UNIT OF MEASURE | STATUS | REASON FOR VARIANCE | MEASURE OF IMPROVEMENT | PORTFOLIO OF EVIDENCE |

B2B PILLAR 2: BASIC SERVICE DELIVERY

KPA 1: BASIC SERVICE DELIVERY= 04 indicators

| | | | | | | | | | | | | | | | |
|---|----------------|--|----------|---|---|---|--|---|--|--------------------|------------|----------|--|--|---|
| 1 | HOD (PLANNING) | community is efficient, affordable, economical, acceptable quality, sustainable and supports economic growth | SO 1.2.1 | private sector to accelerate provision of universal, equitable & consistent access to the municipal services that local | Number of households within ZDM to be provided with access to water within RDP standard per quarter | 722 households within ZDM to be provided with access to water within RDP standard by 30 June 2023 | 1259 households within ZDM to be provided with access to water within RDP standard | 800 households within ZDM to be provided with access to water within RDP standard by 30 June 2024 | 1311 households within ZDM to be provided with access to water within RDP standard | Accumulative | Number | Achieved | | | List of beneficiaries and GPS coordinates |
| 2 | HOD (Tech) | | | | Percentage of kilolitres produced by ZDM water treatment plants per quarter | New KPI | New KPI | 70% kilolitres produced by ZDM water treatment plants by 30 June 2024 | 78,83% kilolitres produced by ZDM water treatment plants | Accumulative | Percentage | Achieved | | | Monthly production report |
| 3 | HOD (TECH) | | | | Percentage of ZDM Water determinants that pass | 85% ZDM Water determinants that pass | 95% ZDM Water determinants that pass | 85% ZDM Water determinants that pass | 96% ZDM Water determinants that pass | Non - Accumulative | Percentage | Achieved | | | Lab results |

| | | | | | | | | | | | | | | | |
|----------------|-----------------------|----------------------------------|--|------------------|---|---|--|---|--|--|------------------------|---------------|----------------------------|-------------------------------|------------------------------|
| | | | | | pass laboratory tests per quarter | laboratory tests by 30 June 2023 | laboratory tests | laboratory tests by 30 June 2024 | laboratory tests | | | | | | |
| 4 | HOD (TECH) | Infrastructure and resources are | SO 1.1.1 | operating assets | The average time taken to fix spillages per quarter | 48Hrs average time taken to fix spillages by 30 June 2023 | 23hrs average time taken to fix spillages | 48Hrs average time taken to fix spillages by 30 June 2024 | 23,25 hrs average time taken to fix spillages | Non - Accumulative | Hours | Achieved | | Job card summary report | |
| KPI NO. | PROGRAM DRIVER | OUTCOME | IDP Strategic Objective Ref No. | STRATEGY | INDICATOR | ANNUAL TARGET 01 JULY 2022 - 30 JUNE 2023 | ANNUAL ACTUAL 01 JULY 2022 - 30 JUNE 2023 | ANNUAL TARGET 01 JULY 2023 - 30 JUNE 2024 | ANNUAL ACTUAL 01 JULY 2023 - 30 JUNE 2024 | ACCUMULATIVE / NON-ACCUMULATIVE VE5 | UNIT OF MEASURE | STATUS | REASON FOR VARIANCE | MEASURE OF IMPROVEMENT | PORTFOLIO OF EVIDENCE |

B2B PILLAR 5: BUILDING CAPABLE LOCAL GOVERNMENT INSTITUTIONS

KPA2: LOCAL ECONOMIC & SOCIAL DEVELOPMENT = 06 indicators

| | | | | | | | | | | | | | | |
|---|-----------------|---|----------|--|--|--|------------------------------------|--|------------------------------------|--------------------|--------|----------|--|--|
| 5 | HOD (COMMUNITY) | of the district are conducive for the creation of | SO 2.1.1 | opportunities and create opportunities for residents | Number of SMMEs / Co-operatives supported annually | New KPI | New KPI | 10 SMMEs / Co-operatives supported by 30 June 2024 | 10 SMMEs / Co-operatives supported | Non - Accumulative | Number | Achieved | | List of supported SMMEs and signed distribution form |
| 6 | HOD (COMMUNITY) | Arts culture and heritage is preserved | SO 2.4.1 | Promoting arts, culture and heritage | Number of tourism awareness campaigns held per quarter | 4 tourism awareness campaigns held by 30 June 2023 | 4 tourism awareness campaigns held | 4 tourism awareness campaigns held by 30 June 2024 | 4 tourism awareness campaigns held | Accumulative | Number | Achieved | | OOP and Attendance Register |

| | | | | | | | | | | | | | | | |
|----|-----------------|--|----------|--|--|---|---|---|---|--------------------|--------|----------|---|--|---|
| 7 | COO | Effects of poverty is minimised | SO 2.2.1 | and promote socio-economic | Number of Special Programmes implemented annually | New KPI | New KPI | 2 Special Programmes implemented by 30 June 2024 | 2 Special Programmes implemented | Non - Accumulative | Number | Achieved | | | Programmes; Attendance registers and Pictures |
| 8 | HOD (FINANCE) | Promoting social and economic development | | Supporting the well-being of vulnerable groups through short and long term initiatives | Number of implementation reports on Indigent Policy submitted to EXCO per quarter | 4 implementation reports on Indigent Policy submitted to EXCO by 30 June 2023 | 4 implementation reports on Indigent Policy submitted to EXCO | 4 implementation reports on Indigent Policy submitted to EXCO by 30 June 2024 | 4 implementation reports on Indigent Policy submitted to EXCO | Accumulative | Number | Achieved | | | Copy of Indigent Policy Implementation report and proof of submission |
| 9 | HOD (COMMUNITY) | Promoting and maximising social and economic development | SO 2.2.5 | Supporting the well-being of vulnerable groups through short and long term initiatives | Number of jobs created through the ZDM municipal EPWP initiatives including capital projects | 1370 jobs created through the ZDM municipal EPWP initiatives including capital projects by 30 June 2023 | 1381 jobs created through the ZDM municipal EPWP initiatives including capital projects | 1370 jobs created through the ZDM municipal EPWP initiatives including capital projects by 30 June 2024 | 2724 jobs created through the ZDM municipal EPWP initiatives including capital projects | Non - Accumulative | Number | Achieved | The municipality received National Skills Funding whereby 1354 participants were trained and reported under EPWP reporting system | | Report retrieved from the EPWP system |
| 10 | HOD (COMMUNITY) | Zululand communities and | SO 2.3.1 | Ensuring compliance of | Number of ZDM Municipal Health awareness campaigns held per quarter | New KPI | New KPI | 20 ZDM Municipal Health awareness campaigns held by 30 June 2024 | 20 ZDM Municipal Health awareness campaigns held | Accumulative | Number | Achieved | | | OOP and Attendance Register |

| KPI NO. | PROGRAM DRIVER | OUTCOME | IDP Strategic Objective Ref No. | STRATEGY | INDICATOR | ANNUAL TARGET 01 JULY 2022 - 30 JUNE 2023 | ANNUAL ACTUAL 01 JULY 2022 - 30 JUNE 2023 | ANNUAL TARGET 01 JULY 2023 - 30 JUNE 2024 | ANNUAL ACTUAL 01 JULY 2023 - 30 JUNE 2024 | VE /NON-ACCUMULATIVE | UNIT OF MEASURE | STATUS | REASON FOR VARIANCE | MEASURE OF IMPROVEMENT | PORTFOLIO OF EVIDENCE |
|--|----------------|--|---------------------------------|---|--|--|---|--|---|----------------------|-----------------|--------------|---|---|---------------------------|
| B2B PILLAR 4: SOUND FINANCIAL MANAGEMENT | | | | | | | | | | | | | | | |
| KPA 3: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT = 04 indicators | | | | | | | | | | | | | | | |
| 1 | HOD (FINANCE) | The Municipality is financially viable with sound financial management | SO 3.1.1 | Establishing and maintaining a sound and sustainable management of the fiscal and financial affairs of the municipality and its entities. | Percentage of Collection Rate achieved per quarter | 60% Collection Rate achieved by 30 June 2023 | 55,86% Collection Rate achieved | 60% Collection Rate achieved by 30 June 2024 | 48,4% Collection Rate achieved | Non - Accumulative | Percentage | Not Achieved | The Consumers are not paying on time for water bills as a control measure municipality has introduced debt incentive programme to encourage consumers to pay for water services | Debt incentive extended till the end of March 2024 to boost number of applicants . (2) Indigent also extended till end of March 2024 to boost number of applications received section doing site visits as well. (3) Debtor Collector performance will be monitored for improved results. | Copy of Collection Report |

| | | | | | | | | | | | | | | | |
|----------------|-----------------------|----------------|--|---|---|---|---|---|--|---|------------------------|--------------------------------------|----------------------------|---|------------------------------|
| 12 | HOD(CORP) | | | Percentage of budget spent on implementing WSP | New KPI | New KPI | 100% of budget spent on implementing WSP by 30 June 2024 | 110% of budget spent on implementing WSP | Non - Accumulative | Percentage | Achieved | National Skills Funding was received | | Expenditure report | |
| 13 | HOD (FINANCE) | | SO 3.1.2 | Date Report on Sec 13 of the MFMA submitted to AG | Report on Sec 13 of the MFMA submitted to AG by 31 July 2023 | Report on Sec 13 of the MFMA submitted to AG by 2022/07/29 | Report on Sec 13 of the MFMA submitted to AG by 31 July 2023 | Report on Sec 13 of the MFMA submitted to AG by 2023/07/31 | Non - Accumulative | Date | Achieved | | | Proof of submission and copy of Sec 13 report | |
| 14 | HOD (FINANCE) | | SO 3.1.3 | Number of Sec 52 reports submitted to Council and Provincial Treasury per quarter | 4 Sec 52 reports submitted to Council and Provincial Treasury by 30 June 2023 | 4 Sec 52 reports submitted to Council and Provincial Treasury | 4 Sec 52 reports submitted to Council and Provincial Treasury by 30 June 2024 | 4 Sec 52 reports submitted to Council and Provincial Treasury | Accumulative | Number | Achieved | | | Council Resolution and copy of Sec 52 report | |
| 15 | HOD (FINANCE) | | SO 3.1.4 | Number of SCM quarterly reports submitted to EXCO per quarter | 4 SCM quarterly reports submitted to EXCO by 30 June 2023 | 4 SCM quarterly reports submitted to EXCO | 4 SCM quarterly reports submitted to EXCO by 30 June 2024 | 4 SCM quarterly reports submitted to EXCO | Accumulative | Number | Achieved | | | Proof of submission and Copy of SCM Quarterly reports | |
| KPI NO. | PROGRAM DRIVER | OUTCOME | IDP Strategic Objective Ref No. | STRATEGY | INDICATOR | ANNUAL TARGET 01 JULY 2022 - 30 JUNE 2023 | ANNUAL ACTUAL 01 JULY 2022 - 30 JUNE 2023 | ANNUAL TARGET 01 JULY 2023 - 30 JUNE 2024 | ANNUAL ACTUAL 01 JULY 2023 - 30 JUNE 2024 | ACCUMULATIVE /NON-ACCUMULATIVE VE5 | UNIT OF MEASURE | STATUS | REASON FOR VARIANCE | MEASURE OF IMPROVEMENT | PORTFOLIO OF EVIDENCE |

B2B PILLAR 3: GOOD GOVERNANCE

KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION = 03 indicators

| | | | | | | | | | | | | | | |
|----|-----|--|--|--|---------|---------|---|---|--------------|--------|--------------|--|---|---------------------------------|
| 16 | COO | | SO4.1.2 Promoting transparent and accountable governance through regular community engagements and effective administration | Number of reports on legal functions submitted to MM per quarter | New KPI | New KPI | 4 report on legal functions submitted to MM by 30 June 2024 | 4 report on legal functions submitted to MM | Accumulative | Number | Achieved | | | Proof of submission and report |
| 17 | COO | | | Number of Community engagements held Bia annual | New KPI | New KPI | 8 Community engagements held Bia annual by 30 June 2024 | 5 Community engagements held | Accumulative | Number | Not Achieved | Due to a recently hired employee who was meant to prepare the POE, the unit had challenges throughout the IDP and Budget Roadshow. Regrettably, there was a lack of clarity in the communication regarding what was expected to be presented for Q2. | We acknowledge that there is a need to improve knowledge and comprehension of the documentation standards. We will conduct training sessions Q3(February 2023) to inform staff members about the significance of precise record-keeping and to give clear instructions for the creation and submission of | Notice, OOP, And copy of report |

| KPI NO. | PROGRAM DRIVER | OUTCOME | IDP Strategic Objective Ref No. | STRATEGY | INDICATOR | ANNUAL TARGET 01 JULY 2022 - 30 JUNE 2023 | ANNUAL ACTUAL 01 JULY 2022 - 30 JUNE 2023 | ANNUAL TARGET 01 JULY 2023 - 30 JUNE 2024 | ANNUAL ACTUAL 01 JULY 2023 - 30 JUNE 2024 | ACCUMULATIVE /NON-ACCUMULATIVE VE5 | UNIT OF MEASURE | STATUS | REASON FOR VARIANCE | MEASURE OF IMPROVEMENT | PORTFOLIO OF EVIDENCE |
|---------|----------------|---------|---------------------------------|----------|-----------|---|---|---|---|------------------------------------|-----------------|--------|---------------------|------------------------|-----------------------|
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B2B PILLAR 1: PUTTING PEOPLE FIRST

KPA 5: MUNICIPAL TRANSFORMATION & ORGANIZATIONAL DEVELOPMENT = 02 indicators

| 20 | HOD (CORP) | a skilled workforce capable of carrying out its developmental mandate. Strong career development | SO 5.1.1 | demand through implementing a | Number of EAP health awareness campaign conducted per quarter | New KPI | New KPI | 4 EAP health awareness campaign conducted per quarter by 30 June 2024 | 4 EAP health awareness campaign conducted | Accumulative | Number | Achieved | | | Notice, OOP, Attendance register and Copy of Presentation |
|---------|----------------|--|---------------------------------|--|--|--|--|--|--|------------------------------------|-----------------|----------|---------------------|--------------------|---|
| 21 | COO | | SO 5.1.5 | the district and locals by regular co- | Number of Municipal Manager Technical IGR/DDM meetings coordinated per quarter | 4 Municipal Manager Technical IGR/DDM meetings coordinated by 30 June 2023 | 4 Municipal Manager Technical IGR/DDM meetings coordinated | 4 Municipal Manager Technical IGR/DDM meetings coordinated by 30 June 2024 | 5 Municipal Manager Technical IGR/DDM meetings coordinated | Accumulative | Number | Achieved | | | Notice, Agenda and Attendance Register |
| KPI NO. | PROGRAM DRIVER | OUTCOME | IDP Strategic Objective Ref No. | STRATEGY | INDICATOR | ANNUAL TARGET 01 JULY 2022 - 30 JUNE 2023 | ANNUAL ACTUAL 01 JULY 2022 - 30 JUNE 2023 | ANNUAL TARGET 01 JULY 2023 - 30 JUNE 2024 | ANNUAL ACTUAL 01 JULY 2023 - 30 JUNE 2024 | ACCUMULATIVE /NON-ACCUMULATIVE VE5 | UNIT OF MEASURE | STATUS | REASON FOR VARIANCE | MEASURE TO IMPROVE | PORTFOLIO OF EVIDENCE |

Spatial Planning & Environmental Management

KPA 6: CROSS CUTTING INTERVENTIONS = 03 indicators

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| 2 2 | HOD (CORP) | Disasters are prevented and dealt with effectively where they occur | SO 6.1.3 | To minimize the vulnerability of communities by building a culture of risk reduction (Disaster prevention in preparedness) | Number of lightning conductors installed in identified rural households within ZDM per quarter | 100 of lightning conductors installed in identified rural households within ZDM by 30 June 2023 | 103 of lightning conductors installed in identified rural households within ZDM | 100 of lightning conductors installed in identified rural households within ZDM by 30 June 2024 | 83 of lightning conductors installed in identified rural households within ZDM | Accumulative | Number | Not Achieved | The prolonged process of appointing the service provider affect the installation of lighting conductors, this consequently led to delay in installation of lighting conductors | The matter has been presented to MANCO a resolution was taken that there will be an appointment of the Panel of contractors to improve the selection of service providers so that Lighting conductors will be installed in new Financial year | Certificate of compliance and Beneficiary list with GPS coordinates |
|--------|---------------|---|-------------|--|--|---|---|---|--|--------------|--------|--------------|--|---|---|

E. PERFORMANCE OF SERVICE PROVIDERS

| | | Assessment Key | | | | | | |
|-------------------|--|------------------------------|--|-------------------------|--|----------|----------|---------------------------|
| | | Good (G) | The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract | | | | | |
| | | Satisfactory (S) | The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract | | | | | |
| | | Poor (P) | The service has been provided below acceptable standards | | | | | |
| Bid Number | Name of external Service Provider | Date Contract Awarded | Service provided in terms of the SLA | Value of project | Assessment of Service Providers Performance | | | Corrective Measure |
| | | | | | G | S | P | |
| ZDM029/2022 | Fleet horizon solution (pty)ltd | 09/06/2022 | Procurement of fleet on full maintainance and lease and related services for a three yearar period | R102 069 810,97 | G | | | |
| ZDM021/2022 | Bonakude Consulting (PTY)LTD | 04/03/2022 | Provision of internal audit services for a period of three years | R4 018 540,90 | G | | | |

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| ZDM045/2023 | Khetha Cleaning services | 19/07/2023 | Provision of landscaping maintenance services, pest control and general support | R5 581 185,22 | G | | |
| ZDM002/2022 | LUMD INVESTMENTS (PTY)LTD | 21/10/2021 | HIRE OF OFFICE ACCOMMODATION IN ABAQULUSI (VRYHEID) | R12 715 997,71 | G | | |
| ZDM022/2022 | TRAVEL WITH FLAIR (PTY)LTD | 25/05/2022 | SERVICE PROVIDER FOR TRAVEL MANAGEMENT | Tender rate | G | | |
| ZDM027/2022 | RECOVERIES AMANQUHE | 25/05/2022 | SERVICE PROVIDER FOR DEBT COLLECTION | R3 290 632,68 | G | | |
| ZDM028/2022 | EKENE ENVESTMENTS CC | 14/07/2022 | APPOINTMENT OF SERVICES PROVIDER TO SUPPLY OF PORTABLE WATER USING 08WATER TANKES AT NONGOMA AND PONGOLA AREA | Tender rate | G | | |
| ZDM028/2022 | UHAQANE MI CONTRACTORS | 14/07/2022 | APPOINTMENT OF SERVICES PROVIDER TO SUPPLY OF PORTABLE WATER USING 03 WATER TANKES EDUMBE AREA | Tender rate | G | | |
| ZDM028/2022 | KHABENI PROJECT AND ENTERPRISE | 14/07/2022 | APPOINTMENT OF SERVICES PROVIDER TO SUPPLY OF PORTABLE WATER USING 07WATER TANKES AT ULUNDI AND NONGOMA | Tender rate | G | | |
| ZDM028/2022 | SIDWABA TRADING CC | 14/07/2022 | APPOINTMENT OF SERVICES PROVIDER TO SUPPLY OF PORTABLE WATER USING 03 WATER TANKES AT PONGOLA AREA | Tender rate | G | | |
| ZDM028/2022 | LITHAKAZI INVESTMENT (PTY)LTD | 14/07/2022 | APPOINTMENT OF SERVICES PROVIDER TO SUPPLY OF PORTABLE WATER USING 03 WATER | Tender rate | G | | |

| | | | TANKES AT NONGOMA | | | | |
|-------------|---------------------------------|------------|--|-------------|--|---|--|
| ZDM028/2022 | MAKHONGOLO CIVILS AND SERVICES | 14/07/2022 | ALLOCATION APPOINTMENT OF SERVICES PROVIDER TO SUPPLY OF PORTABLE WATER USING 04 WATER TANKES AT ABAQULUSI AREA | Tender rate | | G | |
| ZDM036/2022 | Fakalintuli Construction | 14/07/2022 | SUPPLY AND DELIVERY OF FUEL AND RELATED SERVICES TO ZULULAND DISTRICT MUNICIPALITY FOR A PERIOD OF 36 MONTH AS AND WHEN REQUIRED | Tender rate | | S | improve tunround time.delaying to deliver |
| ZDM040/2022 | Lateral Unison insurance broker | 14/07/2022 | RENDERING OF SHORT-TERM INSURANCE AND ADVISORY SERVICES OF MUNICIPAL ASSETS FOR A PERIOD OF 36 MONTHS. | Tender rate | | P | It has been noted that there are significant delays in communication and claim processing, which are not meeting our expected service standards. To address these issues, we will be working closely with the insurer to improve communication channels, ensure adherence to service level agreements through regular performance reviews, and implement a customer feedback system to guide continuous improvements. Additionally, we will push for the streamlining of claim processes to enhance overall efficiency and responsiveness. |
| ZDM043/2022 | ORABILE JN TRADING AND PROJECT | 05/12/2022 | SUPPLY AND DELIVERY OF PROTECTIVE CLOTHING OF ZDM FOR THE PERIOD OF 3 YEARS | Tender rate | | G | |

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|-------------|---|------------|--|-------------|---|--|--|
| ZDM024/2022 | MAMNCANE CATERING AND BUSINESS ENTERPRISE | 10/10/2021 | PROVISION OF CATERING AND RELATED SERVICES | Tender rate | G | | |
| ZDM024/2022 | NOMAWANDLA TRADING | 10/10/2021 | PROVISION OF CATERING AND RELATED SERVICES | Tender rate | G | | |
| ZDM024/2022 | MQAPHELI SUPPLIERS | 10/10/2021 | PROVISION OF CATERING AND RELATED SERVICES | Tender rate | G | | |
| ZDM023/2022 | GARLICKE & BOUSEFIELD | 10/10/2021 | ATTORNEYS /LAW FIRM TO SERVE ON PANEL OF ATTORNEYS | Tender rate | G | | |
| ZDM023/2022 | STOWELL&CO | 10/10/2021 | ATTORNEYS /LAW FIRM TO SERVE ON PANEL OF ATTORNEYS | Tender rate | G | | |
| ZDM034/2021 | EDU AFRICA CC | 03/09/2021 | PROVISION OF YELLOW PLANT | Tender rate | G | | |
| ZDM034/2021 | MAKHONGOLO CIVILS AND SERVICES | 03/09/2021 | PROVISION OF YELLOW PLANT | Tender rate | G | | |
| ZDM034/2021 | KHABENI PROJECT AND ENTERPRISE | 03/09/2021 | PROVISION OF YELLOW PLANT | Tender rate | G | | |
| ZDM034/2021 | SOMKHANDA PLANT HIRE CC | 03/09/2021 | PROVISION OF YELLOW PLANT | Tender rate | G | | |
| ZDM063/2021 | BBN CONSTRUCTION | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY HAND PUMP MATERIAL | Tender rate | G | | |
| ZDM063/2021 | SDWABA EVENTS | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY HAND PUMP MATERIAL | Tender rate | G | | |
| ZDM063/2021 | VELASAKHE CONSTRUCTION | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY HAND PUMP MATERIAL | Tender rate | G | | |
| ZDM063/2021 | SA WATER | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY HAND PUMP MATERIAL | Tender rate | G | | |
| ZDM063/2021 | MUNTU TRADING | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY HAND PUMP MATERIAL | Tender rate | G | | |
| ZDM063/2021 | NOLITO TRADING ENTERPRISE | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY HAND PUMP MATERIAL | Tender rate | G | | |
| ZDM066/2021 | VELOKUHLE TRADING | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY TOOLS | Tender rate | G | | |
| ZDM066/2021 | GCINWA TRADING | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY TOOLS | Tender rate | G | | |

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| ZDM067/2021 | KHETHAKANYE CONSTRUCTION | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY OF PLUMBING MATERIAL | Tender rate | G | | |
| ZDM067/2021 | NRB PIPING | 03/09/2021 | ZDM O&M SUPPLY AND DELIVERY OF PLUMBING MATERIAL | Tender rate | G | | |
| ZDM010/2022 | MAYENZEKE ENHLE | 10/10/2021 | SUIPLY AND DELIVERY OF LED PROJECT ITEM | Tender rate | G | | |
| ZDM010/2022 | KWALINDOKUHLE TRADING CC | 10/10/2021 | SUIPLY AND DELIVERY OF LED PROJECT ITEM | Tender rate | G | | |
| ZDM 025/2022 | EMPHETHWENI | 10/10/2021 | SERVICE PROVIDER FOR OCCUPATIONAL MEDICAL PRACTITIONER FOR RENDERING MEDICAL RELATED SERVICES | Tender rate | G | | |
| ZDM025/2022 | MAPONYA 911 | 10/10/2021 | SERVICE PROVIDER FOR OCCUPATIONAL MEDICAL PRACTITIONER FOR RENDERING MEDICAL RELATED SERVICES | Tender rate | G | | |
| ZDM025/2022 | BSK | 10/10/2021 | SERVICE PROVIDER FOR OCCUPATIONAL MEDICAL PRACTITIONER FOR RENDERING MEDICAL RELATED SERVICES | Tender rate | G | | |
| ZDM025/2022 | HLOBO OCCUPATIONAL SERVICES | 10/10/2021 | SERVICE PROVIDER FOR OCCUPATIONAL MEDICAL PRACTITIONER FOR RENDERING MEDICAL RELATED SERVICES | Tender rate | G | | |
| ZDM025/2022 | DR TD KHOZA | 10/10/2021 | SERVICE PROVIDER FOR OCCUPATIONAL MEDICAL PRACTITIONER FOR RENDERING MEDICAL RELATED SERVICES | Tender rate | G | | |
| ZDM004/2022 | THEMBANI SOLUTIONS (PTY)LTD | 10/10/2021 | PANEL SERVICE PROVIDER TO SUPPLY AND DELIVERY OF CLEANING MATERIAL | Tender rate | G | | |
| ZDM003/2022 | EKA THULANI TP TRADING | 10/10/2021 | PANEL SERVICE PROVIDER TO SUPPLY AND DELIVERY OF STATIONARY | Tender rate | G | | |
| ZDM003/2022 | KHENANA SOLUTIONS | 10/10/2021 | PANEL SERVICE PROVIDER TO SUPPLY AND DELIVERY OF STATIONARY | Tender rate | G | | |
| ZDM003/2022 | THEMBANI SOLUTIONS (PTY)LTD | 10/10/2021 | PANEL SERVICE PROVIDER TO SUPPLY AND DELIVERY OF STATIONARY | Tender rate | G | | |
| | Amanquhe Data Doctors | 01/05/2022 | DEBT COLLECTION REVENUE MANAGEMENT | Tender rate | G | | |

F. AUDIT ACTION PLAN

This is the Audit Action Plan for the 2023/2024 Financial Year in response to the AGs Report for the same period.

| Audit finding | Legislative requirements | Audit narration | Internal control deficiency | Recommendation | Management response | Management action | Auditors conclusion | Due date |
|--|---|--|---|--|--|-------------------------------|--|------------|
| 1. Unauthorised and fruitless and wasteful expenditure not prevented | In terms of section 62(1)(d) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that unauthorised, fruitless and wasteful expenditure and other losses are prevented. | <p>The accounting officer did not take adequate steps to prevent the re-occurrence of unauthorised and fruitless and wasteful expenditure that was incurred in the current year as disclosed in note 52 of the AFS:</p> <p>Unauthorised expenditure: R 236 652 969 (2022-23); R 191 771 856,26 (2023-24). Fruitless and wasteful expenditure: R 1 046 939 (2022-23); R 1 062 332,77 (2023-24).</p> <p>Consequently, the accounting officer is in contravention of section 62(1)(d) of the MFMA. Unauthorised expenditure was incurred in the current and prior year due to exceeding of the approved budget, with the majority being caused by overspending on the budget of contracted services and operational costs. The cause of the unauthorised expenditure could have been prevented if management had improved their budgeting processes with expenditure. This results in a material non-</p> | <p>The accounting officer did not ensure adequate controls were in place to prevent unauthorised and fruitless and wasteful expenditure in compliance with the MFMA.</p> <p>Furthermore, the accounting officer did not adequately monitor action plan to address prior year findings as these are repeat findings.</p> | <ul style="list-style-type: none"> Unauthorised expenditure: The CFO should monitor the budget against expenditure incurred on a regular basis. Procurement should only be approved once there is confirmation that sufficient funds are available for spending under the specific vote. Unauthorised should be investigated and consequence management against the relevant officials should be implemented in instances where contracts are entered into before performing the necessary checks to ensure sufficient budget is available that resulted in unauthorised expenditure been incurred. Fruitless and wasteful expenditure: The CFO must maintain a register of invoices received as a tracking tool to monitor the date of receipt and date submitted for | <p>Agreed.</p> <ul style="list-style-type: none"> The municipality has developed a UIFW reduction strategy. This will aim to support and introduce measures to reduce UIFW. The municipality is also implementing consequence management. By recovering the fruitless expenditure incurred due to officials not processing the payment of invoices timeously | Development of UIFW strategy. | Unauthorised and fruitless and wasteful expenditure not prevented will reported in the auditor's report as a material noncompliance. | 31/10/2024 |

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| | | <p>compliance with key legislation and will therefore be reported in the audit report.</p> <p>Fruitless and wasteful expenditure: related to interest on overdue accounts was incurred in the prior year as well as the current year. This results in a material non-compliance with key legislation and will therefore be reported in the audit report. This is a repeat finding as this was reported in the prior year.</p> | | <p>payment to ensure the invoices are paid within the legislated timeframes. Fruitless and wasteful incurred should be investigated in order for consequence management processes to be implemented.</p> <ul style="list-style-type: none"> • Furthermore, the accounting officer should improve his monitoring of the audit action plan to confirm that matters are adequately addressed to prevent the re-occurrence thereof. findings | | | | |
| 2. Payments not made within 30 days | <p>In terms of section 65(1) of the MFMA, "The accounting officer of a municipality is responsible for the management of the expenditure of the municipality."</p> <p>Section 65(2)(e) states that, "The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure</p> | <p>It was noted that the following payments were not made within 30 days of receipt of the respective invoices:</p> <p>Various invoices (9s for R 1,4 m)</p> <p>This has resulted in material non-compliance with section 65(2)(e) of the MFMA that will be reported in the audit report and may result in fruitless and wasteful expenditure being incurred as a result of interest being charged due to late payments.</p> | The CFO did not exercise due care in ensuring that all payments were made within the stipulated 30-day period. | The CFO should ensure that when invoices are received from suppliers, adequate steps are taken to ensure that payments are made promptly. | Agreed. Cashflow will be frequently reviewed to ensure that payments are processed within the specified time frame. | The municipality will be implementing the following corrective measures: <ul style="list-style-type: none"> •Enhanced workflow monitoring by upgrading the invoice tracking system. •Monthly reviews of payment schedules to identify any potential delays and address them promptly | The corrective actions will be followed up in the next audit period. | 20/11/2024 |

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| | that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.” | | | | | •Supplier Communication to ensure they are informed of any issues that may affect the payment delays | | |
| 4. Irregular expenditure not prevented. | In terms of section 62(1)(d) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented. | The accounting officer did not take adequate steps to prevent the re-occurrence of, irregular expenditure that was incurred in the current year as disclosed in notes 47 of the AFS: Irregular expenditure: R 89 232 856 (2022-23); R 13 360 723 (2023-24) Consequently, the accounting officer is in contravention of section 62(1)(d) of the MFMA. Irregular expenditure was incurred in the prior year as well as the current year. The major cause of the irregular expenditure in both years was due to bids not advertised and SCM processes not followed. The cause of the irregular expenditure could have been prevented if reasonable steps had been taken to | The accounting officer did not ensure adequate controls were in place to prevent irregular expenditure. In compliance with the MFMA. Furthermore, the accounting officer did not adequately monitor action plan to address prior year findings as these are repeat findings. | <ul style="list-style-type: none"> The accounting officer must practice effective procurement processes by using a checklist for deviations, quotations and contracts to ensure that all SCM requirements are met before awarding a contract/quotation. This will ensure that the tender process can commence at an early stage and deviations are captured timeously. Furthermore, the accounting officer should adequately monitor action plan to avoid repeat findings. | Agreed, The municipality is constantly revising its control measures to improve the level of irregular expenditure. | None. | Management’s efforts for minimizing the irregular expenditure are noted. However, the municipality still did not comply with Section 62(1)(a) of MFMA. The finding remains and will be reported in the auditor report. | 21/11/2024 |

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| | | prevent the re-occurrence in the current year on new contracts. Therefore, the non-compliance is material and will be reported in the audit report. | | | | | | |
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| <p>3. Non-Compliance with MFMA long term loan requirements</p> | <p>In terms section 62(1)(b) and (c)(i) of the of the MFMA, the accounting officer of a municipality is responsible for the managing of the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards and that the municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control.</p> <p>Section 46 of the MFMA states that: 1) A</p> | <p>On the 01 December 2023 Zululand District Municipality entered into a contractual agreement with ABSA for a long-term loan based on Commercial Terms outside the National Credit Act No 34 of 2005. The municipality intends to borrow R100 million to fund the purchasing of Back-up power generators.</p> <p>The details of the loan were as follows:</p> <ul style="list-style-type: none"> >Loan amount R 100 000 000,00 >Loan account 3059784238 >Interest rate Fixed 11,85% per annum. >Repayment Instalments Instalment: R 8 855 947,98 >Final instalment: R 8 855 948,02 >Date of first instalment: 2024/06/30 >Instalment frequency: half-yearly >Final Repayment Date 30/12/2033 <p>The council minutes of meeting dated 28 February 2023 confirmed that council discussed the proposed loan and approved the proposed loan in resolution ZDMC 23/256.</p> | <p>The accounting officer did not monitor and ensure that the loan is compliant with s46 of the MFMA and did not put measures in place to prevent unauthorized expenditure and fruitless and wasteful expenditure from the loan and implement the Provincial Treasury advice that borrowing is aligned to what the municipality has made provision for in the 2023/24 budget.</p> <p>The CFO did not adequately review the annual financial statements and supporting schedule to ensure that unauthorized expenditure and borrowings is accurate and presented completely and appropriately</p> | <p>The CFO should investigate the above and make the necessary adjustments to the AFS to ensure that Borrowings and interest incurred on the loan is disclosed at the appropriate and ensure that all unauthorised expenditure is disclosed.</p> | <p>1. It is agreed that the expenditure on the loan bank balance was an unauthorized expenditure. This was due to the pressing needs while we were waiting for the second trench on equitable share. The funds will be strictly ringfenced.</p> <p>2. After council has resolved on the loan and its terms, the municipality signed the loan term agreement which was a required form before the bank conclude on the SLA. The form was signed on the 27th October 2023. The bank delayed in bringing back the final SLA yet the tender process was in progress. The municipality was not in a position to know the tendered amount while the bank continues. The loan term agreement reflects 11.950% which is the</p> | <p>None.</p> | <p>The misstatements with regards to the Annual Financial Statements will be resolved upon receipt of the adjusted financial statements and the adjustments to Unauthorized Expenditure, Fruitless and Wasteful expenditure and Borrowings Notes. A likely financial loss with regards to the fruitless and wasteful expenditure incurred on this loan will be followed up in the next audit period.</p> | <p>22/11/2024</p> |
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| <p>municipality may incur long term debt only in accordance with and subject to any applicable provisions of this Act, including section 19, and only for the purpose of—</p> <p>(a) capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution, including costs referred to in subsection (4); or</p> <p>(b) refinancing existing long - term debt subject to subsection (5).</p> <p>(2) A municipality may incur long term debt only if—</p> <p>(a) a resolution of the municipal council, signed</p> | <p>An advertisement in Isolezwe Newspaper on the 09-10 September 2023 consisted of the details of the loan amount and interest rate and total costs, the advertisement further invited the public to send comments before 28TH of September 2023 with regards to the proposed loan.</p> <p>On the 08 September 2023 the Municipality approached National Treasury to provide comments on their intention to incur a long-term borrowing. On the 04th of October 2023 the accountant general responded with comments and analysis amongst which they advised the municipality to ensure that the borrowing is aligned to what the municipality has made provision for in the 2023/24 budget.</p> <p>It was noted that the public was only invited 6 months after the council had approved the proposed loan. This is not 21 days prior to the meeting of the council at which approval for the debt is to be considered.</p> <p>There is no evidence in Zululand District</p> | <p>figure that was improved in the final SLA, Therefore the AFS to be amended with the final figure of 11.85%</p> | | | |
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| <p>by the mayor, has approved the debt agreement; and (b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt.</p> <p>(3) A municipality may incur long term debt only if the accounting officer of the municipality— (a) has, in accordance with section 21A of the Municipal Systems Act— (i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed</p> | <p>Municipality website to indicate an earlier publication of the proposed loan. There is also no evidence that municipal council was provided with the information statement at least 21 days prior to the meeting with council.</p> <p>Based on the 2023/24 approved adjustment budget the municipality has only made provision to borrow R86 million. However, during this period R100 000 000 was approved. It was noted that R14million of this amount was not disclosed at unauthorised expenditure.</p> <p>The municipality received the R100 000 000 loan from ABSA on the 1 Dec 2023, the amount was transferred on the 7th of Dec 2023 to two different investment accounts (Acc No.: 93 7813 4528- R25 000 000) and Acc No: 93 73378 2771 – R75 000 000). An amount of R28 265 440 was made to the supplier for the purchase of backup generators on the 17th of Jan 2024.</p> <p>On inspection of the</p> | | | | | | |
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| <p>debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and</p> <p>(ii) invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and</p> <p>(b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of—</p> <p>(i) the essential repayment terms, including the anticipated debt repayment schedule; and</p> <p>(ii) the anticipated total cost in connection with</p> | <p>investments account and the primary account of the municipality as at 1 Feb 2024 revealed that R42 million of this R100 million was not used for capital expenditure as intended as the balances of the three accounts at year end after payment was made to supplier was R29 660 322 instead of R71 634 560(R100 000 000 – 28 365 440).</p> <p>Additionally, misstatements with regards to the balance outstanding and the presentation of the loan was identified. The table below reflects:</p> <p>Table 1 Outstanding Balance Auditors Calculation Managements Calculation Difference R97 259 551.99 R98 223 305.00 R963 753.01</p> <p>Table 2 Fixed Interest Interest as per Contract Disclosed Interest in Note 18 Borrowings 11.85% 11.10%</p> <p>Following the Bid Adjudication Committee held on the 11th of September 2023, it was resolved that Zana Manzi (PTY)LTD-Water Solutions Southern Africa (Pty)ltd JV be awarded a contract for</p> | | | | | |
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| | <p>such debt over the repayment period.</p> <p>In terms section 15 of the MFMA A municipality may, except where otherwise provided in this Act, incur expenditure only—</p> <p>(a) in terms of an approved budget; and</p> <p>(b) within the limits of the amounts appropriated for the different votes in an approved budget</p> | <p>the supply of Back Up power supply at Ulundi Critical Water Pump Station within ZDM for an amount of R63 104 361.82. An appointment letter signed by the accounting officer was sent to the supplier on the 31st of October 2023. This was a month before a loan agreement was entered into with ABSA Bank for an amount of R100 000 000.</p> <p>Therefore, it is evident that management was aware of the amount that will be required for the procurement of the power supply generators, however, opted for a long-term loan which was R36 895 638,18 above the necessary contract value with the supplier. The additional amount obtained incurs additional fixed interest at 11.85%. An expenditure that could have been avoided had reasonable care been taken by the accounting officer. This results in fruitless and wasteful expenditure and a likely financial loss of R2 186 066.56 as at 30 June 2024 arising from the interest incurred from the R36 895 638.18 which was over and above the required R63</p> | | | | | | |
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| | | <p>104 361.82 for the backup generators. Consequently, this result in a non-compliance with the sections above, the balance of borrowings is overstated by R963 753,01 and Note 18 Borrowings incorrectly disclosed a fixed interest rate of 11.10%.</p> | | | | | | |
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Furthermore, unauthorised expenditure is understated by R42 million.

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| <p>5. Irregular expenditure disclosed incomplete</p> | <p>Section 62(1)(a) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and transparently.</p> <p>Section 116(3)(a) of MFMA states that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after the reasons for the proposed amendment have been tabled in the council of the</p> | <p>Total payments made up to date for the following contract exceed the original contract value. It was also found that the contract has been placed on hold as per the contract register. Notwithstanding this, payments were made in the current year.</p> <p>Contract ID - (ZDM036/2022 - Fakalintuli Construction) Description - (Supply and delivery of fuel and) Contract value - (R1 830 080) Expenditure to date - (R18 682 824) Current year expenditure - (R7 217 549)</p> <p>Upon inspection of the irregular expenditure schedule, it was found that management has correctly included payments to this contract in the schedule. The reasons noted in the irregular expenditure schedule for the contract to be classified as irregular was that SCM processes were not followed. However, the contract was not in the irregular expenditure schedule since inception. Furthermore, an incorrect amount was disclosed resulting in an</p> | <p>The chief financial officer did not adequately monitor payments made to contracts to ensure that payments were made to valid contracts.</p> <p>The chief financial officer did not perform accurate reconciliation of payments made to this supplier to ensure that irregular expenditure is accurately disclosed in the annual financial statements.</p> | <ul style="list-style-type: none"> • The chief financial officer should maintain, and monitor payments made to suppliers to ensure that payments are only made to active contracts. • The chief financial officer should perform adequate reconciliations for payments made to ensure that the correct amounts are disclosed in the annual financial statements. • All payments made regarding this award should be disclosed as irregular expenditure. | <p>Disagree</p> <p>After the expenditure was determined to be irregular, the tender was issued out again. The same service provider was awarded again. This is where the new expenditure was accumulated which was not irregular</p> | <p>None.</p> | <p>Management comment is acknowledged. The new contract has been tested under competitive bidding – ZDM036/2023-2023 and there were no issues identified, the finding is resolved.</p> | <p>15/11/2023</p> |
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| | municipality. | understatement of R6 168 058 reflected below. Consequently, the amount disclosed in Note 52 to the annual financial statements is misstated by R6 168 058 and will be reported in the management report. | | | | | | |
| 1. Construction contracts awarded to suppliers who are not registered with CIDB | Section 18(1) of the Construction Industry Development Board states that a contractor may not undertake, carry out or complete any construction works or portion thereof for public sector contracts, awarded in terms of competitive tender or quotation, unless he or she is registered with the board and holds a | a) No evidence was included in the municipality's tender files to confirm that the following suppliers were indeed registered with the CIDB at the required grading suitable for the contract prior to the construction contracts being awarded. The respective minutes of BEC meeting furthermore did not include the bidder's CIDB registration number and expiry date of the registration as further corroborative evidence and therefore we are unable to confirm if the requirements of section 18(1) of the CIDB Act were indeed complied | The CFO, SCM Manager did not perform a proper review of the tender evaluation documentation to confirm that requirements of the CIDB were met, prior to the award. The CFO and SCM Manager did not develop and/or implement adequate controls, including a proper document management system to | The CFO and SCM Manager should improve their review of all construction contracts to confirm that all bidders are registered with the CIDB at the required level before submission to the BEC. This evidence should be filed accordingly with the tender as evidence of compliance with the requirements of the CIDB. Management should review all construction contracts awarded during the year to identify errors of a similar nature which | (a). Disagree. The CIDB grading confirmation is included as a returnable document for each tender submission. The evaluation documentation of reviewing CIDB grading is not filed with the contract file. However, it is attached as an annexure to this communication response for reference. (b). Agreed. The municipality will ensure that CIDB grading is | (b). Agreed. •The municipality will ensure that CIDB grading is checked when evaluating tenders (On-going) . • Senior management will improve review controls of procurement to identify and correct errors of non-compliance therefore preventing irregular expenditures (Quarterly) . | Management comments are noted. However, the requirements of section 18(1) have not been complied with, the finding remains and will be communicated in the audit report. | On-going |

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| <p>valid registration certificate issued by the board. Paragraph 17 of CIDB Regulations states that a contractor registered in a contractor grading designation indicated in column 1 of the Table 8 below, is considered to be capable of undertaking a contract in the range of tender values indicated in column 2 of that table in the class of the construction works to which the category of registration of that contractor relates.</p> <p>Government Gazette number 42561 notice number 357 of 2019 schedule 1 states that the tender value range adjustments set out in Table 8 of Regulation 17 is hereby amended and</p> | <p>with prior to the award: (Various tenders)</p> <p>b) Notwithstanding the above, the following construction contracts were awarded to contractors that were found not to be registered with the CIDB and did not qualify for the contract in accordance with section 18(1) of the CIDB.</p> <p>ZDM019/2023-2024 - NAP Holdings - R1 458 321 and ZDM027/2023-2024 - Fakude Building Constructors - R7 670 373; Total - R9 128 694.</p> <p>Consequently, this results in material non-compliance with the CIDB requirements which will be reported in the auditor's report and the total amounts paid to these contracts should be disclosed as irregular expenditure on the annual financial statements.</p> | <p>support compliance with the CIDB.</p> | <p>should be disclosed as irregular expenditure accordingly.</p> | <p>checked when evaluating tenders.</p> | | | |
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| | adjusted as set out in Table 1 below: | | | | | | | |
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| <p>1. Inconsistencies identified in Contingent liabilities</p> | <p>Paragraph 17 of GRAP 1 Presentation of financial statements requires that financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures</p> | <p>The disclosure notes pertaining to contingent liabilities included cases that do not conform to the established definition of a contingent liability. The table below provides a list of the legal cases. (Various cases of 3s for R 4,4m).</p> <p>Consequently, contingent liabilities are overstated by an amount of R4 393 150.</p> | <p>Inadequate reviews by the finance accountant of the Claims and Litigations schedules to ensure that only valid contingent liabilities that meets the definition of a Contingent Liability in terms of GRAP 19 Provisions, Contingencies and Contingent Assets and Liabilities are included in the financial statements.</p> | <ul style="list-style-type: none"> • The Finance accountant should strengthen controls to confirm that all litigation and claims are thoroughly reviewed before being classified as a contingent assets, or liabilities to ensure the accuracy of the contingent liability amount. • The CFO should adequately review the annual financial statements notes and supporting schedules to ensure that receivables are not disclosed as contingencies. | <p>Agreed. Contingent liabilities note will be updated.</p> | <p>CFO and Accountant: Compliance responsible for contingencies will ensure going forward only valid contingent liabilities that meets the definition of a Contingent Liability in terms of GRAP 19 are included in the financial statements.</p> | <p>Management comments are noted. The internal control deficiency will remain and actions to address the finding will be followed up in the next audit period. Final (adjusted) AFS will be inspected to confirm the validity, accuracy and completeness in disclosure of contingencies.</p> | <p>23/09/2024</p> |
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| <p>when necessary is presumed to result in financial statements that achieve a fair presentation. Section 63 (1) and (2) of the MFMA further requires that the accounting officer of a municipality is responsible for the management of the liabilities of the municipality. The accounting officer must, for the purposes of subsection (1), take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for proper assets and liabilities of the management systems of the municipality; and a system of internal control of assets and liabilities, including an</p> | | | | | | | |
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| <p>asset and liabilities register, as may be prescribed</p> <p>In terms of paragraph 17 of GRAP 19 Provisions, Contingent Liabilities and Contingent Asset, a contingent liability is defined as:</p> <p>a. possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or</p> <p>b. a present obligation that arises from past events but is not recognized because:</p> <p>(i) it is not probable that an outflow of resources embodying economic benefits or</p> | | | | | | | |
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| | service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. | | | | | | | |
| 1. Inconsistencies identified in Employee related costs. | In terms of the HR policy (para 16.3), all people appointed to the Municipality must accept the appointment by way of appointment letters or signing the employment contract in relevant cases prior to commencement of duties. This appointment letter details | It was noted that an employee, PZ Mnyandu, had accepted a job offer for the role of finance officer – Asset Management at Richards Bay Industrial Development Zone (RBIDZ). Upon notifying the municipality of his resignation, an internal memorandum was prepared by the CFO, with the endorsement of both the Municipal Manager and the HoD of Corporate Services, authorizing the issuance of a counteroffer. | Inadequate review by payroll accountant of approved salary scale increments against that salary scale in counteroffer letter to ensure that accurate basic salaries are recorded and paid. | Payroll accountant should reinstate original notch and salary scale as per the counteroffer letter signed by employee abovementioned and municipal manager. Further, the employee mentioned above should be back paid from month of employment (01 March 2024) to date. | Disagreed. The purpose of counter offer is to exceed the offer presented by the employee, which was a total cost to company from RBIDZ. The salary adjustment to the employee was a basic salary which is already above the counter-offer amount. It is even higher if we were to compare the total costs of both | None. | Management comments are noted. However, the employee is still paid below the amount as per the appointment letter. The finding remains and the recommendations above must be implemented. | Immediately |

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| | <p>remuneration, benefits and commencement date.</p> | <p>Subsequently, an appointment letter outlining the modifications in title and the revised salary scale was signed by the Municipal Manager and Mr. Mnyandu. The table below demonstrate that there were inconsistencies identified between the amounts as per the employee pay slip and those specified in the salary scale outlined in the counteroffer letter.</p> <p>PZ Mnyandu was appointed at the fifth notch of task 15; however, he was compensated at Notch 1 of task 15. The remuneration received at this notch falls short of the amount stated in his employment offer from RBIDZ of R 576 517,68 and the salary scary of R606 705.24. Consequently, the amount of basic salary disclosed under Note 32 was understated by difference apportioned for months from the date of appointment, 01 March 2024, to year-end</p> | | | <p>entities.</p> | | | |
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| <p>Depreciation misstated</p> | <p>Section 63(2)(c) of the MFMA states that: The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed. Paragraph 85(e) of GRAP 17 - Property plant and equipment states that: The financial statements shall disclose, for each class of property, plant and equipment recognized in the financial statements a reconciliation of the carrying amount at the beginning and end of the period showing: i) additions; ii) disposals; iii) acquisitions through a</p> | <p>The following depreciation differences were noted between the fixed asset register submitted for audit and the auditor's recalculation; this results in the depreciation in the statement of financial performance (note 36 to the AFS) being overstated and the carrying amount of the asset being understated. The Accounting officer and the Assets manager did not review the adjustments made for the depreciation calculations, as the term passed used in the calculation of depreciation was higher than that confirmed by the auditor, the following table serves as an example thereof: (Various difference for R 1,7).</p> <p>Consequently, note 36 to the annual financial statements is overstated with a total difference of R2 934 461.</p> | <ul style="list-style-type: none"> • The accounting officer and the assets manager did not perform adequate review of the adjustments to the depreciation calculations used to populate the annual financial statements, to ensure that the term passed used in the calculations are correct. | <ul style="list-style-type: none"> • The accounting officer and the assets manager should perform adequate reviews of the adjustments to the depreciation calculations used to populate the annual financial statements, to confirm that the term passed used in the calculations are correct, prior to updating these adjustments on the Solar system. • The accounting officer and the assets manager need to investigate the differences above and make the necessary adjustments to the financial statements. | <p>Agreed. However, after the depreciation calculation was re-performed on the whole population of assets, the difference of R2 892 875.25 was noted. The adjustment will be done.</p> | <p>A review of depreciation calculation will be performed monthly.</p> | <p>Managements comments are noted, we await the final FAR to audit the adjustments and confirm accuracy of the calculation</p> | <p>14/11/2024</p> |
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| <p>transfer of functions between entities under common control, transfer of functions between entities not under common control or a merger;</p> <p>iv) increases or decreases resulting from revaluations under paragraphs .34, .44 and .45 (if any);</p> <p>v) impairment losses recognized in surplus or deficit in accordance with GRAP 21 or GRAP 26, as appropriate (if any);</p> <p>vi) impairment losses reversed in surplus or deficit in accordance with GRAP 21 or GRAP 26, as appropriate (if any);</p> <p>vii) depreciation;</p> <p>viii) Net exchange differences arising on the translation of</p> | | | | | | | |
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| | the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and ix) Other changes. | | | | | | | |
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| <p>Inaccuracies in the water losses (Note 46)</p> | <p>Section 62(1)(c)(i) of MFMA states that: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."</p> <p>Paragraph 17 of GRAP 1 Presentation of financial statements states that: "Financial statements shall present fairly the financial position, financial performance and cash flows</p> | <p>The water loss percentage as disclosed in note 46 to the AFS were found to be in excess of the accepted norm as it reflects a percentage of 75% and remained unchanged in relation to prior year. It was further determined the contributing factors to the high percentage is that the municipality is using the DWS municipal water guidelines which states that non-revenue water is water loss.</p> <p>Department of Water and Sanitation (DWS) Municipal Water Balance guideline defines unbilled unmetered consumption as volume of water used for firefighting, flushing of mains and maintenance of infrastructure. Unbilled metered consumption as volume of water used for municipal parks, road islands, firefighting, municipal gardens and public facilities.</p> <p>The water losses disclosed in note 40 to the annual financial statements include unbilled unmetered consumption and unbilled metered consumption which is not actually water loss as per the definition. As</p> | <p>Accounting officer together with HOD: Technical incorrectly applied the DWS municipal water balance standard in the determination of water losses.</p> | <p>Accounting officer together with HOD: Technical should make the necessary adjustments to ensure that the water loss disclosure note adequately complies with the DWS municipal water balance guidelines.</p> | <p>Agreed, Necessary adjustments are made. As per the attached spreadsheet.</p> | <p>None.</p> | <p>Management comments are noted. The internal control deficiency will remain and actions to address the finding will be followed up in the next audit period. Final (adjusted) AFS will be inspected to confirm the validity, accuracy and completeness in disclosure of contingencies</p> | <p>21/11/2024</p> |
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| | <p>of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.”</p> <p>Section 125(2)(d)(i) of the MFMA states that: “The notes to the financial statements of a municipality must include particulars of any material losses and any material</p> | <p>per management determination of water loss, authorised unbilled consumption was determined as water that is provided to rural areas at zero rate. As per the guideline, unbilled authorised consumption consists of unbilled metered consumption and unbilled unmetered consumption.</p> <p>Furthermore, as per schedule submitted by management of all households provided with unbilled authorised water consumption which totalled to an estimated volume of 10 102 149 kilolitres.</p> <p>Consequently, the water loss disclosure in Note 40 is materially overstated by R173 447 226 and does not comply with the DWS municipal water balance guidelines.</p> | | | | | | |
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| | <p>irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable.”</p> <p>National Treasury issued MFMA circular 71 regarding uniform financial ratios and norms. Annexure 1 of the circular indicate what the acceptable range for water losses is 15%-30%</p> | | | | | | | |
| Invalid deviations | <p>In terms of Municipal SCM regulation 36(1): A supply chain management policy may allow the accounting officer (a) to dispense with the official procurement processes established by</p> | <p>Supplier (QUARTEX TECHNOLOGIES) DEV Number (DEV4424 – In an emergency) Goods or service procured (New firewall hardware to protect cyber security). Amount (R688 830.28)</p> <p>Reason for deviation (Motivation was that ZDM firewall need urgent attention because of its life cycle</p> | <p>The SCM Manager, ICT Manager, and HOD of Corporate Services failed to adequately develop and maintain an accurate and comprehensive annual procurement plan. Additionally,</p> | <ul style="list-style-type: none"> The SCM Manager together with the HOD corporate services, should improve their compilation of their annual procurement plan to confirm that is accurate and complete. This plan must be monitored on a regular basis to ensure that planned procurement is commenced in a | <p>Agreed.</p> <p>1. SCM Procurement Plan The SCM procurement plan will be updated regularly to ensure it remains aligned with organizational needs and procurement regulations.</p> | <p>1. Procurement plan will be updated monthly and quarterly submissions will be made to Treasury.</p> | <p>Management comments are noted. The irregular expenditure will confirmed in the adjusted AFS whether is the amount of R688 830.28 have been included in the AFS</p> | <p>Quarterly</p> |

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| <p>the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only – (i) in an emergency; (ii) if such goods or services are produced or available from a single provider only; (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile; (iv) acquisition of animals for zoos; or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and</p> | <p>(more than 10 years) and the inability for it to be upgraded. The ICT section needs to replace the existing firewall, to have a 5th generation firewall. The new firewall will be cloud-based for all sites to be protected against cyber-attacks. A firewall is a network security device that monitors incoming and outgoing network traffic and decides whether to allow or block specific based on a defined set of security rules. Firewalls have been the first line of defence in network security for over 25 years.)</p> <p>Firewalls are critical to the security of IT infrastructure, and their upgrade or replacement should be treated as a planned, strategic decision. COBIT (Control Objectives for Information and Related Technologies) standard BAI03 further emphasizes the importance of selecting the appropriate solution, ensuring</p> | <p>they did not effectively monitor the ICT asset lifecycle on a regular basis. This lack of oversight and planning led to delays in initiating procurement processes, resulting in improper deviations from approved procedures due to insufficient management foresight and poor planning in the procurement of the new firewall.</p> <p>Furthermore, the accounting officer did not perform adequate reviews to ensure that only valid deviations in accordance with SCM regulation 36(1) (a) were</p> | <p>timely manner to avoid invalid deviations from approved processes and non-compliance with the SCM prescripts.</p> <p>• Manager ICT and HOD Corporate Services should establish a proactive and structured approach to ICT asset lifecycle management, particularly for critical security components like firewalls. This includes incorporating firewall upgrades into the municipality's annual procurement plan and aligning these upgrades with long-term ICT strategy. Regular evaluations of IT infrastructure should be conducted to identify outdated or end-of-life assets, ensuring timely upgrades to avoid security vulnerabilities.</p> | <p>Agreed.</p> <p>2. ICT Lifecycle Asset Management A comprehensive ICT asset management lifecycle will be developed to ensure that assets are upgraded or replaced in a timely manner, minimizing disruptions and ensuring efficient operations.</p> | <p>2. An ICT life cycle asset management will be developed and monitored on a quarterly basis.</p> | | <p>31/12/2024</p> |
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| <p>(b) to ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.</p> <p>Municipal SCM regulation 36(2) requires that, "The accounting officer must record the reasons for any deviations in terms of sub-regulation (1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity and include as a note to the annual financial statements".</p> <p>Section 36 of the ZDM supply chain management policy states the following: Deviation from,</p> | <p>compatibility, and managing the upgrade process properly. This should have been part of the municipality's IT governance framework, as upgrading a firewall is a predictable event, not an emergency</p> <p>Management failed to anticipate the need to upgrade the firewall, which had been in service for more than 10 years. This lack of foresight led to poor planning, as the firewall's lifecycle was a known event, and sufficient time existed to follow competitive bidding processes. The deviation from standard procedures began on 17th November 2023, with services only provided on 21st December 2023, indicating there was ample time to follow normal SCM processes.</p> <p>Given that 5th generation firewalls have been available since the mid-2000s, the municipality should have recognised the need to upgrade its older firewall technology well in advance. Regular evaluation of the IT infrastructure, particularly critical security components like</p> | <p>approved.</p> | <ul style="list-style-type: none"> The Accounting officer should perform adequate reviews to ensure that only valid deviations in accordance with SCM regulation 36(1) (a) are approved. | <p>Agreed.</p> <p>3. Finance Deviations Review All finance deviations will be thoroughly reviewed to ensure they comply with SCM Regulation 36, ensuring transparency and adherence to procurement guidelines.</p> | <p>3. All deviations will be reviewed monthly to ensure that they are valid.</p> | <p>Monthly</p> |
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| | <p>and ratification of minor breaches of, procurement processes</p> <p>36. (1) the municipal manager may –</p> <p>(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –</p> <p>(i) in an emergency;</p> <p>(ii) if such goods or services are produced or available from a single provider only;</p> <p>(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;</p> <p>(iv) acquisition of animals for zoos and/or nature and game reserves;</p> <p>or</p> | <p>firewalls, should have been conducted to avoid falling behind on security capabilities.</p> <p>The failure to plan adequately led to non-compliance with SCM regulation 36(1)(a) and irregular expenditure of R688 830.28, which must be disclosed in the annual financial statements. The upgrade process should have been executed in a timely manner, with sufficient budgeting, vendor selection, and testing to ensure compliance and security.</p> | | | | | | |
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| <p>(vi) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and</p> <p>(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.</p> <p>(2) The municipal manager must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) of this policy and report them to the next meeting of the council then include as a note to the annual financial statements.</p> | | | | | | | |
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| <p>Incomplete contract register</p> | <p>Section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> | <p>The following contracts identified in the commitment register were not included in the contract register. This results in the contract register being incomplete.</p> <p>(Various contracts of 16 contracts)</p> <p>Consequently, this may result in overpayment of service providers due to inadequate tracking of contracts through a regular review of a complete contract register.</p> | <p>The SCM manager did not implement a monthly reconciliation between the commitment register and the contract register to ensure the completeness of the contract register.</p> | <ul style="list-style-type: none"> • The supply chain manager should implement monthly reconciliation of commitment register to the contract register to ensure that the contract register is accurate, complete and regularly updated with active contracts. • The SCM manager should revisit the contract register to ensure that all contracts that should have been included have included in the contract register and submit the updated complete contract register for audit purposes. | <p>Agreed.</p> <p>The completed and correct contract register has been submitted to the audit team.</p> | <p>Implement control measures to ensure that the correct version of the contract register is submitted in the future.</p> | <p>Managements comments are noted, the updated accurate and complete contract register has been submitted to the audit team. The finding is resolved.</p> | <p>27/09/2024</p> |
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| <p>3. Splitting of orders resulting in uneconomical pricing</p> | <p>Paragraph 38(1) of the SCM policy state that the municipal manager must take all reasonable steps to prevent abuse of the supply chain management system and investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified take appropriate steps against such official or other role player; or report any alleged criminal conduct to the South African Police Service;</p> | <p>The municipality needed to purchase WALL-MOUNTED POE WI-FI. The procurement of the POE Wi-Fi was split into two parts as determined below. The quotations to these awards resulted in the value of each award being below the competitive bidding threshold of R200 000.</p> <p>The quotation notice for ZDMQ0008/08/2023-2024 was advertised on 02 October 2023 and the advert closed on 09 October 2023 and the tender notice for ZDMQ0080/03/2023-2024 was advertised on 14 March 2024 and closed on 21 March 2024. The award was made to one supplier because there was no other supplier who submitted their quotations.</p> <p>Consequently, if the two quotations were not split, the sum of the quotations would be R374 311 would have been more than R200 000 and would have warranted that the competitive bidding process be followed. The above non-compliance amounts to irregular expenditure to the extent of amounts paid. Furthermore, the</p> | <p>The SCM Manager, ICT Manager, and HOD of Corporate Services failed to adequately develop and maintain an accurate and comprehensive annual procurement plan.</p> <p>The SCM manager did not adequately review the requisition of the procurement of to ensure that the applicable SCM process is followed.</p> | <ul style="list-style-type: none"> • The SCM Manager, together with the HOD corporate services, should improve the compilation of their annual procurement plan to confirm that is accurate and complete. • The SCM manager should improve the review of the requisition for procurement together with supporting documentation to confirm and approve that the required procurement process is followed in accordance with the applicable SCM regulations to ensure the prevention of irregular expenditure and financial loss. • All payments made regarding these awards should be disclosed as irregular expenditure. | <p>Agreed.</p> <p>The municipality will be putting the below controls in place to prevent order splitting:</p> <ul style="list-style-type: none"> • Implement controls to monitor and aggregate purchases to ensure that they do not inadvertently split orders above the established thresholds. • Track spending by the supplier to identify any patterns of order splitting. • Conduct regular reviews of procurement activities to detect and deter order splitting. | <p>None.</p> | <p>The management response is noted, the amounts will be confirmed upon receipt of updated AFS and schedule of irregular expenditure. Then the finding will be resolved.</p> | <p>20/11/2024</p> |
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| | | procurement of the mounted POE WI-FI was not economical as the prices for the same specification of goods, by the same supplier were higher for order ZDMQ0080/03/2023-2024 as compared order ZDMQ0008/08/2023-2024. This may result in a possible financial loss of R8 289.40 | | | | | | |
| 4. Non-compliance with MFMA | Section 116(1)(a) of MFMA states that a contract or agreement procured through the supply chain management system of the municipality or municipal entity must be in writing, stipulate the terms and conditions of the contract or agreement, which must include provisions providing for the termination | Non-compliance was identified in the following contracts where the contract did not stipulate the terms and conditions of the contract in relation to dispute resolution and there were no members appointed for adjudication. (Various cases of 10 contracts). Consequently, this results in non-compliance with the requirements of Section 116 of the MFMA and the provisions set by the National Treasury for general conditions of contracts. This non- | The accounting officer did not perform adequate reviews of contracts before they were approved to ensure that they comply with the requirements of Section 116 of the MFMA, and the provisions set by the National Treasury for general conditions of contracts. | The accounting officer should review the contracts prior to approval to ensure compliance with Section 116 of the MFMA and the provisions set by the National Treasury for general conditions of contracts. | Disagreed. In the tender document on page C.7 it is mentioned that GCC is the reference document on all engineering contracts to maintain consistency for purposes of service level agreement. | None. | Management comments are acknowledged. However, some contracts do not include the clause for dispute resolution, the ones noted above are from the sampled contracts. The non compliance remains and finding will be included in the management report. | None. |

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| | <p>of the contract in the case of non- or under-performance and dispute resolution mechanisms to settle disputes between the parties.</p> <p>Clause 27 of National treasury Practice Note 9 of 2010 General Conditions of Contract (revised) stipulate that if any dispute or difference of any kind whatsoever arises between purchaser and supplier in connection with or arising out of the contract, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation.</p> | <p>compliance will be reported in the management report.</p> | | | | | | |
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| 5. Tender opening process done before closing date of advertisement | <p>Section 112(1)(h) of MFMA requires that the supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover procedures and mechanisms for –</p> <ul style="list-style-type: none"> i. The opening, registering and recording of bids in the presences of interested persons, ii. The evaluation of bids to ensure best value for money iii. Negotiating the final terms of contract and iv. The approval of bids <p>Paragraph 23(a)</p> | <p>Bid number ZDM052/2023 was advertised in Ilanga newspaper on 04-06 May 2023 and the closing date was 05 June 2023. Upon inspection of the bids register, it was identified that the tender opening was done on 02 June 2023 which is before the closing date of the advertisement.</p> <p>Tender (ZDM052/2023 - Afrostructures) Description (Construction of Mandlakazi Upstream Bulk Section C) Contract value (420 581 000) Current expenditure (R168 563 471)</p> <p>Consequently, the procurement for the contract above was not fair and equitable since the tender opening was 3 days before the closing date, as a result other bidders were denied an equal opportunity to submit their bids before the closing date as per the advertisement. This results in non-compliance with Section 112(1)(h) of the MFMA.</p> | The SCM manager did not adequately review the tender advert before the tender opening to ensure that the requirements of Section 112(1)(h) of MFMA and the SCM policy are complied with. | The SCM manager should maintain adequate reviews of the tender documents before the tender opening to ensure compliance with the requirements of Section 112(1)(h) of MFMA and the SCM policy. | Agreed. This is a discrepancy due to more than one tender that was opening on the 2nd June which is a normal day to open the tender box (Friday). The 5th is on Monday which is an exception on the advert. | None. | Management response is noted and the finding will be reported in the management report as the requirements of Section 112(1)(h) of MFMA and the SCM policy have not been complied with. | None. |
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| | of the SCM policy requires that bids must be opened only in public, must be opened at the same time and as soon as possible after the period for the submission of bids has expired and bids received after closing time should not be considered and returned unopened immediately. | | | | | | | |
| 6. Advert stated incorrect evaluation criteria. | Section 112(1)(g) of MFMA requires that the supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover bid | The advert and tender notice of the following contract do not specify the evaluation criteria that will be used for the evaluation of the contract as per the requirements of Section 112(1)(g) of the MFMA and the SCM policy. Tender (ZDM061/2023 – Zana Manzi Services PTY LTD) Description (Backup power supply at critical water pump station within ZDM) Contract value (R63 104 361.82) Current expenditure (R28 265 440) Consequently, this | The SCM manager did not adequately review the advertisement to ensure that it contains all the requirements of Section 112(1)(g) of MFMA and the SCM policy. | The SCM manager should adequately review adverts to ensure that all the requirements as per Section 112(1)(g) of MFMA and the SCM policy are adhered to. All payments made regarding this award should be disclosed as irregular expenditure. | Disagree, The advert is clearly reflecting 90/10 criteria. | None. | Management comments are noted. Inspected the advert provided and confirmed that it states that the evaluation criteria was 90/10. Further inspected the BEC minutes of meeting and confirmed that the project was evaluated using the correct criteria. The finding is resolved. | None. |

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| | <p>documentation, advertising of and invitations for contract.</p> <p>Paragraph 52(1) of the SCM policy provides that an organ of the state must, in the tender documents, stipulate the preference point system as follows:</p> <ul style="list-style-type: none"> • 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million • 90/10 preference point system for acquisition of goods or services with Rand value above R50 million | <p>results in non-compliance with the requirements of Section 112 of the MFMA. This non-compliance will be reported in the management report and amounts to irregular expenditure to the extent of amounts paid.</p> | | | | | | |
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| <p>7. Unfunded budget</p> | <p>Section 18(1) of the MFMA states that a municipality may only be funded from realistic anticipated revenues to be collected, cash-backed accumulated funds from previous years' surpluses not committed for other purposes and borrowed funds. Section 5(2) of the MFMA mandates National Treasury to take appropriate steps if a municipality commits a breach of this Act, including the stopping of funds to a municipality in terms of section 216(2) of the Constitution if the municipality commits a serious or persistent material breach of any measures referred herein and take any other</p> | <p>During the audit of the going concern the following internal control deficiency was noted: The municipality received a final warning 10 September 2021 from National Treasury (NT) – intention to invoke section 216(2) of the constitution for serious and persistent breach and financial misconduct (section 171 of MFMA) for not preparing a budget appropriately. National Treasury declared the municipality's 2021-22 budget to be unfunded. Consequently, the purpose of the first unfunded budget letter was to serve as a warning that NT is considering withholding the equitable share transfer from a non-conforming municipality if its budget is not adjusted or if it did not adopt a funding plan/ strategy that shows a gradual improvement towards attaining a funded position. An unfunded budget may prevent the municipality from achieving its objectives for that budget year.</p> | <p>The accounting officer did not ensure that adequate controls are in place to ensure that the budget prepared was only funded from realistic anticipated revenues to be collected, cash-backed accumulated funds from previous years' surpluses not committed for other purposes and borrowed funds.</p> | <ul style="list-style-type: none"> • The accounting officer must table a budget plan in municipal council on how and by when the budget will improve from an unfunded position to a funded position. • The accounting officer should compile and adopt a realistic funded budget plan and financial recovery plan, in consultation with Provincial Treasury, to support the achievement of service delivery objectives. The budget once adopted should be diligently monitored on a regular basis to confirm that it is not exceeded to avoid overspending and resultant unauthorised expenditure and the non-compliance with the MFMA. | <p>Agreed. However, the 2023/2024 final budget was assessed as funded by Treasury. Upon submission of the Adjustment Budget to Treasury for evaluation, the assessment letter indicated that the budget had been classified as unfunded by the Treasury. The municipality adopted a budget funding plan together with adjustment budget</p> | <ul style="list-style-type: none"> •The municipality will continue to monitor the implementation of the budget funding plan (On-going). •Council to adopt a funded budget and a financial recovery plan that has been assessed by Provincial Treasury (31 May 2025). • Submit MFMA S52(d) Reports to Council to monitor the implementation of budget to confirm that it is not exceeded to avoid unauthorised expenditure and non-compliance with the MFMA (Quarterly). | <p>Management response acknowledged. Finding will remain in Annexure B of this report as it results in a non-compliance with sections 5(2) and 18(1) of the MFMA</p> | <p>30/11/2024</p> |
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| | appropriate steps necessary to perform its functions effectively. | | | | | | | |
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| <p>9. Non-compliance identified in HR management processes</p> | <p>S66(1) of the Municipal System Act states that a municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation, must-</p> <p>(a) Develop a staff establishment for the municipality, and submit the staff establishment to the municipal council for approval;</p> <p>(b) Provide a job description for each post on the staff establishment;</p> <p>S67(1) of the Municipal Systems Act states that a municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt</p> | <p>The position for the Manager: Supply Chain Management was advertised and published in the Ilanga newspaper on 19-21 February 2024. The closing date was 28 February 2024.</p> <p>Following the advert, the interviews were held on the 25th of March 2024 where the successful candidate was identified and was appointed in the position Manager: Supply Chain Management on the 28th of March 2024 to commence work on the 01 April 2024. The completion of the acceptance offer was on 4 the of April 2024.</p> <p>Paragraph 15 of the Permanent Offer of employment letter dated 28 March 2024 states that the offer is conditional upon background check clearance that will be conducted in due course.</p> <p>Relevant background checks are determined by the municipality and may not be limited to criminal, credit, verification of qualification including Grade 12 certificate and verification of valid</p> | <p>The accounting officer together with HR Manager did not perform vetting procedures to ensure validity of the qualifications of the appointed Manager: SCM and that the appointed candidate meets the requirements as per Job description.</p> <p>The accounting officer did not adequately review the schedule of applications received, which included the minimum requirements to be used for the interview process to ensure that it aligns with the minimum requirements as per the advertisement and job description.</p> | <ul style="list-style-type: none"> • The municipal manager should review the schedule of applications received to ensure that shortlisted candidates meet the minimum requirements as per the job description and as per advert. • The accounting officer, together with the HR manager, should timeously perform the vetting procedures of employees to ensure that the qualifications of newly appointed staff are valid, and candidates meet the minimum requirements as per the job description. • The municipal manager should review the schedule of applications received to ensure compliance with key legislation before the interview processes commence. | <p>Agreed.</p> <p>The recommendation will be implemented.</p> | <p>As per recommendations</p> | <p>Management response is noted. Auditors will follow-up on the implementation of recommendations in the next financial year.</p> | <p>None.</p> |
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| <p>appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c), to ensure fair, efficient, effective and transparent personnel administration, including— (a) the recruitment, selection and appointment of persons as staff members;</p> <p>S13(1) of the Municipal Systems Act requires that a person appointed as a staff member in terms of these regulations must have the necessary competencies and comply with the minimum requirements for educations qualifications, work experience and knowledge. If a staff member has not attained</p> | <p>driver's license and identity document.</p> <p>1. It was noted that the Manager: Supply Chain Management qualifications does not meet the Job description and job advertisement that were approved by the municipal manager as outlined below:</p> <p>2. Notwithstanding the above, the predetermined criteria as per advertisement was not used in the evaluation of the candidates.</p> <p>3. To date no evidence could be obtained to confirm that the background checks as per Paragraph 15 above were conducted including the confirmation of the validity of the qualifications, as the SCM manager has been appointed for 6 months.</p> <p>Consequently, the appointment of the SCM manager results in non-compliance with the aforementioned legislations.</p> | | | | | | | |
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| <p>the competencies as prescribed in these regulations, the municipality must utilize the workplace skills plan to identify and address the staff member's competency gaps and development needs</p> <p>S12(1) of the Municipal Staff Regulations states that no person is appointed as a staff member on a fixed term contract, permanent basis or probation to any post on the approved staff establishment of a municipality unless he or she-</p> <p>(a) Is a south African citizen, permanent resident or foreign national with a valid work permit; and</p> <p>(b) possesses the relevant competencies,</p> | | | | | | | |
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| <p>qualification and experience, as set out in Annexure A: Local Government: Competency Framework for Mainstream Occupations and Career Streams.</p> <p>Paragraph 9 of the HR policy requires that where a new vacancy/need arises, the respective Head of Department is required to obtain authority from the Municipal Manager to fill such a vacancy. The reason for the vacancy, the job description and requirement for the position must be stipulated. The advertisement must indicate the job specifications, the key performance areas and the required qualification.</p> <p>Paragraph 11 of the HR policy requires that a</p> | | | | | | | |
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| | <p>vacant position must be analysed to determine the realistic person and post requirements (e.g. qualifications, experience and physical requirements) that meet the needs of the job, and which do not privilege people with higher qualifications than those needed for the job.</p> | | | | | | | |
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| <p>1. Right to audit clause not included in Master Services Agreement held with Business Connexion and service provider monitoring reports not received for the Solar, Payday and Local Supplier Database systems may result in management not being able to identify and act upon deviations from agreed upon service levels</p> | <p>None.</p> | <p>The following deficiencies were noted with regard to the management and monitoring of IT service providers: a) The Master Service Agreement entered into by the Zululand District Municipality and Business Connexion (Pty) Ltd did not include a right to audit clause. b) Periodic reports are not submitted to the municipality by the service providers for the Solar, Payday and Local Supplier Database systems to enable management to monitor the services, performance and controls implemented by the service provider.</p> <p>The absence of a right to audit clause may prevent management from obtaining independent assurance on the controls and processes implemented by a service provider to ensure that they adhere to the requirements of the municipality. Furthermore, if reports detailing statistics and feedback relating to IT services and systems that have been outsourced to service providers are not regularly provided to the municipality,</p> | <p>Leadership: IT governance framework</p> <ul style="list-style-type: none"> • The Master Service Agreement held with Business Connexion was not thoroughly reviewed before being accepted by the municipality which resulted in omitted right to audit clause not being identified. • The ICT Manager did not agree on the frequency and format that the service providers for the Solar, Payday and Local Supplier Database systems should submit service provider monitoring reports which led to these not being received by the municipality. | <p>The ICT Manager should:</p> <ul style="list-style-type: none"> • Engage with Business Connexion and update the Master Services Agreement to include a right to audit clause. • Perform thorough reviews of agreements with service providers to ensure that all required clauses are incorporated in the document before it is accepted and signed off by the municipality. • Agree with service providers for the Solar, Payday and Local Supplier Database systems on the frequency and format that service provider monitoring reports will be provided to the municipality. • Implement controls to ensure that service provider monitoring reports are timeously reviewed and corrective action taken for deviations from agreed upon service levels identified. | <p>Agreed.</p> | <ul style="list-style-type: none"> • ZDM has engaged with BCX and is awaiting the updated SLA which will include the right to audit clause. • ICT will engage with service providers on the frequency of providing monitoring reports. • Controls will be implemented upon ICT section capacitation | <p>Management comments are noted, as part of the action plan going forward, the ICT Manager must be kept POE for the auditors in the next audit cycle to prove that updated SLA includes the right to audit clause, SLA will include frequency of providing monitoring reports and ICT section capacitation to ensure monitoring is done</p> | <p>30/06/2025</p> |
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| | management may not be able to monitor, identify and act upon service providers who are not meeting agreed upon service levels. | | | | | | |
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| <p>2. Generic accounts identified on the Windows Active Directory which if breached could be used to perform unauthorised activities that may not be traced back to a specific</p> | <p>According to the ICT Security Policy Section 12.5: Privilege Management The allocation and use of privileges should be restricted and controlled. Multi-user systems that require protection against unauthorized access must have the allocation of privileges controlled through a formal authorization process. Privileges should be allocated to users on a need-to-use basis and on an event-by- event basis in line with the minimum requirement for their functional role. Privileges should be assigned to a different username from those used for normal business</p> | <p>It was previously reported that twelve (21) generic accounts were not linked to any specific individual in the list of Windows Active Directory.</p> <p>In the 2023-24 financial year, we now identified the following nineteen (19) generic accounts on the Windows Active Directory:</p> <p>(Various cases of 19 accounts).</p> <p>Generic accounts may be used to perform unauthorised activities that cannot be traced back to a specific individual. Management will therefore not be able to hold anyone accountable for unauthorised activities performed using these generic accounts.</p> | <p>Financial and performance management: IT systems</p> <ul style="list-style-type: none"> • The ICT Manager did not ensure that management commitments made in the prior 3 years to resolve the previous audit finding were carried out. • The new ICT Security Policy under Section 12.5: Privilege Management contains guidelines for the management of default accounts, ICT staff had a basis for identifying and taking corrective action for generic accounts on the Windows Active Directory, however, did not apply this basis to ensure no generic accounts are active on the Windows Active | <p>The ICT Manager should:</p> <ul style="list-style-type: none"> • Ensure that management commitments made to resolve audit findings are adequately and timeously carried out. • See to it that the approved guidelines for identifying and taking corrective action for generic accounts are distributed to the relevant stakeholders for implementation. • Investigate and verify the generic accounts identified on the Windows Active Directory and ensure corrective action is taken to disable those that are no longer required. Each active account should be appropriately linked to a specific individual. | <ul style="list-style-type: none"> • Disagree | <ul style="list-style-type: none"> • Generic accounts that are not in use have been disabled on Active Directory | <p>Management comments are noted, as part of the action plan going forward, the new system used to track activity on the ZDM Windows Active Directory will be assessed again next year to ensure that these accounts have been disabled from the system for the full year under audit.</p> | <p>None.</p> |
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| <p>use. it is imperative to adhere to strict protocols regarding default accounts, notably the default administrator account present in systems like Windows Server 2022. Default accounts, if left unchanged or inadequately managed, can pose significant security risks, potentially leading to unauthorized access, data breaches, and compromise of critical systems. Therefore, it is mandated that default accounts be promptly identified and securely configured upon installation or deployment of any system or software. This includes changing default passwords to strong, unique credentials,</p> | <p>Directory.</p> | | | | | |
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| implementing multi-factor authentication where feasible, and limiting access permissions strictly to necessary personnel. | | | | | | | |
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| <p>3. Inadequate user account management logs and generic accounts identified on the Local Supplier Database system could lead to management not being able to identify and assign accountability for unauthorised activities performed</p> | <p>None.</p> | <p>The Local Supplier Database system does not have the functionality to log and reflect user account creation, modification and termination dates on reports extracted from the system. As a result, the auditors could not select samples and test controls relating to new user accounts created, user accounts modified and user accounts terminated on the Local Supplier Database system.</p> <p>Furthermore, inspection of the Local Supplier Database system list of users noted the following four (4) generic accounts with Super User access as active on the system:</p> <p>(Four (4) UserID i.e. 4; 6; 68 and 101).</p> <p>User account management logs that cannot reflect sufficient information inclusive of the dates activities were performed inhibits the municipality from tracking and managing user accounts effectively. Generic accounts present on a system may be used to perform unauthorised activities that cannot be</p> | <ul style="list-style-type: none"> • Reports on the Local Supplier Database system were not configured to incorporate the date that a user account management activity had been performed. • The new ICT Security Policy under Section 12.5: Privilege Management contains guidelines for the management of default accounts, ICT staff had a basis for identifying and taking corrective action for generic accounts on the Windows Active Directory, however, did not apply this basis to ensure no generic accounts are active on the Windows Active Directory. • Inadequate | <p>The ICT Manager should:</p> <ul style="list-style-type: none"> • Engage the service provider of the Local Supplier Database system to enquire if reports can be enhanced to include the date that a user account management activity had been performed in order to allow management to track the timeliness and appropriateness of actions taken. • See to it that the approved guidelines for identifying and taking corrective action for generic accounts are distributed to the relevant stakeholders for implementation. • Investigate and verify the generic accounts identified on the Local Supplier Database system and ensure corrective action is taken to disable those that are no longer required. Each active account should be appropriately linked to a specific individual. | <ul style="list-style-type: none"> • Disagree. <p>The functionality has been included and the attached report provides a clear indication of how this supports the requirement. All generic accounts were either disabled or removed from the system, see attached file</p> | <p>The accounting officer should urgently implement and monitor remedial measures to secure and strengthen the municipality's IT security infrastructure, to prevent unauthorised access (Quarterly).</p> | <p>Management comments are noted, as part of the action plan going forward, logging changes to the system were made 9 May 2024 to track activity on the ZDM Local Supplier Database system and will be assessed again next year to ensure that these accounts have been disabled from the system for the full year under audit.</p> | <p>Quarterly</p> |
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| | | <p>traced back to a specific individual. This may result in a weakened control environment which could make the municipality susceptible to IT risks such as unauthorised user access and activities that could disrupt municipal operations and negatively affect service delivery.</p> | <p>implementation and monitoring of information security controls to prevent unauthorised access to the municipality systems.</p> | | | | | |
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| <p>1. Inadequately maintained ICT inventory listing may result in the municipality not being able to sufficiently plan for and support the needs of municipal operations</p> | <p>None.</p> | <p>As previously reported, the asset list which served as an ICT inventory listing still did not make provision and include key information pertaining to the technical specifications, software licenses and information stored.</p> <p>The lack of an adequately maintained ICT inventory listing may result in the municipality not being able to plan for and support the needs of municipal operations. This may further inhibit management's ability to acquire the correct resources to enable the current and future ICT hardware as well as software needs of the municipality.</p> | <ul style="list-style-type: none"> • A lack of sufficient training and awareness relating to the importance of updating and maintaining the ICT inventory listing resulted in the accounting officer and the HOD corporate not prioritising updating the Asset List. • Slow response from management as this finding has been communicated to management for the past 3 years. | <p>The accounting officer and the HOD corporate should:</p> <ul style="list-style-type: none"> • Ensure that management commitments made to resolve audit findings are adequately and timeously actioned. • Update the Asset List which serves as an ICT inventory listing to include the technical specifications, software licenses and information stored on each device. • Establish clear training and awareness initiatives relating to the management of ICT inventory and designate responsible individuals or teams to ensure that the ICT inventory listing is adequately maintained with the relevant information. • Reach out to coordinating ministries such as KwaZulu-Natal (KZN) Provincial Treasury, Department of Public Service Administration | <p>Disagreed.</p> <ul style="list-style-type: none"> • ZDM has Procured a Software called Vicarious which assist with the following: • Asset Tracking: Helps keep track of all hardware and software assets, including their location, status, and ownership. • Compliance: Ensures assets comply with relevant standards and regulations. • Reporting: Provides detailed reports on asset usage, lifecycle, and depreciation. • Maintenance Scheduling: Tracks maintenance schedules and warranty expirations. • Data Integrity: Ensures accurate and up-to-date information on all ICT assets. <p>A number of computers are onboarded with the aim to clear all assets not on</p> | <p>To carry an exercise to ensure complete inventory list</p> | <p>Management comments are noted, Software called Vicarious was procured by management however no evidence was provided to the auditor that the necessary Asset Tracking, Compliance, Reporting and Maintenance Scheduling was extracted from the system, no evidence was provided that this was done monthly or that it was reviewed by the HOD corporate and that action plan was drawn up to address the issues noted, this will remain in the management report for follow up in the next audit cycle.</p> | <p>31/03/2025</p> |
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| | | | | (DPSA) and KZN Department of Cooperative Governance and Traditional Affairs (COGTA) for guidance and government standards relating to the maintenance of an adequate ICT inventory listing. | the inventory list as expected. | | | |
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| <p>2. Guidelines for the management of default accounts not formally documented could lead to these accounts being compromised due to required security controls not implemented</p> | <p>None.</p> | <p>As previously reported, information relating to the management of default accounts inclusive of default accounts to be renamed and changed before implementation on the network had not been formally documented in the ICT policies of the municipality.</p> <p>The absence of formal guidance relating to the management of default accounts may result in required security controls not being implemented. Default accounts have significant privileges assigned to them and can be easily identified. If these accounts are compromised, they could be utilized to perform unauthorised activities, which may negatively affect the confidentiality, integrity and availability of the municipality's IT systems.</p> | <ul style="list-style-type: none"> • A lack of awareness relating to the content of the ICT policies of the municipality lead to formal guidance for the management of default accounts not being included in the documents when updates were made. • Slow response from management as this finding has been communicated to management for the past 3years. | <p>The accounting officer and the HOD corporate should:</p> <ul style="list-style-type: none"> • Ensure that management commitments made to resolve audit findings are adequately and timeously actioned. • The updated ICT policies of the municipality to provide formal guidance on management of default accounts inclusive of default accounts to be renamed and changed before implementation on the network was approved in June2024.These must. • be rolled out to all staff for the next audit period. • Implement initiatives to create awareness and upskill ICT staff to enable them to carry out required IT security management tasks such as updating ICT policies, evidence of these must be kept for the auditors to prove that this was | <p>Disagree.</p> <p>Please note that this concern is addressed in the ICT Security Policy under Section 12.5: Privilege Management.</p> <p>The risk of waiting the policy approval before implementing the identified risk is a risk on its own since the process to approve the policy is outside control of the administration.</p> | <p>None.</p> | <p>Management comments are noted, however the implementation of the approved policy is still to be assessed, no proof was submitted to the auditors on how HOD corporate will roll out the new ICT Security Policy and no proof was submitted to the auditors if any initiatives are planned to create awareness and upskill ICT staff to perform these additional task as included in the ICT Security Policy, this will remain and will be assessed in the next audit cycle</p> | <p>None.</p> |
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| <p>3. Logon violation reports not reviewed may result in unauthorised logons to the network and IT systems going undetected for extended periods</p> | <p>None.</p> | <p>As previously reported, reports were now available via the AuditPlus tool relating to logon violations and failed logon attempts for the Windows Active Directory which provides single sign onto the Solar, Payday, Implementation and Management of Project Information (IMPI), Local Suppliers' Database and Performance Management System (PMS).</p> <p>It was however noted that these reports were not periodically reviewed during the 2023-24 financial year to ensure that suspicious and failed logon attempts were identified and investigated.</p> <p>Not periodically reviewing security management reports relating to logon violations and failed logon attempts could result in unauthorised logons going undetected for extended periods of time. This inappropriate access gained could be exploited to view sensitive information and negatively affect the confidentiality, integrity and availability of information stored in the municipality's</p> | <ul style="list-style-type: none"> • The ICT department is now only staffed with one (1) permanent employee resulting in capacity limitations which prevented the AuditPlus tool reports relating to logon violations and failed logon attempts from being periodically reviewed. • Slow response from management as this finding has been communicated to management for the past 3years. | <p>The accounting officer and the HOD corporate should</p> <ul style="list-style-type: none"> • Motivate for funds to be made available to allow for the appointment of personnel and fill vacancies within the ICT department to assist with the periodic review of the AuditPlus tool reports relating to logon violations and failed logon attempts. • Implement a formal schedule for the regular generation and review of the AuditPlus tool reports to identify any unusual or suspicious logons with evidence of reviews, investigations and corrective action taken being maintained. | <p>Agreed.</p> <p>However the risk has been mitigated through the procurement and implementation of Wazuh Software which replaces AuditPlus.</p> | <p>Management will implement the recommendations</p> | <p>Management comments are noted however this will remain in the management report for follow up in the next audit cycle as ZDM has not been able to fully utilise the functionality of the new Wazuh Software which replaced AuditPlus. Management have not been able to provide audit with proof that the reports were drawn monthly and reviewed by the HOD corporate.</p> | <p>31/12/2024</p> |
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| <p>4. Inadequate management of the firewall could result in the municipality not being able to detect and monitor potential security threats on a real time basis</p> | <p>None.</p> | <p>As previously reported, the following deficiencies were still noted with the Microsoft TGM firewall utilised by the municipality:</p> <p>a) The firewall information below was omitted in the ICT Security Policy:</p> <ul style="list-style-type: none"> o Rule descriptors (meta-data accompanying each rule). o The frequency at which the ruleset is reviewed. o Firewall change management processes. o Firewall backup/redundancy and recovery processes. o Authorisations: who is authorised to access the firewall and what level of access they are authorised to have. o Logical access from where one can access the firewall and over which channels. o Updating/Upgrading requirements. o Firewall configuration settings: specific minimum-security configurations such as blocking of unnecessary services, spoofing, illegal and bogus addresses. <p>b) Inadequate administration and management of the firewall occurred due to:</p> | <ul style="list-style-type: none"> • The accounting officer and the HOD corporate did not ensure that firewall ruleset data are been tracked and evidence kept that this was done on a regular basis. • Slow response from management as this finding has been communicated to management for the past 3years. | <p>The accounting officer and the HOD corporate should:</p> <ul style="list-style-type: none"> • Ensure that management commitments made to resolve audit findings are adequately and timeously actioned. • The required firewall controls should be established, implemented, and consistently performed. | <p>Agreed.</p> <p>The recommendations will be implemented.</p> | <p>The policy will be amended and implement the recommendations.</p> | <p>Management comments are noted, Management have agreed to update the ICT Security Policy, and in firewall rulesets and draw reports and HOD corporate will review these reports pertaining to monitoring of access to the firewall, monitoring of the traffic passing through the firewall and Firewall administrator activity reviews, this finding remains for follow up in the next audit cycle</p> | <p>31/12/2024</p> |
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| | <ul style="list-style-type: none"> • A firewall ruleset not being defined. • The firewall ruleset data below not being tracked: <ul style="list-style-type: none"> o The purpose of each firewall rule. o The users and devices it affects. o The date the rule was added. o When the rule should expire (if it is temporary). o The name of the person who added the rule. • There being no established process to proactively and regularly review firewall rules. • A change management process not being formalised for the firewall. • There being no backup firewall and redundancy controls implemented. • The following reviews not being performed: <ul style="list-style-type: none"> o Monitoring of access to the firewall. o Monitoring of the traffic passing through the firewall. o Firewall administrator activity reviews. <p>In the absence of adequately documented firewall guidance and standards, required firewall controls may not be established and performed. The lack of a robust and proactively</p> | | | | | | |
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| | | <p>managed firewall could result in the municipality not being able to detect and monitor potential security threats on a real time basis.</p> | | | | | | |
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| <p>5. Patch management status reports not periodically reviewed may lead to exploitable security vulnerabilities in the municipality's IT environment.</p> | <p>None.</p> | <p>As previously reported, the ICT Security Controls page 54, section 13.17 Patch Management stated that, "The following are the patch management tasks that the ICT Officer must perform:</p> <ul style="list-style-type: none"> • Assessment - determine what the current patching level is, identifying which patches are installed and which are missing. • Monitoring - watch out for alerts and new patch releases by the application or system vendors and trusted third parties. • Review and Evaluation - determine whether a patch applies to any of the municipality's systems, review its associated documentation, and determine its level of priority or criticality." <p>It was however noted that patch management status reports had not been formally monitored, reviewed and exceptions followed up on for the 2023-24 financial period.</p> <p>If patch management status reports are not regularly generated and reviewed this may result</p> | <ul style="list-style-type: none"> • Non-compliance with the patch management requirements stipulated in the ICT Security Controls Policy was due to the municipality having acquired the patch management software that did monitor all activities for both servers and workstations, however there is no evidence of regular review. • Slow response from management as this finding has been communicated to management for the past 3years. | <p>The accounting officer and the HOD corporate should:</p> <ul style="list-style-type: none"> • Ensure that management commitments made to resolve audit findings are adequately and timeously actioned. • Generate and review patch management status reports on a regular basis and maintain evidence of reviews performed, exceptions identified, and corrective actions taken to resolve deficiencies. | <p>Agreed.</p> <p>Vicarious will help address the issue of security vulnerabilities in ZDM's ICT environment by ensuring that patch management status reports are reviewed and acted upon regularly. Key functionalities Vicarious provides for patch management:</p> | <p>The recommendations will be implemented.</p> | <p>Management comments are noted, ICT staff will generate and HOD corporate will review patch management status reports on a regular basis and maintain evidence of the reviews, finding will remain for follow up in the next audit cycle</p> | <p>31/12/2024</p> |
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| | | <p>in the municipality not being able to identify devices that have not been successfully updated with the latest network security patches. Outdated patches may allow an attacker to exploit security vulnerabilities and gain access to the municipality's IT network and systems to view sensitive information or cause malicious damage.</p> | | | | | | |
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| <p>6. ICT User Management Policy omits information which could result in municipal staff not being aware of the correct procedures to be performed when user account management activities are required</p> | <p>None.</p> | <p>As previously reported, despite the ICT User Management Policy being reviewed and approved by Council on the 17th of June 2024 however, it still did not include information relating to the following management of user access controls:</p> <ul style="list-style-type: none"> • Turnaround time to complete activities. • Monitoring of system controller actions on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.) • Monitoring of users' activities on operating system level. • Restriction of administrator accounts (to not have access to internet or email). <p>If required user access controls are not formalised and documented this could result in municipal staff not being aware of the correct procedures to be performed when user account management activities are required. This may lead to user account management activities being inconsistently performed, resulting in unauthorised or inappropriate user access being granted to information stored on</p> | <ul style="list-style-type: none"> • Due to a lack of user account management skills and expertise within the municipality, the accounting officer and the HOD corporate did not update the ICT User Management Policy to ensure that all required user access controls and leading best practices were included in the document. • Slow response from management as this finding has been communicated to management for the past 3 years. | <p>The accounting officer and the HOD corporate should:</p> <ul style="list-style-type: none"> • Ensure that the ICT User Management Policy is updated to include all required user access controls and aligned to leading best practices. • Implement practices for comprehensive reviews and quality assurance to be conducted prior to ICT documents being submitted to Council for approval, to confirm that all required information has been included. • Undertake initiatives to equip ICT staff with user account management skills to allow them to carry out the required user access controls. • Reach out to coordinating ministries such as KwaZulu-Natal (KZN) Provincial Treasury, Department of Public Service Administration (DPSA) and KZN | <p>Disagreed.</p> <p>Please note that this concern is addressed in the ICT User Management Policy Under Section: 5.1 KEY PRINCIPLES AND GUIDELINES PERTAINING TO USER ACCOUNTS MANAGEMENT</p> | <p>None.</p> | <p>Management comments are noted. The new policy incorporates these management of user access controls, Finding resolved.</p> | <p>None.</p> |
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| | | the network and IT systems. | | Department of Cooperative Governance and Traditional Affairs (COGTA) for guidance and government standards relating to the drafting of adequate ICT user management documents. | | | | |
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| <p>7. User access rights, administrator activities and password reset logs not reviewed may result in unauthorised activities performed not being detected in a timely manner</p> | <p>None.</p> | <p>As previously reported, the ICT User Access Management Policy page 19, section 14.5 ICT System Owner stated that, "Reviews users' access to the ICT System(s) regularly to ensure segregation of duties and appropriateness of permissions. The frequency of the review is monthly." The Windows Active Directory provides single sign onto the Solar, Payday, Implementation and Management of Project Information (IMPI), Local Suppliers' Database and Performance Management System (PMS). It was however noted that although the required logs were now available user access rights, administrator activities and password reset logs were still not reviewed for the 2023-24 financial year. This may result in:</p> <ul style="list-style-type: none"> • If periodic reviews of user access rights are not performed, management may not be able to identify users who have been granted excessive access rights or access rights no longer required to perform the roles and responsibilities | <ul style="list-style-type: none"> • Non-compliance to the user access review requirements stipulated in the ICT System Owner section of the ICT User Access Management Policy resulted due to the ICT department only being staffed with now one (01) permanent employee, which now has created capacity limitations that prevented user access rights, administrator activities and password reset logs from being periodically reviewed. • Slow response from management as this finding has been communicated to management for the past 3years. | <p>The accounting officer and the HOD corporate should:</p> <ul style="list-style-type: none"> • Ensure compliance with the user access review requirements stipulated in the ICT System Owner section of the ICT User Access Management Policy. • Motivate for funds to be made available to allow for the appointment of personnel and fill vacancies within the ICT department to assist with the periodic review of user access rights, administrator activities and password reset logs. • Retain evidence of user access rights, administrator activities and password reset log reviews performed, and the actions taken to resolve deficiencies identified. | <p>Agreed.</p> <p>The recommendations will be implemented</p> | <p>None.</p> | <p>Management comments are noted, Finding remains as auditors need to be provided with evidence of user access rights, administrator activities and password reset log reviews performed by HOD corporate, and the actions taken to resolve deficiencies identified, this will be followed up in the next audit cycle.</p> | <p>None.</p> |
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| | | <p>associated with their job functions.</p> <ul style="list-style-type: none">• Users with administrator privileges have full control over a system and if their activities are not adequately reviewed and monitored, this may result in unauthorised activities performed not being detected in a timely manner.• If password reset logs are not regularly reviewed, this could result in management not being able to identify passwords that have been changed without the appropriate authorisations. | | | | | | |
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| <p>1. Inconsistencies identified between the APR Figures and the Portfolio of Evidence</p> | <p>In terms of chapter 3.2 of the Framework for Managing Programme Performance Information (FMPPPI):</p> <p>A good performance indicator should be:</p> <p>a) Reliable: the indicator should be accurate enough for its intended use and respond to changes in the level of performance.</p> <p>b) Well-defined: the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.</p> <p>c) Verifiable: it must be possible to validate the processes and systems that produce the indicator.</p> <p>d) Cost-effective: the usefulness of the indicator must justify the</p> | <p>Table 1 below reflect that the indicators relating to the 'Average Time Taken' were incorrectly calculated and incorrectly recorded in the Annual Performance Report</p> <p>Average Time Taken to Fix Spillages (49%)</p> <p>Average Time taken to Suck Septic Tanks (18%)</p> <p>Average Time taken to fix leaks/burst leaks (57%)</p> <p>Table 2 below reflect that the number of ZDM water contracts under construction as per the approved project list does not agree to the total number recorded in the Annual Performance Report</p> <p>Number of ZDM water contracts under construction (20%)</p> <p>Consequently, the figures reported in the APR for the indicators above are materially misstated and therefore will be reported in the management report.</p> | <ul style="list-style-type: none"> • The HOD Technical, HOD Planning, and the Performance management unit did not adequately review the quarterly performance reports and the annual performance report to ensure that the information reported is accurately calculated and agrees to the supporting portfolio of evidence. | <ul style="list-style-type: none"> • The HOD Technical, HOD Planning, and the Performance management unit should perform adequate reviews of the quarterly performance reports and the annual performance report to ensure that the information reported is accurate and agrees to the supporting portfolio of evidence. • The HOD Technical, HOD Planning and the Performance management unit should investigate the above issue and make the necessary adjustment to the annual performance report. | <p>Agreed.</p> <p>Recalculation will be performed on the whole population and necessary adjustments will be made on the annual performance report.</p> | <p>Management will perform quarterly reviews before the submission of POE's to PMS section</p> | <p>Managements response is acknowledged. The internal control deficiency remains. This finding will be resolved upon the evaluation of the final Annual Performance Report and the action to address the finding will be followed up in the next audit period</p> | <p>Quarterly.</p> |
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| <p>cost of collecting the data.</p> <p>e) Appropriate: the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.</p> <p>f) Relevant: the indicator must relate logically and directly link to an aspect of the institutions mandate, and the realisation of strategic goals and objectives.</p> <p>In terms of chapter 5.2(1) and (3) of the FMPPPI requires that a performance information system should be integrated within existing management processes and systems. The accounting officer or head</p> | | | | | | | |
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| <p>official of an institution is responsible for ensuring that the institution has: Appropriate documentation and systems to collect, collate, verify and store the information.</p> | | | | | | | |
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| <p>2. Inaccurate response time computations</p> | <p>In terms of chapter 3.2 of the Framework for Managing Programme Performance Information (FMPPPI): A good performance indicator should be: g) Reliable: the indicator should be accurate enough for its intended use and respond to changes in the level of performance. h) Well-defined: the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use. i) Verifiable: it must be possible to validate the processes and systems that produce the indicator. j) Cost-effective: the usefulness of the indicator must justify the</p> | <p>The following inaccuracies were identified based on recalculation of the time taken to fix the spillages as per job cards inspected: (Various cases of 11 job cards.) Furthermore, it was noted that hours relating to water leakages schedule for the month of December 2023 in Nongoma was incorrectly included as part of spillages calculation. Consequently, the average time taken to fix spillages is materially misstated by a projected percentage of 54.28% due to incorrect and invalid hours being captured on the schedule to support the reported achievement for this indicator.</p> | <ul style="list-style-type: none"> • The supervisors responsible for capturing and reporting response hours did not perform adequate reviews to ensure that the response hours on the job cards were captured accurately on the schedules. • The performance management unit did not adequately review quarterly performance reports and the annual performance report to ensure that the information reported is accurate and agrees to the supporting portfolio of evidence. | <ul style="list-style-type: none"> • The supervisors should perform sufficient reviews to ensure that the response hours on the job cards are captured accurately to ensure that the schedules are consistent with the job cards. • The performance management unit should perform adequate reviews of the quarterly performance reports and the annual performance report to ensure that the information reported is accurate and agrees to the supporting portfolio of evidence. • The performance management unit should revisit the whole population and correct all inconsistent hours to ensure that the reported performance achievement is accurate and make the necessary adjustments to the annual performance report. | <p>Agreed. Recalculation will be performed on the whole population and necessary adjustments will be made on the annual performance report.</p> | <p>Management will perform quarterly reviews before the submission of POE's to PMS section</p> | <p>Managements response is acknowledged. The internal control deficiency remains. This finding will be resolved upon the evaluation of the final Annual Performance Report and the action to address the finding will be followed up in the next audit period.</p> | <p>Quarterly</p> |
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| <p>cost of collecting the data.</p> <p>k) Appropriate: the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.</p> <p>l) Relevant: the indicator must relate logically and directly link to an aspect of the institutions mandate, and the realization of strategic goals and objectives.</p> <p>In terms of chapter 5.2(1) and (3) of the FMPPPI requires that a performance information system should be integrated within existing management processes and systems. The accounting officer or head</p> | | | | | | | |
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| | <p>official of an institution is responsible for ensuring that the institution has: Appropriate documentation and systems to collect, collate, verify and store the information.</p> <p>KPI 4: Average time taken to fix spillages per quarter – 45.75 hours average time taken to fix spillages by 30 June 2024</p> | | | | | | | |
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| <p>3. Understatement of performance reported in the APR</p> | <p>In terms of chapter 3.2 of the Framework for Managing Programme Performance Information (FMPPPI): A good performance indicator should be:</p> <p>m) Reliable: the indicator should be accurate enough for its intended use and respond to changes in the level of performance.</p> <p>n) Well-defined: the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.</p> <p>o) Verifiable: it must be possible to validate the processes and systems that produce the indicator.</p> <p>p) Cost-effective: the usefulness of the indicator must justify the</p> | <p>The table below reflects that the indicator relating to the number of households within ZDM to be provided with access to water within RDP standard per quarter which was incorrectly calculated and incorrectly recorded in the Annual Performance Report;</p> <p>KPI (Number of households within ZDM to be provided with access to water within RDP standard per quarter) Total Beneficiary list (1311) Total APR (1101) Difference (210 - 19%).</p> <p>Consequently, the figures reported in the APR for the indicator above is materially misstated and therefore will be reported in the management report.</p> | <ul style="list-style-type: none"> • The HOD Planning and the Performance management unit did not adequately review the annual performance report to ensure that the information reported is accurately calculated and agrees to the supporting portfolio of evidence. | <ul style="list-style-type: none"> • The HOD Planning and the Performance management unit should perform adequate reviews of the annual performance report to ensure that the information reported is accurate and agrees to the supporting portfolio of evidence. • The HOD Planning and the Performance management unit should investigate the above issue and make the necessary adjustment to the annual performance report. | <p>Agreed.</p> <p>Issue to be investigated and necessary adjustments will be made on the annual performance report.</p> | <p>Management will perform quarterly reviews before the submission of POE's to PMS section</p> | <p>Managements response is acknowledged. The internal control deficiency remains. This finding will be resolved upon the evaluation of the final Annual Performance Report and the action to address the finding will be followed up in the next audit period.</p> | <p>Quarterly</p> |
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| <p>cost of collecting the data.</p> <p>q) Appropriate: the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.</p> <p>r) Relevant: the indicator must relate logically and directly link to an aspect of the institution's mandate, and the realization of strategic goals and objectives.</p> <p>In terms of chapter 5.2(1) and (3) of the FMPPPI requires that a performance information system should be integrated within existing management processes and systems. The accounting officer or head</p> | | | | | | | |
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| | <p>official of an institution is responsible for ensuring that the institution has: Appropriate documentation and systems to collect, collate, verify, and store the information.</p> | | | | | | | |
| <p>2. No trainings conducted on the revised Municipal Systems Act (MSA), Consequence Management Framework (CMA) professionalisation framework</p> | <p>Section 62(1)(c)(i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and</p> | <p>No evidence could be provided that officials and councillors were trained on the following:</p> <ul style="list-style-type: none"> • Revised Municipal Systems Act (MSA) • Consequence management framework (CMA) • Professionalisation Framework. <p>Consequently, this may result in the non-implementation of the revised MSA, consequence management framework (CMA), and the professionalization framework by councillors.</p> | <p>The HOD corporate services did not ensure completeness of the training plan to cover the above-mentioned trainings.</p> | <p>The HOD corporate services should compile a comprehensive compliance checklist and review the training plan to ensure completeness thereof.</p> <p>Assistance should be requested from the department of Cooperative Governance and Traditional Affairs in conducting such trainings.</p> | None. | None. | None. | None. |

| | | | | | | | | |
|--|--|--|--|--|--|--|--|--|
| | transparent systems of internal control. | | | | | | | |
|--|--|--|--|--|--|--|--|--|

G. REPORT ON THE AUDIT COMMITTEE

AUDIT COMMITTEE REPORT

We are pleased to submit our report for the financial year concluded on 30 June 2024

Audit Committee Responsibility

The Audit Committee has complied with its responsibilities arising from section 166 of the MFMA and clause 14(2) (a) of the Municipal Planning and Performance Management Regulations of 2001. The Audit Committees' work was guided and regulated by an Audit Committee Charter, which was reviewed, and approved by Council and discharged all its responsibility as contained therein.

LEGISLATIVE MANDATE

The MFMA No 56 of 2003 section 166 requires from the Audit Committee amongst other matters:- To advise the Municipal Council, Political office bearers, the Accounting Officer and management staff on matters relating to:- a. Performance management and evaluation, b. Internal financial control and internal audits. c. Risk Management. d. Accounting policies. e. The adequacy, reliability and accuracy of financial reporting and information. f. Effective governance g. Compliance with MFMA, DORA and any other applicable legislation.

Effectiveness of Internal Controls

The system of internal controls are designed to provide reasonable assurance that the assets are safeguarded and the liabilities and working capital are working effectively and efficiently managed.

- Reports of the Internal Audit reports for 2023/24 highlighted a level of slightly improvement on the internal controls of a Municipality
- The Audit Committee made recommendations to management to address deficiencies and highlighted and the committee will continue monitoring the implementation of these recommendations.

Risk Management

During the year under review the Risk Management Section presented the Risk Management Policies and Registers for the 2023-2024 financial year to the committee and there was a huge improvement on the effectiveness of the Risk Management Committee in the Municipality.

Evaluation of Annual Financial Statements

The Audit Committee performed a comprehensive review of the Annual Financial Statements of the Municipality and was satisfied that the financial statements fairly present the affairs of the Municipality

Key Focus Areas for the Municipality

While there is an overall improvement in the audit of 2023/24; the Audit committee has urged the Municipality to ensure that it implements urgent action plans that will reduce its Unauthorised, Fruitless & Wasteful Expenditure and Irregular Expenditure going forward.

Sincerely,

Mr. Erick Nsikayezwe Sithole

Chairperson of the Audit Committee

Zululand District Municipality

H. COUNCILLOR PERFORMANCE

| | NAME | 11/7/23 | 23/7/23 | 29/8/23 | 11/9/23 | 29/9/23 | 30/11/23 | 20/12/23 | 30/01/24 | 28/2/24 | 27/3/24 | 24/5/24 | 27/6/24 |
|----|--|---------|---------|---------|---------|---------|----------|----------|----------|---------|---------|---------|---------|
| 1. | <u>Speaker</u> Cllr DT Memela | P | P | P | P | P | P | P | LA | P | P | P | P |
| 2. | <u>Mayor</u> Cllr TD Buthelezi | P | P | P | LA | P | P | P | P | LA | P | P | RES |
| 3. | <u>Deputy Mayor</u> Cllr SI Mbatha | P | P | P | P | P | LA | P | P | P | P | P | P |
| 4. | Cllr MB Khumalo Exco Member | P | P | P | P | LA | P | P | P | P | P | P | P |
| 5. | Cllr ISM Hadebe EXCO Member | P | P | P | LA | P | LA | P | P | P | P | A | P |
| 6. | Cllr BK Khumalo EXCO Member replaced by Cllr RM ZULU | P | P | P | P | P | P | A | P | P | P | A | P |
| 7. | Cllr KM Ntuli | P | P | P | P | P | P | P | P | P | P | P | P |
| 8. | Cllr B Nxumalo replaced by Cllr SR Nkosi by June 2024 Cllr IR Barnes rpt | P | P | P | P | LA | LA | LA | LA | LA | LA | P | SUS |
| 9. | Cllr SA Mncwango | P | P | P | P | P | P | P | P | P | P | P | P |

| | NAME | 11/7/23 | 23/07/23 | 29/8/23 | 11/9/23 | 29/9/23 | 30/11/23 | 20/12/23 | 30/01/24 | 28/2/24 | 27/3/24 | 24/5/24 | 27/6/24 |
|-----|-------------------|---------|----------|---------|---------|---------|----------|----------|----------|---------|---------|---------|---------|
| 10. | Cllr SE Nkwanyana | P | P | P | P | P | P | P | P | P | P | P | P |
| 11. | Cllr BJ Mncwango | P | P | P | P | P | P | P | P | P | P | P | P |
| 12. | Cllr M Mntambo | P | P | P | P | P | P | P | P | P | P | P | P |
| 13. | Cllr CN Mavundla | P | P | P | P | P | P | P | P | P | P | P | P |
| 14. | Cllr MP Williams | P | P | P | P | P | P | P | P | P | P | P | P |
| 15. | Cllr TM Ndwandwe | P | P | P | P | P | P | P | P | P | P | P | P |
| 16. | Cllr NP Mavuso | P | P | P | P | P | P | P | P | P | P | P | P |
| 17. | Cllr ZH Zungu | P | P | P | P | P | P | P | P | P | P | P | P |
| 18. | Cllr ND Masondo | P | P | P | P | P | P | A | P | P | P | P | P |
| 19. | Cllr AM Sibiya | P | P | P | P | P | P | P | P | P | P | P | P |
| 20. | Cllr FM Dlamini | P | P | P | P | P | P | P | P | P | P | P | P |

| | NAME | 11/7/23 | 23/07/23 | 29/8/23 | 11/9/23 | 29/9/23 | 30/11/23 | 20/12/23 | 30/01/24 | 28/2/24 | 27/3/24 | 24/5/24 | 27/6/24 |
|----|---|---------|----------|---------|---------|---------|----------|----------|----------|---------|---------|---------|---------|
| 21 | Cllr BC Nhlabathi | P | P | P | P | P | A | P | P | P | P | A | P |
| 22 | Cllr RM Zulu | P | P | P | P | P | P | P | P | P | P | A | P |
| 23 | Cllr ND Mngomezulu | P | P | P | P | P | P | P | P | P | LA | A | P |
| 24 | Cllr CM Nxumalo-Sibiya | P | P | P | P | P | P | P | P | P | P | A | P |
| 25 | Cllr TA Ntshangase | P | P | A | P | P | P | P | P | P | P | A | P |
| 26 | Cllr VV Dlamini | P | P | P | P | P | P | P | P | P | P | A | P |
| 27 | Cllr PP Selepe | P | P | P | P | P | A | P | P | P | P | A | P |
| 28 | Cllr BH Sithole resigned Replaced by Cllr NG Xaba | A | A | P | N/A | P | P | P | P | A | P | A | P |

| | NAME | 11/7/23 | 23/07/23 | 29/8/23 | 11/9/23 | 29/9/23 | 30/11/23 | 20/12/23 | 30/01/24 | 28/2/24 | 27/3/24 | 24/5/24 | 27/6/24 |
|-----|------------------|---------|----------|---------|---------|---------|----------|----------|----------|---------|---------|---------|---------|
| 29. | Cllr MR Dubazane | P | P | P | P | P | P | A | P | P | A | A | P |
| 30. | Cllr JB Mavundla | LA | A | P | P | P | P | P | P | P | P | A | P |
| 31. | Cllr NS Magagula | LA | A | P | P | A | P | P | P | LA | LA | A | P |
| 32. | Cllr SV Nxumalo | P | P | A | P | P | P | P | P | LA | P | A | P |
| 33. | Cllr NF Zungu | P | P | P | P | P | P | P | P | LA | P | A | P |
| 34. | Cllr SS Ntombela | P | P | P | P | P | LA | P | P | P | P | A | P |
| 35. | Cllr S Shelembe | P | P | P | P | P | P | P | P | P | P | P | P |
| 36. | Cllr TD Ndlovu | LA | A | P | A | P | LA | P | A | P | A | P | P |
| 37. | Cllr KR Jiyane | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | P | P |

EXECUTIVE COMMITTEE ANNUAL ATTENDANCE

| DATES | TD BUTHELEZI | MB KHUMALO | SI MBATHA | ISM HADEBE | RM ZULU | BK KHUMALO |
|--------------|---------------------|-------------------|------------------|-------------------|----------------|-------------------|
| 22/08/2023 | P | P | P | P | | A |
| 29/09/2023 | P | LA | P | P | P | |
| 27/10/2023 | P | P | P | P | P | |
| 29/11/2023 | P | P | P | P | P | |
| 20/12/2023 | P | P | P | P | A | |
| 22/01/2024 | P | P | P | P | A | |
| 25/01/2024 | P | P | P | P | P | |
| 26/02/2024 | LA | P | P | P | P | |
| 26/03/2024 | P | P | P | P | P | |
| 25/04/2024 | P | P | P | P | P | |
| 14/05/2024 | P | P | P | P | LA | |
| 25/06/2024 | RESIGNED | P | P | P | P | |

CORPORATE SERVICES PORTFOLIO COMMITTEE

| NAME | 21 Sep 2023 | 12 Dec 2023 | 27 February 2024 | 17 Apr 2024 |
|-------------|--------------------|--------------------|-------------------------|--------------------|
|-------------|--------------------|--------------------|-------------------------|--------------------|

| | | | | |
|-----------------------------------|----|----|----|----|
| 1. Cllr. MB Khumalo | P | LA | LA | P |
| 2. Cllr. MP Williams | P | P | P | P |
| 3. Cllr. TD Ndlovu | LA | LA | P | A |
| 4. Cllr. CN Mavundla | P | P | P | LA |
| 5. Cllr. ZH Zungu | P | P | P | P |
| 6. Cllr. SV Nxumalo | A | A | P | P |
| 7. Cllr. B Nxumalo | LA | B | A | A |
| 8. Cllr. CM Nxumalo-Sibiya | P | P | P | P |
| 9. Cllr. VV Dlamini | P | LA | P | LA |
| 10. Cllr. RM Dubazane | LA | LA | P | P |
| 11. Cllr. SA Mncwango | P | A | P | P |
| 12. Cllr. MA Sibiya | P | P | P | P |
| 13. Inkosi SQ Mntungwa | A | A | A | A |

TECHNICAL SERVICES PORTFOLIO COMMITTEE

| NAME | 23 AUGUST 2023 | 14 NOVEMBER 2023 | 28 FEBRUARY 2024 | 20 JUNE 2024 |
|---|-----------------------|-------------------------|-------------------------|---------------------|
| 1. Cllr. SI Mbatha (Chairperson) | P | P | P | P |
| 2. Cllr. SI Mbatha | P | P | P | P |
| 3. Cllr. JB Mavundla | P | P | P | P |
| 4. Cllr. ND Masondo | P | P | P | P |
| 5. Cllr. KM Ntuli | P | P | P | P |
| 6. Cllr. SS Ntombela | P | P | P | P |
| 7. Cllr. BK Khumalo | LA | P | A | P |
| 8. Cllr. PP Selepe | P | P | P | P |
| 9. Cllr. SA Mncwango | LA | P | P | P |
| 10. Cllr. AM Sibiyi | P | P | P | P |
| 11. Inkosi ZN Mbatha | P | A | A | P |

PLANNING SERVICES PORTFOLIO COMMITTEE

| NAME | 18 AUGUST 2023 | 14 NOVEMBER 2023 | 14 MARCH 2024 | 13 MAY 2024 |
|--------------------------|-----------------------|-------------------------|----------------------|--------------------|
| 1. Cllr. SI Mbatha | P | P | P | P |
| 2. Cllr. KM Ntuli | A | P | P | P |
| 3. Cllr. SE Nkwanyana | P | P | A | P |
| 4. Cllr. BJ Mncwango | P | P | P | P |
| 5. Cllr B Nxumalo | P | A | A | A |
| 6. Cllr. NS Magagula | P | A | P | A |
| 7. Cllr. TA Ntshangase | P | P | P | P |
| 8. Cllr. ND Mngomezulu | P | P | P | A |
| 9. Cllr. FM Dlamini | P | A | P | P |
| 10. Cllr. ZH Zungu | P | P | P | P |
| 11. Cllr. BC Nhlabathi | A | P | P | P |
| 12. Inkosi LD Ntshangase | A | A | A | A |

FINANCIAL SERVICES PORTFOLIO COMMITTEE

| NAME | 17 AUGUST 2023 | 11 DECEMBER 2023 | 19 MARCH 2024 |
|--|-----------------------|-------------------------|----------------------|
| 1. Cllr MB Khumalo (Chairperson) | P | P | AL |
| 2. Cllr SI Mbatha | P | P | P |
| 3. Cllr M Mntambo | LA | A | P |
| 4. Cllr BJ Mncwango | P | P | P |
| 5. Cllr TM Ndwandwe | P | A | P |
| 6. Cllr ISM Hadebe | P | P | P |
| 7. Cllr BC Nhlabathi | P | P | P |
| 8. Cllr JB Mavundla | P | P | P |
| 9. Inkosi SQ Mtungwa | A | A | A |

COMMUNITY SERVICES PORTOLIO COMMITTEE

| NAME | 10 AUGUST 2023 | 25 OCTOBER 2023 | 14 JUNE 2023 |
|------------------------------|-----------------------|------------------------|---------------------|
| 1. Cllr. ISM Hadebe | P | A | P |
| 2. Cllr. SE Nkwanyana | P | A | P |
| 3. Cllr. BK Khumalo | P | P | P |
| 4. Cllr. RM Zulu | P | P | A |
| 5. Cllr. TM Ndwandwe | P | P | P |
| 6. Cllr. FM Dlamini | P | P | P |
| 7. Cllr NP Mavuso | P | P | P |
| 8. Cllr. NF Zungu | P | P | P |
| 9. Cllr. ND Masondo | P | A | P |

LOCAL LABOUR FORUM

| NAME | 12 JUL 2023 | 20 SEP 2023 | 6 MAR 2024 | 10 APR 2024 |
|--------------------------------|--------------------|--------------------|-------------------|--------------------|
| 1. Cllr. MP Williams | P | P | P | P |
| 2. Cllr. MB Khumalo | NA | NA | LA | P |
| 3. Cllr. ISM Hadebe | NA | P | P | P |
| 4. Cllr. TD Ndlovu | P | P | P | P |
| 5. Cllr. Nxumalo-Sibiya | P | P | P | LA |
| 6. Cllr. CN Mavundla | P | LA | LA | P |

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

| NAME | 26 OCTOBER 2023 | 19 FEBRUARY 2024 | 13 MAY 2024 | 24.06.2024 |
|-----------------------------|----------------------------|-----------------------------|--------------------|-------------------|
| 1. Cllr. S Shelembe | P | P | P | P |
| 2. Cllr. VV Dlamini | P | P | A | P |
| 3. Cllr RM Zulu | A | NA | NA | NA |
| 4. Cllr. SS Ntombela | P | P | A | P |
| 5. Cllr. M Mntambo | P | A | P | p |

| | | | | |
|-----------------------------|----|---|---|---|
| 6. Cllr. PP Selepe | NA | P | A | P |
| 7. Cllr. MP Williams | P | A | P | P |

I. KEY WATER AND SANITATION PROJECTS 2023/2024

| Contract Number | PROJECT NAME | Municipality & Ward Number/Settlement Name | Expenditure at 30 June 2024 |
|------------------------|--|--|------------------------------------|
| ZDM 011/2019 | Simdlangentsha West Regional Water Supply Scheme - Construction Frischgewaagd, Abstraction Works, Staff Accommodation and Bilanyoni Booster Pumpstation. | Edumbe LM: Bilanyoni - Ward 4 | R 34 565 503.65 |
| ZDM 032/2022 | The Installation of ± 1000 pre-cast concrete VIP toilet units at Zululand District Municipality - North | Edumbe LM: Ward 5 & 7 - (Obivane, Mbalenhle, Ekhuzeni, Kwavova) Pongola LM: Ward 1 - (Zamani, kwaHhinhini, emganwini, kwamaqanda, kwaSlevu, kwaNongculela, Emshikashika, Etopiya, kwaMphatha) Abaqulusi LM: Ward 2,4,13,15 & 17 - (kwaMadamu, Bhelekazi, Mabhula, Ngada, Sigodini, Ginqi, Thelezini, St Paul, Emadwaleni, Esidakeni) | R 7 938 282.08 |
| ZDM 020/2021 | Mhlangeni Stand Alone Water Supply Scheme | Abaqulusi LM: Ward 15 - eMhlangeni, ward 17 Emadwaleni | R 24 314 527.15 |
| ZDM 015/2021 | Refurbishment of Chambers and Replacement of Valves for the Emondlo Water Supply Project Phase WCDM | Abaqulusi LM: Ward 12 & ward 20 | R 6 944 724,51 |
| ZDM 073/2021 | Siting Drilling and Equipping of 4 x COGTA Boreholes | Abaqulusi LM Wards 12 and 13 | R 1 110 540.28 |
| ZDM 019/2020 | Ceza Stand Alone Water Supply Phase 4: Bulk Water Supply Pipeline | Ulundi LM, Ward 3 - eGazini | R 24 685 664.04 |
| ZDM 053/2020 | Nkonjeni Borehole Augmentation | Ulundi LM: Ward 17, 13, 10,8 & 4 - (Ohlelo, Ogodweni, Mashulu, Endinde, Stedham, Kwankulu and Kwamshayazafe 3) | R 35 828 338.01 |
| ZDM 052/2020 | Construction of Rising Main from Ulundi Water Treatment Works to Mabedlane Reservoir | Ulundi LM: Ward 17 - eMabedlane | R 70 205 911.57 |
| ZDM 031/2022 | The Installation of ± 1000 pre-cast concrete VIP toilet units at Zululand District Municipality - South | Ulundi LM: Ward 16 - (Mzamo, Mhlathuze, Mobeni, Ngenetsheni, Ncele) Nongoma LM: Wards 3 & 5 - (Mpuphusi, Toyisa, | R 13 674 768.57 |

| Contract Number | PROJECT NAME | Municipality & Ward Number/Settlement Name | Expenditure at 30 June 2024 |
|--------------------------|---|--|------------------------------------|
| | | Machibini, Mageneni, Maphandeni, Njongomane, Vesonweni) | |
| ZDM 016/2023 | Ntabankulu Water Supply | Ulundi LM: Ward 15 - (Ntabankulu, Nyoni and Nhluba) | R 11 361 056.30 |
| ZDM 013/2023-2024 | Nzololo Water Supply | Ulundi LM: Ward 16 - Nzololo | R 4 263 107.16 |
| ZDM 019/2023 | Extension to Ulundi Water Treatment Works Phase 2 | Ulundi LM: Ward 17 - eMabedlane | R 52 207 392.64 |
| ZDM 024/2023 | Bhokweni Water Supply | Ulundi LM: Ward 7 - Bhokweni | R 12 134 669.71 |
| ZDM 001/2023 | Makhosini Water Supply | Ulundi LM: Ward 16 & 23 - (Makhosini, Hhodlweni, Nkiliji, Sgodiphola, Senzangakhona, Vezunyawo, Nobamba and Ngonono) | R 26 490 413.12 |
| ZDM 002/2023 | Njomelwane Water Supply | Ulundi LM: Ward 14 - (Njomelwane, England and Ngqolothi) | R 25 592 409.16 |
| ZDM 048/2021 | Upgrading of existing WTW Power Supply to 22 KVA | Ulundi LM: Ward 17 - eMabedlane | R 12 866 785.39 |
| ZDM 031/2023 | Ceza SAWSS - Brush | Ulundi LM: Ward 2 - Brush | R 25 312 908.48 |
| ZDM 032/2023 | Ceza SAWSS - Sodumo | Ulundi LM: Ward 4 - Sodumo | R 23 200 615.19 |
| ZDM 030/2023 | Ceza SAWSS - Phethu | Ulundi LM: Ward 2 - Phethu | R 26 318 300.81 |
| ZDM 062/2021 | Construction of Mandlakazi Phase 5.2: Bulk Water Supply | Nongoma LM: Ward 3 & 22 | R 56 080 231.78 |
| ZDM 007/2022 | Mandlakazi Bulk Water Supply Scheme: Upstream Bulk Section 1A | Nongoma LM: Ward 1 - Entire Mandlakazi Phongola LM: Ward 14 - Gumbi/Candover | R 187 574 487.37 |
| ZDM 001/2021 | Usuthu Regional Water Supply Scheme: Ward 14 Nongoma Reticulation Phase 2 | Nongoma LM: Ward 14 - (Badlaneni, Dayeni, eMahlombe, Esigangeni, Ezimpakaneni, Tshodo, Ivuna, Okhalweni, kwaBoy, kwaMhashi, New Goli, Nsimbini, Onyango, Phenyane & Sishuthu) | R 11 286 654.69 |
| ZDM 073/2021 | Zululand Rudimentary Programme: Siting, Drilling, Testing and Equipping of Borehole South | Nongoma LM: Wards 4,7,12 & 17 - (Esiphambanweni, Egudu, Enkanyezini, Bethani) Ulundi LM: Wards 13, 14, 15, 21, 23 & 24 - (KwaNkankazi, Nguqe, Nkwana/Hloba, Mawulushe/Maqwatha, Ezimambeni/Newlands, Emfeneni1, Ezikhumbeni, Basalimlilo, Thinta's Drift, Njomelwane & Makhosini) | R 18 429 167.58 |

| Contract Number | PROJECT NAME | Municipality & Ward Number/Settlement Name | Expenditure at 30 June 2024 |
|------------------------|---|--|------------------------------------|
| ZDM 051/2023 | Mandlakazi RWSS Phase 5.1 - Completion of Mngamunde Domestic Reticulation Network for Zone B / B1 | Nongoma LM: Ward 1 - Mngamunde | R 6 464 539.00 |
| ZDM 040/2020 | Mandlakazi RWSS Phase 5.1 - Construction of Mngamunde Domestic Reticulation Network for Zone C1 / D1 | Nongoma LM: Ward 1 - Mngamunde | R 13 064 613.09 |
| ZDM 016/2022 | Mandlakazi Phase 5,3: Bulk Water Supply | Nongoma LM: Ward 3 | R 32 679 320.45 |
| ZDM 033/2023 | Mandlakazi Phase 5: Upstream Bulks - Abstraction Works Phase 1B | Nongoma LM: Ward 1 - Entire Mandlakazi uPhongola LM: Ward 14 - Gumbi/Candover | R 168 099 490.20 |
| ZDM 034/2023 | Mandlakazi Phase 5,4: Bulk Water Supply | Nongoma LM: Ward 3 | R 42 147 194.07 |
| ZDM 035/2023 | Mandlakazi Phase 5,6A: Bilk Water Supply (Pipe Supply Contract) | Nongoma LM: Wards 5, 6 & 20 | R 18 804 129.44 |
| ZDM 010/2021 | Simdlangentsha East: Internal Water Reticulation Phase 1B | uPhongola LM: Ward 10 & 13 – (Ngedele and Mshushulu) | R 16 099 672.11 |
| ZDM 002/2021 | Simdlangentsha Central RWSS - Phase 3: The Construction of A 2.5 MI Reinforced Concrete Reservoir at Ombimini | uPhongola LM: Ward 3 - Ombimbini | R 13 101 034.18 |
| ZDM 035/2023 | Simdlangentsha East: Internal Water Reticulation - Phase 3B: The construction of a 1ML Reservoir at Ntshibila | uPhongola LM: Ward 9 – (Qwaqwa,Mdanyini, Ntshiyangibone and Esigunngwin) | R 6 383 254.97 |
| ZDM 057/2023 | Simdlangentsha West Water Conservation Demand Management Phase 2 | Edumbe LM; Frischgewaagd, Mangosuthu, Ophuzane | R 3 638 068.04 |
| ZDM 025/2023 | Construction of Nkonjeni WCDM Phase 3 | Ulundi LM, Ward 6, 10 & 12 Bayeni, Manzabomvu, Cobe, Langakazi, Ezihlalo, Hawini, Mahleza, Mamkhize, Mapayini, Ezibindini, Qwane, Mission 2, Olundi Unit BA, Ulundi Unit B1, Mbangayiya | R 7 963 497.18 |
| ZDM 052/2023 | Construction of Mandlakazi Upstream Bulk Section 1 C | Jozini LM, Ward 20 | R 168 563 471.34 |

| Contract Number | PROJECT NAME | Municipality & Ward Number/Settlement Name | Expenditure at 30 June 2024 |
|--------------------------|---|--|------------------------------------|
| ZDM 053/2023 | Simdlangentsha Central RWSS Phase 4: Belgrade Water Treatment Works Upgrade | Uphongola LM | R 4 109 427.02 |
| ZDM 028/2023 | Golela Water Supply Scheme | Phongolo LM, Ward 15 Golela | R 3 162 794.27 |
| ZDM 059/2023 | Simdlangentsha West - 10 ML Terminal Reservoir | Edumbe LM; Frischgewaagd, Mangosuthu | R 37 162 951.85 |
| ZDM 043/2023 | Khambi RWSS Water Supply | Abaqulusi LM Ward 2 and 3: Ndulinde, Hlanzeni, Ndlandla, Bhekephi, Kewulani, Mthumeni, Mwandeni, Emthemb | R 3 865 891.82 |
| ZDM 005/2023-2024 | Mandlakazi RWSS Phase 5: Mahlomane Domestic Reticulation Network: Zone E1 & E2 | Nongoma Ward 3 & 5 -Mahlomane | R 0 |
| ZDM 006/2023-2024 | Mandlakazi RWSS Phase 5: Mgxinyane Domestic Reticulation Network: Zone D3 | Nongoma LM, Ward 3 – Mgxinyane, Mduda, Okhalweni, Esikhuthwaneni, Esigodiphola | R 0 |
| ZDM 012/2023-2024 | Simdlangentsha West RWSS - Construction of Mpunzi 5ML Reservoir, Rising Main and Gravity Mains to Ophuzane and Paddafontein | Ulundi LM, Ward 16 - Nzololo | R 0 |
| ZDM 048/2023 | Esiphambanweni Domestic Reticulation Network: Zone L1-A | Nongoma LM; Ward 6 Esiphambaweni, Cabokwakhe, Phumanyova | R 0 |
| ZDM 049/2023 | Odushwini Domestic Reticulation Network: Zone L1-B | Nongoma LM; Ward 6 Phumanyova , Odushwini , Khenani, Ezibomvin | R 0 |
| ZDM 050/2023 | Manqashi Domestic Reticulation Network: Zone L1-C | Nongoma LM; Ward 4 Emangqeleni, Khokhwaneni | R 0 |
| ZDM 019/2023-2024 | Construction of Mandlakazi Phase 5.5: Isibonelo Zone J1, J2 and J3 Domestic Reticulation | Nongoma LM Ward 2, 3, 4, 5-Sbonela | R 0 |
| ZDM 020/2023-2024 | Construction of Mandlakazi Phase 5.5: Umsebe Zone I1 and I2 Domestic Reticulation | Nongoma LM Ward 5,8, Msebe | R 0 |
| ZDM 008/2023-2024 | Simdlangentsha West RWSS - Construction of Bulk Gravity Mains to Tholakele and Mpundu | eDumbe Ward 5 Tholakele and Mpundu | R 1 354 700.00 |

| Contract Number | PROJECT NAME | Municipality & Ward Number/Settlement Name | Expenditure at 30 June 2024 |
|--------------------------|--|---|------------------------------------|
| ZDM 027/2023-2024 | Hlahlindlela Regional Scheme Reticulation and Reservoirs | Abaqulusi LM | R 0 |

J. LONG TERM CONTRACTS

| Tender Number | Tender Name | Supplier Name | Contract (Order) Amount | Composition BSC | Composition BEC | Composition BAC | Advertised in Newspaper | Advertised in Website | Registered in Suppliers Municipal Database | Tender Opening Register | Valid Tax matters | Declaration of interest (MBD4) | Registered on CSD | Appointment letter | Complying with Zululand District Municipality and Regulations |
|---------------|--|---------------------------------|-------------------------|-----------------|-----------------|-----------------|-------------------------|-----------------------|--|-------------------------|-------------------|--------------------------------|-------------------|--------------------|---|
| ZDM002/2022 | Hire of office accommodation in Abaqulusi office | Lumd investments (pty)ltd | R12 715 997,71 | Valid | Valid | Valid | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| ZDM021/2022 | PROVISION OF INTERNAL AUDIT AND INTERRELATED SERVICES FOR ZULUAND DISTRICT MUNICIPALITY | BONAKUDE CONSULTING (PTY)LTD | Rate | Valid | Valid | Valid | Yes | Yes | YES | Yes | Yes | Yes | Yes | YES | yes |
| ZDM022/2022 | SERVICE PROVIDER FOR TRAVEL MANAGEMENT | TRAVEL WITH FLAIR (PTY)LTD | Rate | Valid | Valid | Valid | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes |
| ZDM027/2022 | SERVICE PROVIDER FOR DEBT COLLECTION | RECOVERIES AMANQUHE | R3 290 632,68 | Valid | Valid | Valid | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| ZDM029/2022 | PROCUREMENT OF FLEET ON FULL MAINTENANCE | FLEET HORIZON | R102 069 810,93 | Valid | Valid | Valid | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| ZDM040/2022 | RENDERING OF SHORT-TERM INSURANCE AND ADVISORY SERVICES OF MUNICIPAL ASSETS FOR A PERIOD OF 36 MONTHS. | Lateral Unison insurance broker | R2 339 718,00 | Valid | Valid | Valid | Yes | Yes | No | Yes | Yes | Yes | Yes | | Yes |
| ZDM001/2023 | MAKHOSINI WATER SUPPLY | AFROSTRUCTURES(PTY)LTD | R26 585 500,00 | Valid | Valid | Valid | Yes | | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| ZDM043/2022 | SUPPLY AND DELIVERY OF PROTECTIVE CLOTHING OF ZDM FOR THE PERIOD OF 3 | ORABILE JN TRADING AND PROJECT | Rate | Valid | Valid | Valid | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |

| | YEARS | | | | | | | | | | | | | | | |
|-------------|--|---------------------------------------|---------------------------|-------|-------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| ZDM019/2023 | EXTENTION TO ULUNDI WATER | SIZABONKE CIVILS /PILCON PROJECTS | R105 584 271,6 5 | Valid | Valid | Valid | Yes |
| ZDM048/2021 | 22KV MEDIUM VOLTAGE SWITCH GEAR UPGRADE | GREENRO SOLUTIONS | R17 242 572,2 6 | Valid | Valid | Valid | Yes |
| ZDM033/2023 | MANDLAKAZI UPSTREAM BULK SECTION 1B | AFROSTRUCTURES(PTY)LTD | R240 016 500,0 0 | Valid | Valid | Valid | Yes |
| ZDM030/2023 | PHETHU WATER SUPPLY | MQHELE TRADING AND PROJECTS | R32 500 857,9 4 | Valid | Valid | Valid | Yes |
| RT3-2022 | SUPPLY AND DELIVERY INSTALLATION COMMISSIONING AND MAINTENANCE OF OFFICE AUTOMATION SOLUTIONS | KONICA MINOLTA | R1 834 316,2 8 | Valid | Valid | Valid | Yes |
| ZDM030/2022 | RURAL ROADS ASSEST MANAGEMENT | SMEC SOUTH AFRICA (PTY)LTD | R17 242 572,0 0 | Valid | Valid | Valid | Yes |
| ZDM013/2022 | PROVISION OF PROFESSIONAL CIVIL ENGINEERING SERVICES AND INTERRELATED SERVICES FOR RUDIMENTARY NORTH | PARADOX YOUNG AND ASSOCIATES (PTY)LTD | R14 370 790,3 8 | Valid | Valid | Valid | Yes |
| ZDM035/2022 | SIMDLANGETSHA EAST INTERNAL WATER RETICULATION PHASE 3B (CONSTRUCTION OF 1 MEGA LITRE RESERVOIR) | ZAMISANANI | R7 726 688,5 4 | Valid | Valid | Valid | Yes |
| ZDM057/2023 | SIMDLANGETSHA WEST WCDM PHASE | IKHUBA HOLDINGS | R14 473 752,7 8 | Valid | Valid | Valid | Yes |
| ZDM043/2023 | SITTING, DRILLING, TESTING AND EQUIPING OF BOREHOLE AND RETICULATION KHAMBI | AC INDUSTRIAL SALES & | R25 087 346,8 0 | Valid | Valid | Valid | Yes |

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| | RWSS WATER SUPPLY | SERVICES (PTY)LTD | | | | | | | | | | | | | | |
| ZDM015/2021 | MANAGEMENT, OPERATION AND MAINTENANCE OF WATER AND WASTEWATER TREATMENT WORKS AND ASSOCIATED BULK INFRASTRUCTURE FOR Page 1 of 9 3(THREE) YEAR PERIOD | ZANA MANZI SERVICES (PTY)LTD | R261 047 102,8 9 | Valid | Valid | Valid | Yes |
| ZDM032/2023 | SIDUMO WATER SUPPLY | Mela okuhle | R31 312 563,5 2 | Valid | Valid | Valid | Yes |
| ZDM016/2022 | CONSTRUCTION OF MANDLAKAZI PHASE 5.3 BULK WATER SUPPLY:13.3 KM OF BULK GRAVITY MAIN AND ASSOCIATED RESEIVORS | AKWANDE CIVILS CC | R33 253 231,8 2 | Valid | Valid | Valid | Yes |
| ZDM035/2023 | CONSTRUCTION OF MANDLAKAZI PHASE 5.6A PIPE SUPPLY CONTRACT | NRB PIPING SYSTEMS (PTY)LTD | R21 779 297,7 8 | Valid | Valid | Valid | Yes |
| ZDM034/2023 | CONSTRUCTION OF MANDLAKAZI PHASE 5.3 BULK WATER SUPPLY:23 KM OF BULK GRAVITY MAIN AND ASSOCIATED RESEIVORS | SOUNDRITE CONSTRUCTION | R79 025 497,0 1 | Valid | Valid | Valid | Yes |
| ZDM031/2023 | BRUSH WATER SUPPLY | RURAL PUMPS CC | R31 192 250,8 6 | Valid | Valid | Valid | Yes |
| ZDM038/2023 | PROVISION OF SERCURITY SERVICES TO THE THE ZDM PROPERTIES AND INFRASTRUCTURE | AROS PROTECTION SERVICES | | Valid | Valid | Valid | Yes |
| ZDM017/2023 | NZOLOLO WATER SUPPLY | MIYELANI TRADING AND PROJECT | R11 816 431,5 0 | Valid | Valid | Valid | Yes |
| ZDM016/2023 | NTABANKULU WATER SUPPLY | RURAL PUMPS | R11 592 112,1 | Valid | Valid | Valid | Yes |

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| | | | 3 | | | | | | | | | | | | | |
| ZDM039/2023 | PROVISION OF SECURITY SERVICES TO THE THE ZDM PROPERTIES AND INFRASTRUCTURE | AROS PROTECTION SERVICES | | Valid | Valid | Valid | Yes |
| ZDM020/2021 | EMHLANGENI STAND-ALONE WATER SUPPLY SCHEME | MELA OKUHLE TRADING ENTERPRISE | R42 623 371,8 0 | Valid | Valid | Valid | Yes |
| ZDM045/2023 | PROVISION OF LANDSCAPING MAINTANANCE SERVICES PEST CONTROL | KHETHA CLEANING SERVICES | R5 581 185,2 2 | Valid | Valid | Valid | Yes |
| ZDM052/2023 | CONSTRUCTION OF MANDLAKAZI UPSTREAM BULK SECTION 1C | AFROSTRUCTUR ES(PTY)LTD | R420 581 000,0 0 | Valid | Valid | Valid | | Yes |
| ZDM024/2023 | BHOKWENI WATER SUPPLY | RURAL PUMPS CC | R12 897 086,1 2 | Valid | Valid | Valid | Yes |
| ZDM061/2023 | BACKUP POWER SUPPLY AT CRITICAL WATER PUMP STATION WITHIN ZDM | ZANA MANZI SERVICES (PTY)LTD/ WATER SOLUTION JV | R63 104 361,8 2 | Valid | Valid | Valid | Yes |
| ZDM059/2023 | SIMDLANGETSHA WEST RWSS | MELA OKUHLE TRADING ENTERPRISE | R184 072 754,0 5 | Valid | Valid | Valid | Yes |
| ZDM012/2023-2024 | SIMDLANGETSHA WEST RWSS CONSTRUCTION OF MPUNZANE 5ML RESEVOIRS, RISING MAIN GRAVITY TO OPHIZANE AND PADDAFONTEIN | RURAL PUMPS | R145 703 284,9 9 | Valid | Valid | Valid | Yes |
| ZDM012/2022 | PROVISION OF PROFESSIONAL SUPPORT FOR THE PROJECT MANAGEMENT UNIT (PMU) | BAVULELE ENGINEERING (PTY)LTD | R42 367 380,0 0 | Valid | Valid | Valid | Yes |
| ZDM025/2023 | CONSTRUCTION OF NKONJENI WCD PHASE | IKHUBA HOLDINGS | | Valid | Valid | Valid | Yes |

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| | THREE | | 18 157 462,1 0 | | | | | | | | | | | | | |
| ZDM006/20 23/2024 | CONSTRUCTION OF MANDLAKAZI PHASE 5,4 MGXANYINE ZONE D3 DOMESTIC RETICULATION NERTWORK | MBOVA CONSTRUCTI ON | R19 630 478,7 4 | Valid | Valid | Valid | Yes |
| ZDM005/20 23-2024 | CONSTRUCTION OF MANDLAKAZI PHASE 5,2 MAHLOMANE ZONE E1 & E2 RETICULATION NERTWORK | R AND D CONTRACTO RS | R27 342 647,4 8 | Valid | Valid | Valid | Yes |
| ZDM013/20 23-2024 | NZOLOLO WATER SUPPLY CONSTRUCTION | FAKUDE BUILDING CONTRACTO RS | R13 734 773,9 8 | Valid | Valid | Valid | Yes |
| ZDM048/20 23 | ESIPHAMBANWENI DOMESTIC RETICULATION ZONE L1A | JAMJO CIVILS (PTY)LTD | R34 305 454,5 5 | Valid | Valid | Valid | Yes |
| ZDM050/20 23 | MANQASHI DOMESTIC | ZAMISANANI | R34 552 362,8 1 | Valid | Valid | Valid | Yes |
| ZDM049/20 23 | ODUSHWINI DOMESTIC | ZAMISANANI | R41 331 997,1 8 | Valid | Valid | Valid | Yes |
| ZDM046/20 23 | MANDLAKAZI PHASE 5,6 | ICON CONSTRUCTI ON | R185 482 653,1 2 | Valid | Valid | Valid | Yes |
| ZDM008/20 23-2024 | SIMDLANGETSHA WEST CONSTRUCTION BULK GRAVITY MAIN TO THOLAKELE AND MPENDU | MQHELEWET HU TRADING AND PROJECT | R44 056 877,4 2 | Valid | Valid | Valid | Yes |
| ZDM027/20 23-2024 | HLAHLINDELELA REGIONAL SCHEME RETICULATION | FAKUDE BUILDING CONTRACTO RS | R15 784 688,9 8 | Valid | Valid | Valid | Yes |
| ZDM019/20 23-2024 | CONSTRUCTION OF MANDLAKAZI PHASE 5.5 ISIBONELO ZONE J1, J2 | NAP HOLDINGS | R50 242 722,9 | Valid | Valid | Valid | Yes |

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| | & J3 | | 9 | | | | | | | | | | | | | | |
| ZDM020/20 23-2024 | MANDLAKAZI PHASE 5.5 UMSEBE RETICULATION NETWORK FOR ZONE 11 & 12 | MHLONIPHEN I GENERAL TRADING | R72 101 831,8 3 | Valid | Valid | Valid | Yes |
| ZDM032/20 23-2024 | RENOVATING AND REFURBISHMENT OF AIRPORT | ZIBONEPHI PROJECT AND BUSINESS ENTERPRISE | R2 128 640,8 0 | Valid | Valid | Valid | Yes |
| ZDM036/20 23-2024 | SUPPLY AND DELIVERY OF FUEL AND RELATED SERVICES TO ZULULAND DISTRICT MUNICIPALITY FOR A PERIOD OF 36 MONTH AS AND WHEN REQUIRED | Fakalintuli Construction | R50 696 840,0 0 | Valid | Valid | Valid | Yes |
| ZDM034/20 23-2024 | SITTING ,DRILLING ,EQUIPING AND TESTING OF BOREHOLE NORTH | PHINDILE CIVILS AND BUILDING PROJECTS CC | R46 946 287,5 8 | Valid | Valid | Valid | Yes |

I. RISK REGISTER

| Strategic Risks | | | | | | | | | | | | | | | | | | | |
|-----------------|-----|--------------------------------|-----------|------------|--------------|---------------|-----------------|-------------------------------|------------------|------------------|--------------------|-------------------------------------|--|-------------------------------------|--|----------------|--|-----------------|-------------|
| Risk No | KPA | Strategic Objective (SO) | Risk Name | Root Cause | Consequences | Risk Owner | Impact Scale | Likelihood Scale (1-10) | Inherent Risk | Inherent Risk | Control Details | Current Control Effectiveness | Residual Risk (Current Effectiveness) | Current Control Effectiveness | Residual Risk (Current Effectiveness) | Future Plan | Future Plan <u>(Revised in Q1)</u> | Action Owner | Due Date |

| | | | | | | | (1-10) | | | | veness (Updated) | veness | | | | | | | |
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| 01 | KPA 03 - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | SO 3.1.1. Establishing and maintaining a sound and sustainable management of the fiscal and financial affairs of the municipality and its entities. | Under-collection of revenue from service charges | <ul style="list-style-type: none"> Negative perception of customers towards payment of government provided services. Inadequate processes implemented to collect revenue. High unemployment rate. Outdated infrastructure (water meters) employed. Outdated customer contact data maintained. Poor Credit Control processes. | <ul style="list-style-type: none"> Low cash inflows. Unfunded budget. Poor financial viability Threats in going concern. High level of reliance on government grants funding. | General Manager: Financial Services (CFO) (S Msibi) | 8 | 10 | 80% | High | <ul style="list-style-type: none"> Credit Control and Debt Management Policy is in place. Indigent Policy is in place. Indigent Register is in place. Debt Incentive Programme is currently in place (01 March to 31 May 2023). Restriction procedures are in place. Exception Reports are being used. | 50% | 40,00% | Partially Effective | Moderate | <ul style="list-style-type: none"> Conduct community awareness to encourage payment of government provided services (On-going). Process debt write-off from approved Indigent Debtors (30/06/2023). | <ul style="list-style-type: none"> Conduct community awareness to encourage payment of government provided services (On-going). Process Indigent Debtors Write-off for 2023/24 financial year (30/06/2024). | Deputy General Manager: Revenue Management (NN Zungu) | On-going 30/06/2024 |
| 02 | KPA 03 - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | SO 3.1.1. Establishing and maintaining a sound | Over-spending on contracted services and other expenditure. | <ul style="list-style-type: none"> Poor contract management. Ad hoc projects. SLAs commitment | <ul style="list-style-type: none"> Occurrence of unauthorised expenditure. Poor | General Manager: Financial Services | 10 | 10 | 100% | Very High | <ul style="list-style-type: none"> Project Payment Certificate issued by Engineers are used. SDBIP Reports. | 40% | 60,00% | Partially Effective | Moderate | <ul style="list-style-type: none"> Monitor effective implementation of Contract | <ul style="list-style-type: none"> Monitor effective implementation of Contract Manage | Deputy General Manager: Expenditure & SCM (S | On-going On-going |

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| | MENT | and sustainable management of the fiscal and financial affairs of the municipality and its entities. | | nts above available budget. | financial viability • Cash flow problems. | (CFO) (S Msibi) | | | | | | | | <ul style="list-style-type: none"> • S71 Monthly Reports • Grant Expenditure Reports are in place. • Procurement Plan is in place. | | | | <ul style="list-style-type: none"> • Monitor implementation of Procurement Plans (On-going). | Makhat hini) | |
| 03 | KPA 03 - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | SO 3.1.2. Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios. | Liquidity risk (Cash coverage < 1) | <ul style="list-style-type: none"> • Cash flow problems. • High dependence on grant funding. • Under collection of revenue. • Occurrence of Unauthorised Expenditures. • Unclear payment processes and policies. • Poor interpretation of Collective Agreement (Overtime payment). | <ul style="list-style-type: none"> • Threats in going concern. • Inability to settle invoices as become due. • Unspent conditional grants at year end. • Uncosistent reporting to grant funders. • Reputation damage | General Manager: Financial Services (CFO) (S Msibi) | 9 | 7 | 63% | High | <ul style="list-style-type: none"> • Approved Budget is in place. • Budget Funding Plan is in place. • Cost Containment Regulations are in place. | 50% | 32% | Partially Effective | Moderate | <ul style="list-style-type: none"> • Implement ring-fencing of conditional grants only to grant expenditures (30/09/2023). • Monitor implementation of Cost Containment Regulations to MANCO (On-going). | <ul style="list-style-type: none"> • Monitor implementation of Cost Containment Regulations to MANCO (On-going). • Council to adopt UIFW Expenditure Reduction Strategy for implementation (31/12/2023). | Deputy General Manager: Expenditure & SCM (S Makhat hini) | On-going. 31/12/2023 | |

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| 06 | KPA 01 - BASIC SERVICE DELIVERY AND INFRASTRUCTURE | SO 1.2.1. Establishing and maintaining partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipal services that local communities are entitled to. | Continuous disruption of electricity from Eskom supply (loadshedding). | <ul style="list-style-type: none"> • Eskom loadshedding (national crisis). • Aging Eskom infrastructure. • Low Eskom's generation capacity to the national grid. | <ul style="list-style-type: none"> • Negative effect to the production of water. • Damages to water infrastructure due to power surge. • High maintenance expenditure. | General Manager: Technical Services (TM Jele) | 9 | 9 | 81% | Very High | <ul style="list-style-type: none"> • Standby generator is in plant as a backup power supply. • Maintenance plan is in place. | 20% | 65% | Ineffective | High | <ul style="list-style-type: none"> • Procurement and installation of standby generators for all plants (30/06/2024). • Procurement and installation of surge protectors for all mechanical and electrical infrastructure (31/12/2023). • Allocate additional budget for O&M (31/05/2023). | <ul style="list-style-type: none"> • Procurement and installation of Back-up Generators for all existing plants (30/06/2024). • Procurement and installation of surge protectors for all mechanical and electrical infrastructure (31/12/2023). | Deputy General Manager: Bulk (BS Ngubane) | 30/06/2024 31/12/2023 |
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| 07 | KPA 05 - MUNICIPAL TRANSFORMATION & ORGANIZATIONAL DEVELOPMENT | SO 5.1.4. Monitor , review and progressively improve service delivery performance through improvement of businesses and systems , performance auditing , risk management and oversight. | Business continuity risks e.g. cyberattacks, data loss, data breaches, unplanned outages, and interruptions to utility supply. | <ul style="list-style-type: none"> • Inability to defend or recover on a timely basis from natural disasters or cyberattacks. • Inadequate management of the firewall. • Budget constraints to implement audit recommendations. • No penetration testing | <ul style="list-style-type: none"> • Loss of data. • Disruptions and corruption of data. • Exposure of sensitive data to outsiders. • Unrestricted access from hackers. | General Manager: Corporate Services (MS Linda) | 9 | 9 | 81% | Very High | <ul style="list-style-type: none"> • ICT Steering Committee is in place. • ICT Policy is in place. • ICT KPIs are reported quarterly to the departmental scorecard. • Antivirus software is installed in each computer. • SLAs are in place with all system vendors. • ICT Strategy is in place. • Business Continuity and Disaster Recovery (BCDR testing is done quarterly. • Business Cases for ICT projects are in place. | 80% | 16% | Effective | Low | <ul style="list-style-type: none"> • Allocate budget resource of R2m to procure new firewall (30/09/2023). • Regular communication and testing of disaster recovery procedures (30/09/2023). • Fully migrate on-site services to the cloud base (30/09/2023). • Microsoft Endpoint will provide audit trail of admin | <ul style="list-style-type: none"> • Installation, commissioning and support of a PABX with new generation of firewall (31/12/2023). | Manager: Information & Communication Technology (ICT) (S Mthimkhulu) | 31/12/2023 |
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| 09 | KPA 04 - GOOD GOVERNANCE AND PUBLIC PARTICIPATION | SO 4.1.5. To discourage fraud and corruption through effective enforcement of fraud and corruption policy as well as monitoring and implementation of consequence management. | Collusion between service providers and officials signing for poor quality works or service not rendered (fraud risk). | <ul style="list-style-type: none"> • Ambition of officials for personal gain. • Collusion of officials with service providers. • Lack of monitoring of project against approved specification. | <ul style="list-style-type: none"> • Financial loss. • Poor quality of work delivered. • Breakdowns of infrastructure assets. | Chief Operations Officer (S Mosia) | 5 | 5 | 25% | Low | <ul style="list-style-type: none"> • Engineer Certificate are used to certify quality of work completed for construction projects. • Goods Received Vouchers (GRV) are issued by SCM to confirm receipts of goods. • Code of Ethics are in place for all officials. • Disciplinary processes are in place. • Fraud Prevention Policy and Fraud Reporting Procedure | 75% | 6% | Effective | Low | <ul style="list-style-type: none"> • Review Fraud Prevention Policy and Risk Management Policy (30/06/2024). • Conduct Enterprise Risk Assessment annual workshop (30/06/2024). | <ul style="list-style-type: none"> • Review Fraud Prevention Policy and Risk Management Policy (30/06/2024). • Conduct Enterprise Risk Assessment annual workshop (30/06/2024). • Develop and implement internal Whistle Blowing Policy (30/06/2024). | Manager: Internal Audit & Risk Management (MK Dlomo) | 30/06/2024 30/06/2024 30/06/2024 |

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| 1 1 | KPA 02 - LOCAL ECONOMIC & SOCIAL DEVELOPMENT | SO 2.1.2. Building the capacity of the people to engage in the economy. | Inability to coordinate and implement economic and tourism activities. | <ul style="list-style-type: none"> Outdated LED Strategy Insufficient budget allocation to drive LED and Tourism programmes. Lack of co-operation from local municipalities. Lack of skilled personnel to undertake such activities. Poor maintenance of tourism attractions by local municipalities and Amafa. Poor tourism signage. | <ul style="list-style-type: none"> Contributor to increasing unemployment rate. High rate of crime. | General Manager: Community Services (FK Nene) | 4 | 4 | 16% | Low | <ul style="list-style-type: none"> Existing partnership with Department of Economic Development Tourism and Environmental Affairs (EDTEA). Tourism Forum is in place. CTOs, LED staff and Councillors (Tourism portfolio members) were trained by EDTEA. Local Economic Development Forum is in place. Partnership with provincial and national government | 77% | 4% | Effective | Low | <ul style="list-style-type: none"> Develop LED Strategy (30/09/2023). Develop Tourism Strategy (30/09/2023). Allocate budget resources to drive LED and Tourism activities (31/05/2023). | <ul style="list-style-type: none"> Council to approve an <u>already developed</u> LED Strategy for implementation (31/12/2023). Allocate additional funding through adjustment budget to implement LED and Tourism programmes (31/12/2023). | Deputy General Manager: LED (SB Zulu) | 31/12/2023 31/12/2023 |

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| | | | | | | | | | | nt. • Tourism Strategy is in place | | | | | | | | | |
| 1 2 | KPA 04 - GOOD GOVERNANCE AND PUBLIC PARTICIPATION | SO 4.1.1. Effectively handling community enquiries and responding through an effective customer care service. | Ineffective response strategy to address customer care logs. | <ul style="list-style-type: none"> Limited human resource within customer care section. | <ul style="list-style-type: none"> Delays in service delivery. Community protests. | Chief Operations Officer (S Mosia) | 3 | 9 | 27% | Low | <ul style="list-style-type: none"> Newly established Integrated Complaints Management Committee. Technical team is in place to handle customer care issues. | 35% | 18% | Partially Effective | Low | <ul style="list-style-type: none"> Procure gadgets with SIZA installed for all supervisors of all technical teams responsible for customer queries (31/12/2023). | <ul style="list-style-type: none"> Allocate gadgets with SIZA system installed for all supervisors of all technical teams responsible for customer queries (31/12/2023). | Chief Operations Officer (S Mosia) | 31/12/2023 |
| 1 3 | KPA 06 - SPATIAL PLANNING AND ENVIRONMENTAL MANAGEMENT | SO 6.1.1. Promoting integrated human settlements using spatial development strategies, frameworks | Uncoordinated spatial planning. | <ul style="list-style-type: none"> Lack of coordination with other municipalities. | <ul style="list-style-type: none"> Expensive service delivery due to compact settlements Non-compliance with applicable legislative | General Manager: Planning & Development Services (TG Soko) | 4 | 3 | 12% | Low | <ul style="list-style-type: none"> District Spatial Development Framework. Inter-governmental Relations (IGR) structures are in place. Spatial Planning and Land | 81% | 2% | Highly Effective | Low | <ul style="list-style-type: none"> Revive District Development Model (DDM) Structures (31/12/2023). | <ul style="list-style-type: none"> Implement resolutions of Technical MUNIMEC's Decision Matrix (31/12/2023). | Acting Deputy General Manager: Planning Administration (S Mtshali) | 31/12/2023 |

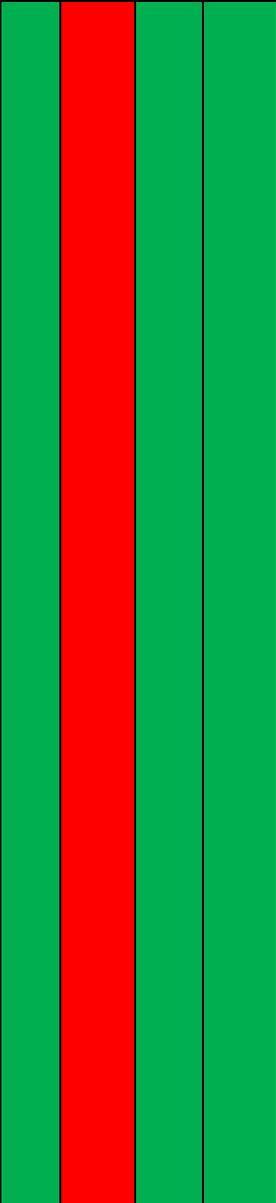
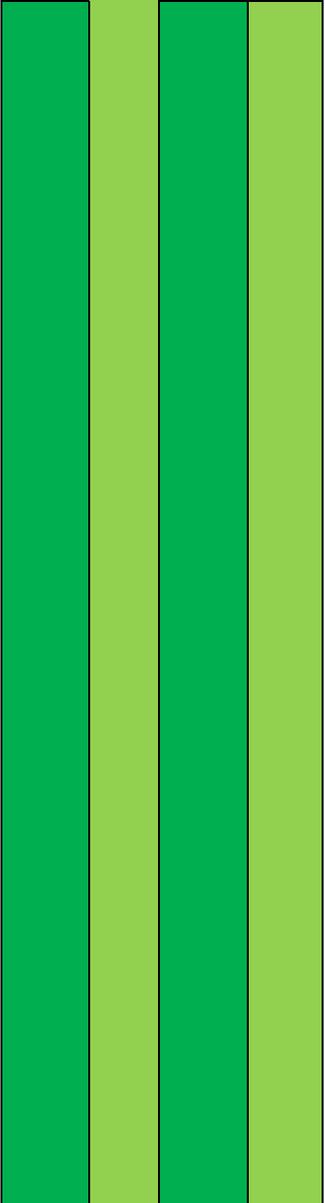
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| | | and policies. | | | on. • Negative effect to the existing budget. | | | | | Use Management Act (SPLUMA) is in place. | | | | | | | | | |
| 14 | KPA 01 - BASIC SERVICE DELIVERY AND INFRASTRUCTURE | SO 1.2.1. Establishing and maintaining partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipal services that local communities are entitled to. | Limited ability to respond to disaster incidents (floods, drought, fire veld, lightning and emergencies). | <ul style="list-style-type: none"> Limited refresher trainings provided to Disaster Practitioners and Fire Fighters. Limited vehicle equipment to adequately respond to disaster incidents. Staff shortage. Limited budget resources. Delays to repair emergency equipment through use of normal procurement process. No ZDM Disaster Centre. | <ul style="list-style-type: none"> Loss of life. Damages to infrastructure. Displacement of people. Informal settlements. Loss of livestock. Degradation of environment. | General Manager: Corporate Services (MS Linda) | 9 | 6 | 54% | Moderate | <ul style="list-style-type: none"> Zululand District Disaster Advisory Forum is in place. District Coordinating Forum for Fire & Rescue is in place. Budget allocation for disaster programmes. | 75% | 14% | Effective | Low | <ul style="list-style-type: none"> Conduct Community Awareness for prevention of disaster incidents (On-going). Mapping of potential disaster (30/09/2023). Appointment of panel of specialised service providers to conduct repairs of emergency equipments (<i>refer to</i> | <ul style="list-style-type: none"> Mapping of potential disaster incidents (31/03/2024). Appointment of a panel of service providers for provision of Fleet Management Services (31/12/2023). Finalise identification of site with Abaqulus i Local Municipality to establish ZDM Disaster Management | Deputy General Manager: Disaster Management Services (F Lushaba) | 31/03/2024 31/12/2023 30/06/2024 |

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| | | ment, internal & community capacity building, collecting revenue, tariffs, monitoring & evaluation, environmental management). | | | nity unrest. | | | | | | | | | | | | | | |
| 16 | KPA 01 - BASIC SERVICE DELIVERY AND INFRASTRUCTURE | SO 1.1.1. Continuously managing all existing infrastructure capital assets to minimize the total cost of owning and operating these assets. (Effective Asset Management, | Excessive use of water tankers to supply water to the community as an alternative method. | <ul style="list-style-type: none"> • Backlog of water infrastructure. • Water pumps and/or engine breakdowns. • loadshedding. • Lack of water sources for rudimentary supply systems. • Drought. | <ul style="list-style-type: none"> • Lack of water service delivery. • Community unrest. • High operating expenditure. | General Manager: Technical Services (TM Jele) | 5 | 3 | 15% | Low | <ul style="list-style-type: none"> • IDP is in place. • Strategy is in place to minimise downtime to repair water infrastructure schemes. • Maintenance plan is in place. • Capital budget allocation. | 55% | 7% | Partially Effective | Low | <ul style="list-style-type: none"> • Additional budget allocation to eradicate backlog (31/05/2023). • Procurement of ZDM owned water tankers (30/06/2024) | <ul style="list-style-type: none"> • Develop and implement Water Tankers Reduction Strategy (30/06/2024). | Deputy General Manager: M&E (O&M) (SM Mhlongo) | 30/06/2024 |

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| | | internal & community capacity building, collecting revenue, tariffs, monitoring & evaluation, environmental management). | | | | | | | | | | | | | | | | | |
| 17 | KPA 01 - BASIC SERVICE DELIVERY AND INFRASTRUCTURE | SO 1.1.1. Continuously managing all existing infrastructure capital assets to minimize the total cost of owning and operating these assets. (Effective Asset Management, internal | Inadequate scope definition of construction projects. | <ul style="list-style-type: none"> Inadequate oversight during project scoping. Unclear project objectives. Ineffective change control process. Inadequate communication on project specifications between PMU and WSP prior project approval. | <ul style="list-style-type: none"> Unnecessary variations of work. Disruptions of cash flow and expenditure management plan. | General Manager: Planning & Development Services (TG Soko) | 4 | 3 | 12% | Low | <ul style="list-style-type: none"> Project Design Review Committee that constitutes PMU; WSP; and O&M is in place. | 25% | 9% | Ineffective | Low | <ul style="list-style-type: none"> Project Design Review Committee to sit quarterly to deal with all agendas of specification committee (On-going). | <ul style="list-style-type: none"> Project Design Review Committee to sit quarterly to deal with all agendas of specification committee (On-going). | Deputy General Manager: Project Management Unit (S Kheswa) | On-going/quarterly |

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| | | & community capacity building, collecting revenue, tariffs, monitoring & evaluation, environmental management). | | | | | | | | | | | | | | | | | |
| 18 | KPA 01 - BASIC SERVICE DELIVERY AND INFRASTRUCTURE | SO 1.1.1. Continuously managing all existing infrastructure capital assets to minimize the total cost of owning and operating these assets. (Effective Asset Management, internal & | Ageing or failure of water and sanitation infrastructure. | <ul style="list-style-type: none"> Limited budget allocation for maintenance of infrastructure assets. Insufficient funded maintenance plan. | <ul style="list-style-type: none"> Negative service delivery. Community unrest. High maintenance cost. | General Manager: Technical Services (TM Jele) | 4 | 7 | 28% | Low | <ul style="list-style-type: none"> Visual inspections (job cards) are in place. Maintenance plan is in place. | 47% | 15% | Partially Effective | Low | <ul style="list-style-type: none"> Develop maintenance plan of water and sanitation infrastructure (31/12/2023). | <ul style="list-style-type: none"> Provide <u>additional</u> (budget adjustment) allocation to the original budget allocation for operations and maintenance (31/03/2024). | Deputy General Manager: Bulk (BS Ngubane) | 31/03/2024 |

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| | | community capacity building , collecting revenue , tariffs, monitoring & evaluation, environmental management). | | | | | | | | | | | | | | | | | |
| 19 | KPA 01 - BASIC SERVICE DELIVERY AND INFRASTRUCTURE | SO 1.2.1. Establishing and maintaining partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municip | Illegal connections, theft and vandalism of water and sanitation infrastructure. | <ul style="list-style-type: none"> Poverty living conditions. Customers who are not yet connected into the existing services forcefully connecting to the network. Negative behaviour of the community for not paying for government services. Inadequate security. | <ul style="list-style-type: none"> Service delivery protests . Poor service delivery . Water and sewerage service disruptions. Water losses. Wastage of financial resources on repairs of infrastructure. | General Manager: Technical Services (TM Jeje) | 5 | 9 | 45% | Moderate | <ul style="list-style-type: none"> Community meetings are conducted where illegal connections and vandalism would have occurred before fixing the vandalised infrastructure. Criminal cases are opened with SAPS. CAPEX Portfolio Committee is in place. Water | 70% | 14% | Effective | Low | <ul style="list-style-type: none"> Increase security personnel at areas that are prone to theft and where critical components are located (31/03/2024). Budget allocation to put durable locks e.g. on manholes with valves | <ul style="list-style-type: none"> Customer Care to develop a Community Outreach Awareness Programme (31/12/2023). Create awareness about the impact of theft and the general water provision through the Mayor's radio | Manager: Customer Care (AT Mdlathse) | 31/12/2023 On-going |

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| | | al services that local communities are entitled to. | | | <ul style="list-style-type: none"> Negative media coverage. |  | <p>Service Bylaws are in place.</p> <ul style="list-style-type: none"> Credit Control Policy is in place. Disconnection of illegal connection once identified. |  | <p>and pumps (31/05/2023).</p> <ul style="list-style-type: none"> Fence off our properties to limit access (31/03/2024). Create awareness about the impact of theft and the general water provision through the Mayor's radio slots (On-going). Customer care to develop outreach awareness programmes for | slots (On-going) | |
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| | INFRASTRUCTURE | compliance with health and safety standards to improve employee working conditions and the public. | Safety (OHS) Act. | staff. • Limited awareness on OHS issues. | ment of Labour. • Possible loss of life and property. • Exposure to uncond uctive working environment which may lead to permanent illness. | ate Services (MS Linda) | | | | | is in place. • Training and appointment of SHE representatives and First Aiders. • Training of new recruited staff. | | | | ess programmes to staff members (On-going). • Increase OHS staff establishment to meet deadlines (31/03/2024). | establishment to meet set deadlines (31/03/2024). | te Services (MS Buthelezi) | | |
| 2 2 | KPA 04 - GOOD GOVERNANCE AND PUBLIC PARTICIPATION | SO 4.1.4. Systematic development and or review and monitoring implementation of all municipal policies, bylaws, strategies, plans and frameworks in | Abuse of municipal vehicles and ZDM owned water tankers. | • Reckless driving by internal employed staff members. • Use of municipal vehicles by drivers for their personal gain. • No fleet management system for ZDM owned vehicles. | • High vehicle maintenance expenditure. • Compromise service delivery. | General Manager: Corporate Services (MS Linda) | 6 | 9 | 54% | Mod erate | • Fleet Management Policy is in place. • Fleet Management Monthly Reports are being reviewed. • Tracker system is in place. • Drivers undergo driving test and issue Competency Certificate s. | 80% | 11% | Effective | Low | • Procure Fleet Management System for ZDM owned vehicles (31/12/2023). • Appointment panel of service providers to conduct repairs of vehicles and | • Appointment of a panel of service providers for provision of Fleet Management Services (31/12/2023). | Manager: Fleet Management (ZS Ngubane) | 31/12/2023 |

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| 24 | KPA 03 - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | SO 3.1.3. Manage, monitor and review existing financial systems to support accurate and credible reporting, budget monitoring and compliance. | Inability to prepare and implement unfunded budget. | <ul style="list-style-type: none"> • Use of incremental budget method instead of zero-based budgeting method. • Non implementation of procurement planning. • Excessive commitments/awards above approved budget. • Funding of Ad hoc projects/emergency projects not budget for. • Use of ring-fenced grants for other purposes. • High volume of creditors at beginning of the year. | <ul style="list-style-type: none"> • Unauthorised expenditure. | General Manager: Financial Services (CFO) (S Msibi) | 5 | 5 | 25% | Low | <ul style="list-style-type: none"> • Budget and Reporting Regulations are in place. • Budget Policy is in place. • Monthly Budget Reconciliation • Adequate budget human resource structure is in place. • Budget Reporting template from National Treasury is in place. • Budget Steering Committee is functional. | 80% | 5% | Effective | Low | <ul style="list-style-type: none"> • Table MFMA S52(d) Report to Council (Quarterly). • Develop Budget Funding Plan (31/01/2024). | <ul style="list-style-type: none"> • Develop Budget Funding Plan for implementation based on outcome from Mid-Year Budget Assessment for the financial year 2023/24 (31/01/2024). | Manager: Budget & Financial Reporting (L Buthelezi) | 31/01/2024 |
| 25 | KPA 03 - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | SO 3.1.1. Establishing and maintaining a sound and | Completeness of data information on Customer Masterfile (Internal Audit report) | <ul style="list-style-type: none"> • Outdated Valuation roll from Deeds Office. | <ul style="list-style-type: none"> • Affects debt collection rate. • Outdated Custom | General Manager: Financial Services (CFO) | 6 | 3 | 18% | Low | <ul style="list-style-type: none"> • Regular update of customer information during customer walk-ins (Ongoing). | 55% | 8% | Partially Effective | Low | <ul style="list-style-type: none"> • Liaise with GIS section to compare customer data information | <ul style="list-style-type: none"> • Liaise with GIS section to compare customer data information and | Deputy General Manager: Revenue Management (NN) | 31/12/2023 30/06/2024 |

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| | | sustainable management of the fiscal and financial affairs of the municipality and its entities. | | er Masterfile. • Negative audit outcome. | (S Msibi) | | | | | | | tion and update un-matching information (Bi-annual). | update un-matching information (Bi-annual or 31/12/2023). • ZDM to appoint Independent Property Valuer to conduct property valuation of all identified properties and update Customer Masterfile (30/06/2024). | Zungu) |
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J. THIRD TIER ORGANIZATIONAL STRUCTURE

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| BUTHELEZI | MINENHLE SIKHOMBISO | DEPUTY DIRECTOR- CORPORATE |
| BUTHELEZI | PHILASANDE WENDY | MANAGER: ANNUAL FINANCIAL STA |
| BUTHELEZI | LUNGISANI MBONGISENI | MANAGER: FIN SUPPORT& BUDGET |
| ZULU | SINENHLANHLA NIKEZIWE | MANAGER: EXPENDITURE |
| MNYANDU | PHAKAMANI ZAMANI | MANAGER: ASSETS |

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| DLADLA | THULISIWE THANDANANI | MANAGER: INCOME |
| DLOMO | MBONISENI KHANYISANI | MANAGER: INTERNAL AUDIT |
| VAN ONNA | MICHELLE | MANAGER: AIRPORT |
| NGUBANE | SAYINANI ZANAZO | MANAGER: FLEET |
| GUMEDE | REEVES TRAVIS MBONENI | DEP DIRECTOR: ARTS & CULTURE |
| KHESWA | SIYABONGA | DEPUTY DIRECTOR PMU |
| KHUMALO | DUMISANE ARCHIBALD | MANAGER TOURISM |
| KWEYAMA | KHULEKANI MAURICE | MANAGER: COUNCIL SPT&SECRETAR |
| LUSHABA | ANDRIAS FELOKWAKHE | DEPUTY DIRECTOR: DISASTER&FM |
| MAKHATHINI | SIBUSISIWE | DEPUTY DIRECTOR: EXPENDITURE |
| MASINGA | THOKOZANI PERCYVAL | MANAGER: SUPPLY CHAIN MNGMNT |
| ZULU | THEMBINKOSI SIKHOMBISO | MANAGER: SUPPLY CHAIN MNGMNT |
| MDLALOSE | THOBELINKOSI DOCTOR | MANAGER: OPERATION & MAINTENAN |
| MHLONGO | SIMO MAXWELL | DEPUTY DIRECTOR: MON & EVAL |
| NTULI | NOMBULELO BERYL | DEPUTY DIRECTOR: RESEARCH & POLIC |
| MOSIA | SIBONGISENI PHILANI | CHIEF OPERATING OFFICER |
| MTHETHWA | ZANELE DEBORAH | MANAGER- COMMUNICATIONS |
| MTHIMKHULU | SIPHESIHLE THANDUXOLO GODS | MANAGER: INFORMATION &COMMTEC |
| NGCOBO | MLUNGISI SIBONGAKONKE | DEPUTY DIRECTOR: PLANNING |
| MTSHALI | SIBUSISO | DEPUTY DIRECTOR: PLANNING |
| MOSIEA | NOMFUNDO SIJABULILE | DEPUTY DIRECTOR: WSA |
| NGUBANE | BERNARD SIZWE | DEPUTY DIRECTOR: SOUTH |
| MAZIBUKO | SIYAMDUMISA LLOYD | DEPUTY DIRECTOR: NORTH |
| SHELEMBE | SIBUSISIWE NOMPUMELELO | MANAGER-LEGAL COMPLIANCE |
| NTANZI | PHUMZILE ZAMANGWENYA | DEPUTY DIRECTOR: SATELLITTE |
| SHOBEDE | HOPEWELL NTOKOZO MLAMULI | MANAGER: OPERATION & MANINTENAC |
| SIBIYA | THOBILE PRUDENCE | DEP DIR: MAYORAL SUPPORT |
| NXUMALO | MDUDUZI LANCELOT | MANAGER: MAYORAL SUPPORT |
| MDLETSHE | ALSON THOLUMUZI | MANAGER: CUSTOMER CARE |
| SIBIYA | THENJIWE DELISIWE | DEPUTY CHIEF FINANCIAL OFFIC |

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| SIBIYA | BONGANI CYPRIAN | DEPUTY DIRECTOR: STAKEHOLDER |
| MASONDO | THEMBA ANDRIESON | DEPUTY DIRECTOR: SPECIAL PROGRMS |
| XABA | ZEBLON MOSES | MANAGER WATER & SANITATION |
| ZONDI | FANELESIBONGE KHETHOKUHLE | MANAGER: PERFORMANCE MAN SYST |
| ZULU | SIBUSISO BUSIZWE | DEP. DIRECTOR: LED COMMUNITY |
| ZUNGU | NQOBILE NKOSINOTHANDO | DEPUTY CHIEF FINANCIAL OFFIC |
| ZWANE | BHEKI SIMON | DEPUTY DIRECTOR: SPORTS |
| MABIKA | THULANE GOODENOUGH | MANAGER WATER & SANITATION |
| CELE | HLENGIWE NOTHANDO | MANAGER: OPERATION & MAINTENAN |
| NGOBESA | SIBUSISO DAVID | MANAGER: OPERATION & MAINTENAN |
| ZWANE | NQUBEKO SPHESONKE | MANAGER: OPERATION & MAINTENAN |

