



uMGUNGUNDLOVU

U M A S I P A L A W E S I F U N D A
D I S T R I C T M U N I C I P A L I T Y
D I S T R I K M U N I S I P A L I T E I T

uMgungundlovu District Municipality and its Municipal Entity Consolidated
Annual Financial Statements
for the year ended 30 June 2022

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended 30 June 2022

General Information

Executive Committee

Mayor

Deputy Mayor

Speaker

Chief Whip

M Zuma (ANC)
AS Mabaso (ANC)
NMN Gabela (ANC)
SR Majazi (ANC)

HM Lake (DA)

DC Madondo (DA)

DS Mkhize (ANC)

NB Ahmed (ANC)

MS Bond (DA)

NE Cebekhulu (ANC)

SD Chonco (ANC)

GM Dladla (ANC)

ME Dladla (ANC)

GN Dlamini (ANC)

TI Dlamini (ANC)

ZW Dlamini (ANC)

TA Hlatshwayo (DA)

NR Khanyile (ANC)

PN Maphanga (IFP)

V Maphumulo (ANC)

NS Mbuto (EFF)

B Mkize (IFP)

SK Mkize (ANC)

SN Mncwabe (EFF)

GS Mncwango (ANC)

NE Mpulo (EFF)

MC Mshengu (ANC)

DM Msomi (EFF)

K Msomi (ANC)

MS Mthethwa (ANC)

NW Mtshwara (EFF)

NE Ndlovu (DA)

MK Ngcongo (ANC)

S Ngidi (ANC)

NA Ngubane (IFP)

RZ Ngubo (DA)

AN Phungula (DA)

VM Phungula (ANC)

L Pienaar (IFP)

RS Sokhela (ANC)

CB Van-De-Byl (DA)

LW Wynne (ANC)

NC Zondi (ANC)

S Zondi (ANC)

MB Zuma (ANC)

NJ Zungu (ANC)

SP Zungu (ANC)

Councillors

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General Information

Previous Council

TE Maphumulo (ANC)
SRB Starachan (DA)
JJ Ngubo (ANC)
TR Zuma (ANC)
BA Mchunu (ANC)
BC Nhlabathi (DA)
BE Zuma (IFP)
NP Msimang (ANC)
MS Mthethwa (ANC)
DA Ndlela (ANC)
NV Duze (ANC)
MM Thusi (IFP)
SW Dlamini (ANC)
B Khumalo (ANC)
SJ Luthuli (ANC)
NC Mabhida (ANC)
S Madlala (ANC)
BK Mkhize (IFP)
K Mkhize (ANC)
MJ Mkhize (ANC)
S Gabela (ANC)
NZ Ndlovu (ANC)
KCS Nene (ANC)
MD Njokwe (ANC)
LC Ngcobo (ANC)
GH Ngcobo (ANC)
B Ngcongo (ANC)
SD Nkuna (ANC)
BC Sokehla (IFP)
R Soobiah (ANC)
E Xaba (DA)
HM Zondi (ANC)
N Zondo (ANC)
MK Dlamini (ANC)
T Mbanjwa (ANC)
Z Ngubo (ANC)

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General Information

Auditors	Auditor General of South Africa Registered Auditors
Registered office	242 Langalibalele Street Pietermaritzburg 3201
Controlling entity	uMgungundlovu District Municipality

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ABSA	Amalgamated Bank of South Africa
AFS	Annual Financial Statements
AG	Auditor-General of South Africa
AWIP	Accelerated Water Intervention Project
COGTA	Co-operative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FAR	Fixed Asset Register
FNB	First National Bank
FMG	Local Government Finance Management Grant
IAS	International Accounting Standards
IDP	Integrated Development Plan
IPSAS	International Public Sector Accounting Standards
GRAP	Generally Recognised Accounting Practice
ME's	Municipal Entities
MFMA	Municipal Finance Management Act No. 56 of 2003
MTREF	Medium-term Revenue and Expenditure Framework
MIG	Municipal Infrastructure Grant
PAYE	Pay-as-you-Earn
RASSET	Radical Agrarian Socio-Economic Transformation
RRAMS	Rural Roads Asset Management Grant
SANBI	South African National Biodiversity Institute
SCM	Supply Chain Management
SDL	Skills Development Levy
SEM	Senior Executive Manager
SETA	Sector Education and Training Authority
UIF	Unemployment Insurance Fund
UIFWE	Unauthorised, Irregular, Fruitless and Wasteful Expenditure
UMDM	uMgungundlovu District Municipality
UMEDA	uMgungundlovu Economic Development Agency
URP	Umngeni Resilience Project
VAT	Value Added Tax
WCA	Workmen's Compensation
WIP	Work-in-progress
WSIG	Water Services Infrastructure Grant

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Annual Financial Statements for the year ended 30 June 2022

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 were given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the economic entity and their report is presented to the Speaker and Council upon completion of the audit.

The annual financial statements set out on pages 8 to 105, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2022 and were signed on its behalf by:



Accounting Officer
Ms ND Mhize

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Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021	2022	2021
Assets					
Current Assets					
Cash and cash equivalents	3	84 539 693	88 664 072	81 683 080	82 807 041
Consumer debtors	4	88 982 331	84 823 008	88 982 331	84 823 008
Receivables from exchange transactions	5	21 544 332	7 420 896	21 294 928	7 171 492
Inventories	7	3 514 384	4 500 808	3 514 384	4 488 473
Receivables from non-exchange transactions	6	16 035 180	15 692 320	16 035 180	15 692 320
		214 615 920	201 101 104	211 509 903	194 982 334
Non-Current Assets					
Property, plant and equipment	8	2 345 020 282	2 185 113 362	2 344 043 852	2 183 646 804
Intangible assets	9	334 313	1 611 243	36 553	1 608 581
Heritage assets	10	4 000	4 000	4 000	4 000
		2 345 358 595	2 186 728 605	2 344 084 405	2 185 259 385
Total Assets		2 559 974 515	2 387 829 709	2 555 594 308	2 380 241 719
Liabilities					
Current Liabilities					
Unspent conditional grants and receipts	11	23 638 973	25 286 492	16 822 427	18 356 546
Payables from exchange transactions	12	121 051 547	219 558 341	124 510 192	219 097 142
Consumer deposits	13	7 571 171	7 259 697	7 571 171	7 259 697
Other financial liabilities	14	12 310 417	10 962 119	12 310 417	10 962 119
VAT payable	15	33 559 788	67 360 881	34 285 332	67 691 817
Provisions	16	69 631 687	14 025 137	69 631 687	14 025 137
		267 763 583	344 452 667	265 131 226	337 392 458
Non-Current Liabilities					
Other financial liabilities	14	163 219 832	175 530 249	163 219 832	175 530 249
Provisions	16	52 480 708	45 658 788	52 480 708	45 658 788
		215 700 540	221 189 037	215 700 540	221 189 037
Total Liabilities		483 464 123	565 641 704	480 831 766	558 581 495
Net Assets		2 076 510 392	1 822 188 005	2 074 762 542	1 821 660 224
Reserves					
Revaluation reserve	57	56 470 999	56 470 999	56 470 999	56 470 999
Accumulated surplus	58	2 020 039 393	1 765 717 006	2 018 291 543	1 765 189 225
Total Net Assets		2 076 510 392	1 822 188 005	2 074 762 542	1 821 660 224

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021	2022	2021
Revenue					
Revenue from exchange transactions					
Service charges	17	315 729 067	294 646 057	315 729 067	294 646 057
Other income	18	84 095	81 036	72 614	74 505
Fresh Farm produce		-	68 210	-	-
Interest received - investment and banking	19	3 662 430	2 995 646	3 478 660	2 907 135
Interest from outstanding debtors	20	33 375 838	47 173 702	33 375 838	47 173 702
Total revenue from exchange transactions		352 851 430	344 964 651	352 656 179	344 801 399
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	21	901 691 254	810 645 243	901 577 854	810 645 243
Donations	22	525 000	-	525 000	-
Other revenue from non-exchange transactions	23	342 860	15 692 320	342 860	15 692 320
Total revenue from non-exchange transactions		902 559 114	826 337 563	902 445 714	826 337 563
Total revenue	55	1 255 410 544	1 171 302 214	1 255 101 893	1 171 138 962
Expenditure					
Employee related costs	24	(286 844 306)	(272 697 092)	(281 430 418)	(268 730 933)
Remuneration of Councillors and Board Members	25	(11 907 289)	(11 714 217)	(11 530 847)	(11 690 917)
Depreciation and amortisation	26	(52 336 805)	(49 247 771)	(51 754 873)	(48 413 753)
Finance costs	27	(20 070 753)	(21 032 877)	(20 070 753)	(21 032 877)
Lease rentals on operating lease	28	(22 228 340)	(20 824 698)	(21 852 028)	(20 441 062)
Reversal of impairments	29	472 330 101	-	472 330 101	-
Debt Impairment	30	(160 857 851)	(184 992 708)	(160 857 851)	(184 992 708)
Bad debts written off		(436 415 404)	-	(436 415 404)	-
Inventory consumed	31	(184 874 398)	(198 016 713)	(184 862 063)	(198 002 787)
Contracted services	32	(162 056 857)	(192 256 588)	(162 056 857)	(192 256 588)
Transfers and subsidies	33	-	-	(9 158 074)	(6 500 000)
Inventories losses/write-downs		(81 794 209)	(70 919 831)	(81 794 209)	(70 919 831)
General Expenses	34	(36 854 928)	(26 545 541)	(35 369 180)	(24 201 728)
Total expenditure		(983 911 039)	(1 048 248 036)	(984 822 456)	(1 047 183 184)
Surplus for the year from continuing operations		271 499 505	123 054 178	270 279 437	123 955 778
Loss on disposal of assets and liabilities		(8 580 309)	(4 702 557)	(8 580 309)	(4 702 557)
Actuarial Gains / (Losses)	36	(1 883 920)	(618 000)	(1 883 920)	(618 000)
Surplus for the year		261 035 276	117 733 621	259 815 208	118 635 221

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Economic entity			
Balance at 01 July 2020 as restated*	24 628 860	1 650 050 823	1 674 679 683
Changes in net assets	-	117 733 621	117 733 621
Surplus for the year	31 842 139	-	31 842 139
Correction of prior period error	-	(2 067 438)	(2 067 438)
Net income / (losses) recognised directly in net assets	-	-	-
Total changes	31 842 139	115 666 183	147 508 322
Balance at 01 July 2021 as restated*	56 470 999	1 765 717 006	1 822 188 005
Changes in net assets	-	261 035 276	261 035 276
Surplus for the year	-	(6 712 890)	(6 712 890)
Net income / (losses) recognised directly in net assets	-	-	-
Total changes	-	254 322 387	254 322 387
Balance at 30 June 2022	56 470 999	2 020 039 393	2 076 510 392
Note(s)	57		
Controlling entity			
Balance at 01 July 2020	24 628 860	1 648 621 442	1 673 250 302
Changes in net assets	31 842 139	-	31 842 139
Correction of prior period error	-	(2 067 438)	(2 067 438)
Net income / (losses) recognised directly in net assets	-	-	-
Total changes	31 842 139	(2 067 438)	29 774 701
Net income (losses) recognised directly in net assets	-	118 635 221	118 635 221
Surplus for the year	-	-	-
Total recognised income and expenses for the year	31 842 139	116 567 783	148 409 922
Total changes	31 842 139	116 567 783	148 409 922
Balance at 01 July 2021	56 470 999	1 765 189 225	1 821 660 224
Changes in net assets	-	259 815 208	259 815 208
Surplus for the year	-	(6 712 890)	(6 712 890)
Net income / (losses) recognised directly in net assets	-	-	-
Total changes	-	253 102 318	253 102 318
Balance at 30 June 2022	56 470 999	2 018 291 543	2 074 762 542
Note(s)	57		

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021	2022	2021
Cash flows from operating activities					
Receipts					
Sale of goods and services		203 663 247	166 787 584	203 663 247	166 615 845
Grants		901 242 498	798 958 678	899 929 061	794 242 697
Interest income		3 662 430	2 995 646	3 478 660	2 907 135
Other income		11 481	2 041 105	-	-
		1 108 579 656	970 783 013	1 107 070 968	963 765 677
Payments					
Employee costs		(290 724 022)	(282 000 667)	(284 856 275)	(278 011 208)
Suppliers		(570 649 058)	(491 287 731)	(572 394 602)	(493 463 901)
Finance costs		(553 001)	(321 358)	(553 001)	(321 358)
		(861 926 081)	(773 609 756)	(857 803 878)	(771 796 467)
Net cash flows from operating activities	38	246 653 575	197 173 257	249 267 090	191 969 210
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(219 298 334)	(165 916 001)	(219 276 434)	(165 906 851)
Purchase of other intangible assets	9	(365 003)	(1 600 668)	-	(1 600 668)
Net cash flows from investing activities		(219 663 337)	(167 516 669)	(219 276 434)	(167 507 519)
Cash flows from financing activities					
Repayment of other financial liabilities		(10 962 119)	(10 007 978)	(10 962 119)	(10 007 978)
Finance costs - borrowings		(20 152 498)	(20 711 519)	(20 152 498)	(20 711 519)
Net cash flows from financing activities		(31 114 617)	(30 719 497)	(31 114 617)	(30 719 497)
Net increase/(decrease) in cash and cash equivalents		(4 124 379)	(1 062 909)	(1 123 961)	(6 257 806)
Cash and cash equivalents at the beginning of the year		88 664 072	89 726 981	82 807 041	89 064 847
Cash and cash equivalents at the end of the year	3	84 539 693	88 664 072	81 683 080	82 807 041

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Economic entity					
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	366 594 516	(2 500 000)	364 094 516	315 729 067	(48 365 449)
Other income	-	-	-	84 095	84 095
Interest received - investment	648 073	2 200 184	2 848 257	3 662 430	814 173
Interest on outstanding debtors	13 935 586	28 856 761	42 792 347	33 375 838	(9 416 509)
Total revenue from exchange transactions	381 178 175	28 556 945	409 735 120	352 851 430	(56 883 690)
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	807 365 728	96 907 012	904 272 740	901 691 254	(2 581 486)
Public contributions and donations	-	525 000	525 000	525 000	-
Other income from non-exchange transactions	-	-	-	342 860	342 860
Total revenue from non-exchange transactions	807 365 728	97 432 012	904 797 740	902 559 114	(2 238 626)
Total revenue	1 188 543 903	125 988 957	1 314 532 860	1 255 410 544	(59 122 316)
Expenditure					
Employee Related Costs	(287 066 188)	11 837 035	(275 229 153)	(286 844 306)	(11 615 153)
Remuneration of Councillors and Board Members	(13 233 108)	1 017 074	(12 216 034)	(11 907 289)	308 745
Depreciation and amortisation	(44 713 911)	-	(44 713 911)	(52 336 805)	(7 622 894)
Reversal of impairments	-	400 000 000	400 000 000	472 330 101	72 330 101
Bad debts written off	-	(400 020 209)	(400 020 209)	(436 415 404)	(36 395 195)
Finance costs	(20 119 571)	-	(20 119 571)	(20 070 753)	48 818
Lease rentals on operating lease	(15 323 676)	(10 190 847)	(25 514 523)	(22 228 340)	3 286 183
Debt Impairment	(45 000 000)	(80 000 000)	(125 000 000)	(160 857 851)	(35 857 851)
Inventory consumed	(282 487 793)	22 552 391	(259 935 402)	(184 874 398)	75 061 004
Contracted Services	(120 153 005)	(479 819)	(120 632 824)	(162 056 857)	(41 424 033)
General Expenses	(20 999 672)	(18 677 438)	(39 677 110)	(36 854 928)	2 822 182
Total expenditure	(849 096 924)	(73 961 813)	(923 058 737)	(902 116 830)	20 941 907
Operating surplus	339 446 979	52 027 144	391 474 123	353 293 714	(38 180 409)
Loss on disposal of assets	-	(16 008)	(16 008)	(8 580 309)	(8 564 301)
Actuarial gains/losses	-	-	-	(1 883 920)	(1 883 920)
Inventories losses/write-downs	-	-	-	(81 794 209)	(81 794 209)
	-	(16 008)	(16 008)	(92 258 438)	(92 242 430)
Surplus before taxation	339 446 979	52 011 136	391 458 115	261 035 276	(130 422 839)
Deficit for the year from continuing operations	339 446 979	52 011 136	391 458 115	261 035 276	(130 422 839)
Capital expenditure	(195 479 000)	(86 856 453)	(282 335 453)	(281 495 696)	839 757
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	143 967 979	(34 845 317)	109 122 662	(20 460 420)	(129 583 082)

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Reconciliation						
Basis difference						
Capital expenditure					281 495 696	
Actual Amount in the Statement of Financial Performance					261 035 276	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories		2 338 552	2 161 473	4 500 025	3 514 384	(985 641)
Receivables from exchange transactions		318 128	147 872	466 000	21 544 332	21 078 332
Receivables from non-exchange transactions		-	15 692 320	15 692 320	16 035 180	342 860
Consumer debtors		460 590 404	(242 184 470)	218 405 934	88 982 331	(129 423 603)
Cash and cash equivalents		146 322 705	(65 360 898)	80 961 807	84 539 693	3 577 886
		609 569 789	(289 543 703)	320 026 086	214 615 920	(105 410 166)
Non-Current Assets						
Property, plant and equipment		2 379 439 429	(22 056 702)	2 357 382 727	2 345 020 282	(12 362 445)
Intangible assets		-	-	-	334 313	334 313
Heritage assets		4 000	-	4 000	4 000	-
		2 379 443 429	(22 056 702)	2 357 386 727	2 345 358 595	(12 028 132)
Total Assets		2 989 013 218	(311 600 405)	2 677 412 813	2 559 974 515	(117 438 298)
Liabilities						
Current Liabilities						
Other financial liabilities		-	12 310 417	12 310 417	12 310 417	-
Payables from exchange transactions		356 847 768	(226 482 407)	130 365 361	121 051 547	(9 313 814)
VAT payable		-	-	-	33 559 788	33 559 788
Consumer deposits		7 115 567	505 058	7 620 625	7 571 171	(49 454)
Unspent conditional grants and receipts		-	15 859 772	15 859 772	23 638 973	7 779 201
Provisions		5 331 671	(1 180 597)	4 151 074	69 631 687	65 480 613
		369 295 006	(198 987 757)	170 307 249	267 763 583	97 456 334
Non-Current Liabilities						
Other financial liabilities		175 530 324	(76)	175 530 248	163 219 832	(12 310 416)
Provisions		32 699 095	5 805 214	38 504 309	52 480 708	13 976 399
		208 229 419	5 805 138	214 034 557	215 700 540	1 665 983
Total Liabilities		577 524 425	(193 182 619)	384 341 806	483 464 123	99 122 317
Net Assets		2 411 488 793	(118 417 786)	2 293 071 007	2 076 510 392	(216 560 615)
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve		24 628 860	-	24 628 860	56 470 999	31 842 139
Accumulated surplus		2 386 859 933	(118 417 786)	2 268 442 147	2 020 039 393	(248 402 754)
Total Net Assets		2 411 488 793	(118 417 786)	2 293 071 007	2 076 510 392	(216 560 615)

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services		141 999 185	(6 637 781)	135 361 404	203 663 247	68 301 843
Grants		807 330 000	94 760 412	902 090 412	901 242 498	(847 914)
Interest income		-	2 728 260	2 728 260	3 662 430	934 170
Other income		-	-	-	11 482	11 482
		949 329 185	90 850 891	1 040 180 076	1 108 579 657	68 399 581
Payments						
Employee costs		(282 417 348)	14 303 791	(268 113 557)	(290 724 022)	(22 610 465)
Suppliers		(446 449 805)	(68 966 306)	(515 416 111)	(570 649 058)	(55 232 947)
Finance costs		-	-	-	(553 001)	(553 001)
		(728 867 153)	(54 662 515)	(783 529 668)	(861 926 081)	(78 396 413)
Net cash flows from operating activities		220 462 032	36 188 376	256 650 408	246 653 576	(9 996 832)
Purchase of property, plant and equipment		(195 479 000)	(45 250 468)	(240 729 468)	(219 298 334)	21 431 134
Purchase of other intangible assets		-	-	-	(365 003)	(365 003)
Net cash flows from investing activities		(195 479 000)	(45 250 468)	(240 729 468)	(219 663 337)	21 066 131
Cash flows from financing activities						
Repayment of loan		-	-	-	(10 962 119)	(10 962 119)
Consumer deposits		505 058	-	505 058	-	(505 058)
Finance costs - borrowings		(20 119 571)	-	(20 119 571)	(20 152 498)	(32 927)
Net cash flows from financing activities		(20 119 571)	-	(20 119 571)	(31 114 617)	(10 995 046)
Net increase/(decrease) in cash and cash equivalents		4 863 461	(9 062 092)	(4 198 631)	(4 124 378)	74 253
Cash and cash equivalents at the beginning of the year		146 322 705	(63 932 971)	82 389 734	88 664 072	6 274 338
Cash and cash equivalents at the end of the year		151 186 166	(72 995 063)	78 191 103	84 539 694	6 348 591

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	366 594 516	(2 500 000)	364 094 516	315 729 067	(48 365 449)	
Other income	-	-	-	72 614	72 614	
Interest received - investment	548 073	2 180 184	2 728 257	3 478 660	750 403	
Interest on outstanding debtors	13 935 586	28 856 761	42 792 347	33 375 838	(9 416 509)	
Total revenue from exchange transactions	381 078 175	28 536 945	409 615 120	352 656 179	(56 958 941)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	807 330 000	94 735 423	902 065 423	901 577 854	(487 569)	
Public contributions and donations	-	525 000	525 000	525 000	-	
Other income from non-exchange transactions	-	-	-	342 860	342 860	
Total revenue from non-exchange transactions	807 330 000	95 260 423	902 590 423	902 445 714	(144 709)	
Total revenue	1 188 408 175	123 797 368	1 312 205 543	1 255 101 893	(57 103 650)	
Expenditure						
Employee related costs	(282 417 348)	14 303 791	(268 113 557)	(281 430 418)	(13 316 861)	
Remuneration of councillors	(13 083 108)	1 380 619	(11 702 489)	(11 530 847)	171 642	
Depreciation and amortisation	(44 590 371)	-	(44 590 371)	(51 754 873)	(7 164 502)	
Reversal of impairments	-	400 000 000	400 000 000	472 330 101	72 330 101	
Finance costs	(20 119 571)	-	(20 119 571)	(20 070 753)	48 818	
Lease rentals on operating lease	(14 848 523)	(9 940 000)	(24 788 523)	(21 852 028)	2 936 495	
Debt Impairment	(45 000 000)	(80 000 000)	(125 000 000)	(160 857 851)	(35 857 851)	
Bad debts written off	-	(400 020 209)	(400 020 209)	(436 415 404)	(36 395 195)	
Inventory consumed	(282 487 793)	22 552 391	(259 935 402)	(184 862 063)	75 073 339	
Contracted Services	(120 153 005)	(479 819)	(120 632 824)	(162 056 857)	(41 424 033)	
Transfers and Subsidies	(7 958 074)	(1 200 000)	(9 158 074)	(9 158 074)	-	
General Expenses	(19 337 373)	(15 794 273)	(35 131 646)	(35 369 180)	(237 534)	
Total expenditure	(849 995 166)	(69 197 500)	(919 192 666)	(903 028 247)	16 164 419	
Operating surplus	338 413 009	54 599 868	393 012 877	352 073 646	(40 939 231)	
Loss on disposal of assets	-	(16 008)	(16 008)	(8 580 309)	(8 564 301)	
Actuarial gains/losses	-	-	-	(1 883 920)	(1 883 920)	
Inventories losses/write-downs	-	-	-	(81 794 209)	(81 794 209)	
	-	(16 008)	(16 008)	(92 258 438)	(92 242 430)	
Surplus before taxation	338 413 009	54 583 860	392 996 869	259 815 208	(133 181 661)	
Deficit for the year from continuing operations	338 413 009	54 583 860	392 996 869	259 815 208	(133 181 661)	
Capital expenditure	(195 479 000)	(86 856 453)	(282 335 453)	(281 495 696)	839 757	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	142 934 009	(32 272 593)	110 661 416	(21 680 488)	(132 341 904)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Reconciliation						
Basis difference						
Capital expenditure					281 495 696	
Actual Amount in the Statement of Financial Performance					259 815 208	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories		2 338 552	2 161 473	4 500 025	3 514 384	(985 641)
Receivables from exchange transactions		318 128	147 872	466 000	21 294 928	20 828 928
Receivables from non-exchange transactions		-	15 692 320	15 692 320	16 035 180	342 860
Consumer debtors		460 590 404	(242 184 470)	218 405 934	88 982 331	(129 423 603)
Cash and cash equivalents		146 322 705	(65 360 898)	80 961 807	81 683 080	721 273
		609 569 789	(289 543 703)	320 026 086	211 509 903	(108 516 183)
Non-Current Assets						
Property, plant and equipment		2 379 439 429	(22 056 702)	2 357 382 727	2 344 043 852	(13 338 875)
Intangible assets		-	-	-	36 553	36 553
Heritage assets		4 000	-	4 000	4 000	-
		2 379 443 429	(22 056 702)	2 357 386 727	2 344 084 405	(13 302 322)
Total Assets		2 989 013 218	(311 600 405)	2 677 412 813	2 555 594 308	(121 818 505)
Liabilities						
Current Liabilities						
Other financial liabilities		-	12 310 417	12 310 417	12 310 417	-
Payables from exchange transactions		356 847 768	(226 482 407)	130 365 361	124 510 192	(5 855 169)
VAT payable		-	-	-	34 285 332	34 285 332
Consumer deposits		7 115 567	505 058	7 620 625	7 571 171	(49 454)
Unspent conditional grants and receipts		-	15 859 772	15 859 772	16 822 427	962 655
Provisions		5 331 671	(1 180 597)	4 151 074	69 631 687	65 480 613
		369 295 006	(198 987 757)	170 307 249	265 131 226	94 823 977
Non-Current Liabilities						
Other financial liabilities		175 530 324	(76)	175 530 248	163 219 832	(12 310 416)
Provisions		32 699 095	5 805 214	38 504 309	52 480 708	13 976 399
		208 229 419	5 805 138	214 034 557	215 700 540	1 665 983
Total Liabilities		577 524 425	(193 182 619)	384 341 806	480 831 766	96 489 960
Net Assets		2 411 488 793	(118 417 786)	2 293 071 007	2 074 762 542	(218 308 465)
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve		24 628 860	-	24 628 860	56 470 999	31 842 139
Accumulated surplus		2 386 859 933	(118 417 786)	2 268 442 147	2 018 291 543	(250 150 604)
Total Net Assets		2 411 488 793	(118 417 786)	2 293 071 007	2 074 762 542	(218 308 465)

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Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services		141 999 185	(6 637 781)	135 361 404	203 663 247	68 301 843
Grants		807 330 000	94 760 412	902 090 412	899 929 061	(2 161 351)
Interest income		-	2 728 260	2 728 260	3 478 660	750 400
		949 329 185	90 850 891	1 040 180 076	1 107 070 968	66 890 892
Payments						
Employee costs		(282 417 348)	14 303 791	(268 113 557)	(284 856 275)	(16 742 718)
Suppliers		(446 449 805)	(68 966 306)	(515 416 111)	(563 236 528)	(47 820 417)
Finance costs		-	-	-	(553 001)	(553 001)
Transfers and subsidies		(7 958 074)	(1 200 000)	(9 158 074)	(9 158 074)	-
		(736 825 227)	(55 862 515)	(792 687 742)	(857 803 878)	(65 116 136)
Net cash flows from operating activities		212 503 958	34 988 376	247 492 334	249 267 090	1 774 756
Cash flows from investing activities						
Purchase of property, plant and equipment		(195 479 000)	(45 250 468)	(240 729 468)	(219 276 434)	21 453 034
Cash flows from financing activities						
Repayment of loan		-	-	-	(10 962 119)	(10 962 119)
Consumer deposits		505 058	-	505 058	-	(505 058)
Finance costs		(20 119 571)	-	(20 119 571)	(20 152 498)	(32 927)
Net cash flows from financing activities		(20 119 571)	-	(20 119 571)	(31 114 617)	(10 995 046)
Net increase/(decrease) in cash and cash equivalents		(3 094 613)	(10 262 092)	(13 356 705)	(1 123 961)	12 232 744
Cash and cash equivalents at the beginning of the year		146 322 705	(63 932 971)	82 389 734	82 807 041	417 307
Cash and cash equivalents at the end of the year		143 228 092	(74 195 063)	69 033 029	81 683 080	12 650 051

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

All amount presented are rounded off to the nearest Rand.

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the annual financial statements of the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Consolidation (continued)

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the economic entity and the Special purpose entity indicates that the Special purpose entity is controlled by the economic entity.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Community Assets	Straight line	Fair value (5-100 years)
Plant and machinery	Straight line	10 to 20 years
Furniture and fixtures	Straight line	10 to 15 years
Transport Assets	Straight line	10 to 15 years
IT equipment	Straight line	10 to 15 years
Computer software	Straight line	5 to 15 years
Infrastructure Water & Sanitation	Straight line	10 to 100 years
Fire Engines	Straight line	15 to 20 years
Mobile Offices	Straight line	15 to 20 years
Heavy machinery	Straight line	15 to 20 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 economic entity. 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 economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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.

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

The amortisation periods and the amortisation methods for intangible assets are reviewed at each reporting date.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Accounting Policies

1.5 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 5 years
Licenses	Straight line	3 - 5 years
Websites	Straight line	3 - 5 years

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

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Assets are resources controlled by an economic entity as a result of past events and from which future economic benefits or service potential are expected to flow to the economic entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

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

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an economic entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The economic entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Recognition

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

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Accounting Policies

1.6 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Impairment

The economic entity assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the economic entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.7 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.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are instruments held for trading.

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1.7 Financial instruments (continued)

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

Classification

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

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Bank and cash	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Loan from Development Bank of Southern Africa	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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.

For financial assets and financial liabilities measured at amortised cost a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process..

Impairment and uncollectibility of financial assets

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.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.8 Tax

Value Added Tax

The economic entity accounts for Value Added Tax (VAT) on the cash/payments basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality. Permission has been granted to the Municipality to remit or claim for VAT on the cash/payments basis for receivables or payables.

1.9 Leases

Operating leases - lessee

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

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1.10 Inventories

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

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

Inventories are measured at the lower of cost, net realisable value or 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 economic entity incurs to acquire the asset on the reporting date.

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.13 Employee benefits

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

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

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

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

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

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

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1.13 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

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1.13 Employee benefits (continued)

Termination benefits

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

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

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

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1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

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

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

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

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

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

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Accounting Policies

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. These can either be operational or capital in nature.

A capital commitment is a binding agreement to undertake the capital expenditure at some set time in the future which has not become an actual liability.

An operating commitment is a binding agreement to undertake operating expenditure at some set time in the future which has not yet become an actual liability.

Disclosures in the notes to the financial statements are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

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

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 economic entity;
- 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.

1.17 Revenue from non-exchange transactions

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

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

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

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

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

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are re-classified.

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Accounting Policies

1.21 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.

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

Irregular expenditure incurred by an economic entity is expenditure inclusive of VAT which is in contravention of, or that is not in accordance with, 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 the Supply Chain Management Policy of the economic entity or any of the economic entity's by-laws giving effect to such policy.

Irregular expenditure that was incurred and identified during the current financial year and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which write off is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not written off by the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt write - off and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been written off and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

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Accounting Policies

1.25 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.

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 measure 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.

1.26 Use of Estimates

The preparation of the annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the economic entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.27 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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Accounting Policies

1.28 Related parties (continued)

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed

1.29 Events after reporting date

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

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

The economic entity 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.

1.30 Transitional provisions

1.31 General Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decrease in net assets, other than those relating to distributions to owners. Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:

IGRAP 21 on the Effect of Past Decisions on Materiality

The effective date of the standard is for years beginning on or after 01 April 2022.

The economic entity has adopted the standard for the first time in the 2022 annual financial statements.

The impact of the is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 on Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 25 on Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 on Financial Instruments	01 April 2025	Unlikely there will be a material impact
•		

The following standards and interpretations have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	140 005	507 664	138 135	507 644
Bank balances	80 649 688	83 835 720	77 794 945	77 978 709
Short-term deposits	-	570 688	-	570 688
Investment deposit	3 750 000	3 750 000	3 750 000	3 750 000
	84 539 693	88 664 072	81 683 080	82 807 041

There were no cash and cash equivalents pledged as security for any liabilities during the period under review..

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
4. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	10 578 816	23 011 239	10 578 816	23 011 239
31 - 60 days	11 326 661	16 699 065	11 326 661	16 699 065
61 - 90 days	11 518 252	21 449 658	11 518 252	21 449 658
91 - 120 days	8 226 416	16 520 394	8 226 416	16 520 394
121 - 150 days	14 284 754	15 866 845	14 284 754	15 866 845
> 150 days	523 888 292	824 392 994	523 888 292	824 392 994
Less: Allowance for impairment	579 823 191 (577 945 522)	917 940 195 (909 799 474)	579 823 191 (577 945 522)	917 940 195 (909 799 474)
	1 877 669	8 140 721	1 877 669	8 140 721
Industrial/ commercial				
Current (0 -30 days)	14 277 294	12 764 554	14 277 294	12 764 554
31 - 60 days	2 811 397	2 405 220	2 811 397	2 405 220
61 - 90 days	4 477 324	3 249 597	4 477 324	3 249 597
91 - 120 days	3 459 447	1 852 669	3 459 447	1 852 669
121 - 150 days	1 887 824	1 875 865	1 887 824	1 875 865
> 150 days	77 838 218	62 451 432	77 838 218	62 451 432
Less: Allowance for impairment	104 751 504 (61 466 551)	84 599 337 (40 327 079)	104 751 504 (61 466 551)	84 599 337 (40 327 079)
	43 284 953	44 272 258	43 284 953	44 272 258
National and provincial government				
Current (0 -30 days)	3 469 462	2 961 869	3 469 462	2 961 869
31 - 60 days	1 857 858	849 537	1 857 858	849 537
61 - 90 days	1 234 459	1 370 512	1 234 459	1 370 512
91 - 120 days	1 122 812	711 326	1 122 812	711 326
121 - 150 days	1 404 379	448 124	1 404 379	448 124
> 150 days	34 730 739	26 826 429	34 730 739	26 826 429
	43 819 709	33 167 797	43 819 709	33 167 797
Total				
Current (0 -30 days)	28 325 571	38 737 662	28 325 571	38 737 662
31 - 60 days	15 995 915	19 953 822	15 995 915	19 953 822
61 - 90 days	17 230 035	26 069 767	17 230 035	26 069 767
91 - 120 days	12 808 676	19 084 389	16 697 662	19 084 389
121 - 150 days	17 576 957	18 190 835	17 258 453	18 190 835
> 150 days	636 457 250	913 670 855	932 698 202	913 670 855
Less: Allowance for impairment	728 394 404 (639 412 073)	1 035 707 330 (950 884 322)	1 028 205 838 (630 228 824)	1 035 707 330 (950 884 322)
	88 982 331	84 823 008	397 977 014	84 823 008
Less: Allowance for impairment > 150 days	(639 412 073)	(950 884 323)	(639 412 073)	(950 884 323)
Total debtor past due but not impaired				
Current (0 -30 days)	4 386 995	(24 457 870)	4 386 995	(24 457 870)
31 - 60 days	3 929 162	4 968 728	3 929 162	4 968 728
61 - 90 days	3 302 644	4 430 213	3 302 644	4 430 213

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Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

3. Cash and cash equivalents (continued)

The economic entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB Bank : Salaries Account - 50940092196	2 738 512	2 771 937	34 445 786	2 568 260	2 771 937	34 445 786
FNB Bank : Projects Account - 62023616462	199 040	30 903	28 369 538	199 040	30 903	28 369 538
FNB Bank : NSTD Call Account - 62215748289	590 158	570 688	553 729	590 158	570 688	553 729
FNB Bank : Mandela Race Account - 62411577193	822 211	807 688	797 796	821 186	807 688	797 796
FNB Bank : Main Account - 50940026773	69 694 907	73 032 508	12 924 491	69 694 906	73 032 444	12 924 463
FNB Bank : Fixed Deposit Account - 71101199555	3 750 000	3 750 000	3 944 099	3 750 000	3 750 000	3 994 932
FNB Bank : SANBI Account - 62597807125	2 510 625	98 599	6 538 608	2 518 780	98 599	6 538 608
ABSA Bank : Mandela Race Account - 4094362410	1 233 030	1 237 138	1 241 296	1 233 030	1 237 138	1 241 296
FNB Bank : Cheque Account - 62711665177	2 838 878	5 840 252	80 065	2 838 878	5 840 252	80 065
FNB Bank : Cheque Account - 62838452605	16 065	16 759	581 401	16 065	16 759	581 401
Total	84 393 426	88 156 472	89 476 809	84 230 303	88 156 408	89 527 614

4. Consumer debtors

Gross balances

Water	728 394 404	1 035 707 331	728 394 404	1 035 707 331
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Less: Allowance for impairment

Water	(639 412 073)	(950 884 323)	(639 412 073)	(950 884 323)
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Net balance

Water	88 982 331	84 823 008	88 982 331	84 823 008
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Water

Current (0 -30 days)	28 325 571	38 737 662	28 325 571	38 737 662
31 - 60 days	15 995 915	19 953 822	15 995 915	19 953 822
61 - 90 days	17 230 035	26 069 767	17 230 035	26 069 767
91 - 120 days	12 808 676	19 084 389	12 808 676	19 084 389
121 - 150 days	17 576 957	18 190 835	17 576 957	18 190 835
> 150 days	636 457 250	913 670 855	636 457 250	913 670 855
Total	728 394 404	1 035 707 330	728 394 404	1 035 707 330

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	2022	2021	2022	2021
4. Consumer debtors (continued)				
91 - 120 days	2 307 472	3 418 708	2 307 472	3 418 708
121 - 150 days	3 361 315	4 567 509	3 361 315	4 567 509
> 150 days	45 285 475	92 862 540	45 285 475	92 862 540
	62 573 063	85 789 828	62 573 063	85 789 828
Reconciliation of allowance for impairment				
Balance at beginning of the year	(950 884 860)	(777 698 475)	(950 884 860)	(777 698 475)
Correction of prior period error	-	11 806 860	-	11 806 860
Contributions to allowance	(160 857 851)	(184 992 708)	(160 857 851)	(184 992 708)
Reversal of allowance	472 330 638	-	472 330 638	-
	(639 412 073)	(950 884 323)	(639 412 073)	(950 884 323)

Consumer debtors pledged as security

There were no consumer debtors that were pledged as security for any liabilities during the period under review.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired as at 30 June 2022 amount to R140 736 147 (2021: R 110 247 698) were past due but not impaired.

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

1 month past due	6 638 362	4 968 728	6 638 362	4 968 728
2 months past due	8 157 302	4 430 213	8 157 302	4 430 213
3 months past due	134 097 785	100 848 757	134 097 785	100 848 757

Consumer debtors impaired

As of 30 June 2022, consumer debtors of R 160 857 851 (2021: R 184 992 708) were impaired and provided for.

The amount of the provision was R 639 412 073 as of 30 June 2022 (2021: R 950 884 323).

The ageing of these debtors past due and impaired is as follows:

3 to 6 months	20 158 778	24 005 075	20 158 778	24 005 075
Over 6 months	544 422 416	441 445 062	544 422 416	441 445 062

5. Receivables from exchange transactions

Trade debtors UMEDA	249 404	249 404	-	-
Staff Recoveries	468 577	504 560	468 577	504 560
Deposits	1 180 640	1 180 640	1 180 640	1 180 640
Interest Accrued	160 186	126 011	160 186	126 011
Advance Payments - Trade Payables	14 315 000	-	14 315 000	-
Other debtors	35 339	35 339	35 339	35 339
Sundry debtors	5 135 186	5 324 942	5 135 186	5 324 942
	21 544 332	7 420 896	21 294 928	7 171 492

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the year under review.

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Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

6. Receivables from non-exchange transactions

Unauthorised, Irregular, Fruitless and Wasteful Expenditure	16 035 180	15 692 320	16 035 180	15 692 320
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2022: Following the cosequence management processes, the recovery of fruitless and wasteful expenditure to the value of R342 860 is sought by the municipality. Letters have been issued to those affected.

2021: At a Full Council meeting which took place on 27 August 2021, fruitless and wasteful expenditure at an amount of R7 062 528 and irregular expenditure at an amount of R8 629 792 was resolved to be recoverable by Council. The recovery process is in progress.

7. Inventories

Agricultural produce - Fertilizer	-	12 335	-	-
Consumables	39 285	-	39 285	-
Materials	3 094 187	3 722 909	3 094 187	3 722 909
Water for distribution	380 912	765 564	380 912	765 564
	3 514 384	4 500 808	3 514 384	4 488 473

7.1

Inventories recognised as an expense during the year	184 874 398	198 016 713	184 862 063	198 002 787
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Inventory has been recorded using the weighted average cost method. Consumables are carried at lower of cost or current replacement cost. Materials are carried at lower of cost or net realisable value. No inventory was written down, reversed or written-off as obsolete during the year under review.

Inventory pledged as security

There was no inventory that was pledged as security for liabilities during the year under review.

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8. Property, plant and equipment

Economic entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 970 350	-	2 970 350	2 970 350	-	2 970 350
Buildings	59 880 385	(4 109 702)	55 770 683	58 950 385	(2 862 400)	56 087 985
Plant and machinery	18 895 753	(5 056 874)	13 838 879	19 264 140	(4 412 271)	14 851 869
Furniture and fixtures	4 860 983	(2 342 423)	2 518 560	5 328 522	(2 359 230)	2 969 292
Motor vehicles	11 075 486	(2 728 040)	8 347 446	11 075 486	(2 159 886)	8 915 600
IT equipment	6 122 440	(3 532 740)	2 589 700	8 377 457	(4 812 905)	3 564 552
Infrastructure	2 781 998 332	(1 117 057 668)	1 664 940 664	2 611 542 330	(1 081 691 888)	1 529 850 442
Other property, plant and equipment - UIMEDA	602 393	(346 481)	255 912	602 393	(230 890)	371 503
Other PPE: Infrastructure WIP	593 788 088	-	593 788 088	565 531 769	-	565 531 769
Total	3 480 194 210	(1 135 173 928)	2 345 020 282	3 283 642 832	(1 098 529 470)	2 185 113 362

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8. Property, plant and equipment (continued)

Controlling entity

	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 970 350	-	2 970 350	2 970 350	-	2 970 350
Buildings	59 880 385	(4 109 702)	55 770 683	58 950 385	(2 862 400)	56 087 985
Plant and machinery	18 895 753	(5 056 874)	13 838 879	19 264 140	(4 412 271)	14 851 869
Furniture and fixtures	4 375 915	(2 039 093)	2 336 822	4 843 454	(2 153 348)	2 690 106
Motor vehicles	10 124 598	(2 285 827)	7 838 771	10 124 598	(1 907 851)	8 216 747
IT equipment	5 538 034	(2 978 439)	2 559 595	7 814 951	(4 367 415)	3 447 536
Infrastructure	2 781 998 332	(1 117 057 668)	1 664 940 664	2 611 542 330	(1 081 691 888)	1 529 850 442
Other PPE: Infrastructure WIP	593 788 088	-	593 788 088	565 531 769	-	565 531 769
Total	3 477 571 455	(1 133 527 603)	2 344 043 852	3 281 041 977	(1 097 395 173)	2 183 646 804

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic Entity - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	2 970 350	-	-	-	-	2 970 350
Buildings	56 087 985	930 000	-	-	(1 247 302)	55 770 683
Plant and machinery	14 851 869	-	(244 851)	-	(768 139)	13 838 879
Furniture and fixtures	2 969 292	186 359	(326 590)	-	(310 501)	2 518 560
Motor vehicles	8 915 600	-	-	-	(568 154)	8 347 446
IT equipment	3 564 552	760 718	(1 081 461)	-	(654 109)	2 589 700
Infrastructure	1 529 850 442	189 164 938	(6 926 207)	-	(47 148 509)	1 664 940 664
Other property, plant and equipment - UMEDA	371 503	-	-	-	(115 591)	255 912
Other PPE - Infrastructure WIP	565 531 769	216 334 767	-	(188 078 448)	-	593 788 088
	2 185 113 362	407 376 782	(8 579 109)	(188 078 448)	(50 812 305)	2 345 020 282

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic Entity - 2021

	Opening balance	Additions	Disposals	Transfers	Correction of Prior Period Error	Depreciation	Total
Land	2 970 350	-	-	-	-	-	2 970 350
Buildings	26 154 051	-	-	-	31 172 020	(1 238 086)	56 087 985
Plant and machinery	15 620 930	-	-	-	-	(769 061)	14 851 869
Furniture and fixtures	3 405 705	5 399	(136 917)	-	-	(304 895)	2 969 292
Motor vehicles	9 483 755	-	-	-	-	(568 155)	8 915 600
IT equipment	4 047 133	169 080	(58 104)	-	-	(593 557)	3 564 552
Infrastructure	1 434 579 432	144 990 012	(4 507 491)	-	-	(45 211 511)	1 529 850 442
Other property, plant and equipment - UMEDA	483 678	4 650	-	-	-	(116 825)	371 503
Other PPE - Infrastructure WIP	544 785 673	165 736 108	-	(144 990 012)	-	-	565 531 769
	2 041 530 707	310 905 249	(4 702 512)	(144 990 012)	31 172 020	(48 802 090)	2 185 113 362

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling Entity 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	2 970 350	-	-	-	-	2 970 350
Buildings	56 087 985	930 000	-	-	(1 247 302)	55 770 683
Plant and machinery	14 851 869	-	(244 851)	-	(768 139)	13 838 879
Furniture and fixtures	2 690 106	186 359	(326 590)	-	(213 053)	2 336 822
Motor vehicles	8 216 747	-	-	-	(377 976)	7 838 771
IT equipment	3 447 536	738 818	(1 081 461)	-	(545 298)	2 559 595
Infrastructure	1 529 850 442	189 164 938	(6 926 207)	-	(47 148 509)	1 664 940 664
Other PPE - Infrastructure WIP	565 531 769	216 334 767	-	(188 078 448)	-	593 788 088
	2 183 646 804	407 354 882	(8 579 109)	(188 078 448)	(50 300 277)	2 344 043 852

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling Entity 2021

	Opening balance	Additions	Disposals	Transfers	Correction of Prior Period Error	Depreciation	Total
Land	2 970 350	-	-	-	-	-	2 970 350
Buildings	26 154 051	-	-	-	31 172 020	(1 238 086)	56 087 985
Plant and machinery	15 620 930	-	-	-	-	(769 061)	14 851 869
Furniture and fixtures	3 038 793	899	(136 917)	-	-	(212 669)	2 690 106
Motor vehicles	8 594 724	-	-	-	-	(377 977)	8 216 747
IT equipment	3 773 496	169 080	(58 104)	-	-	(436 936)	3 447 536
Infrastructure	1 434 579 432	144 990 012	(4 507 491)	-	-	(45 211 511)	1 529 850 442
Other PPE - Infrastructure WIP	544 785 672	165 736 109	-	(144 990 012)	-	-	565 531 769
	2 039 517 448	310 896 100	(4 702 512)	(144 990 012)	31 172 020	(48 246 240)	2 183 646 804

Pledged as security

There were no property, plant and equipment that was pledged as security during the year under review.

Reconciliation of Work-in-Progress Economic entity - 2022

	Total
Opening balance	565 531 769
Additions/capital expenditure	216 334 767
Transferred to completed items	(188 078 448)
	593 788 088
	593 788 088

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	2022	2021	2022	2021

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Economic entity - 2021

	Total	
Opening balance	544 785 673	544 785 673
Additions/capital expenditure	165 736 109	165 736 109
Transferred to completed items	(144 990 012)	(144 990 012)
	565 531 770	565 531 770

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

8. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs	83 403 417	86 498 335	83 403 417	86 498 335
Contracted services	12 724 935	19 910 569	12 724 935	19 910 569
Sale of goods/Inventory	2 333 907	5 977 820	2 333 907	5 977 820
	98 462 259	112 386 724	98 462 259	112 386 724

Long outstanding work in progress is as follows:

Project Name	Location	Nature of Project	Initial Completion Date	Expected Completion date	Reasons for Delays	2022	2021
Camperdown CBD AC Pipes Replacement	Mkhambathini	Water	Planning only	28/06/2027	Project under review and Business Plan sent to DWS for Approval	3 694 994	3 694 994
Cedara Bulk Services	Umgeni	Water	Planning only	30/06/2025	Project under review and Business Plan sent to DWS for Approval	1 496 436	1 496 436
Ebuhleni Housing Project Bulk Water	Mpofana	Water	had to be abai	30/06/2025	Project under review and Business Plan sent to DWS for Approval	2 997 287	2 997 287
Embuthweni Water Phase 4	Mkhambathini	Water	Planning only	28/06/2027	Project under review and Business Plan sent to DWS for Approval	1 517 864	1 517 864
Enguga/Entshay abantu/Macksam	Impendle	Water	2021/06/30	27/08/2023	Project affected by flooding and under review for Disaster funding	21 361 341	18 643 962
Gengeshe Water	Richmond	Water	Planning only	28/06/2027	Project under revised in line with DWS comments on the Business Plan	1 790 190	1 790 190
Hilton Corridor Development	uMgeni	Water	Planning only	30/06/2025	under development	3 322 094	3 322 094
Howick Ac Pipelines Replacement	uMgeni	Water	Planning only	30/06/2025	Project under review and Business Plan sent to DWS for Approval	5 035 987	5 035 987

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Figures in Rand		Economic entity		Controlling entity			
		2022	2021	2022	2021		
8. Property, plant and equipment (continued)							
Impendle Bulk Water Works	Impendle	Water	Planning only	28/06/2027	Project under review by uMngeni Water for implementation	13 949 423	13 949 423
Impendle WWTW And Sewerage Reticulation	Impendle	Sanitation	Planning only	28/06/2027	Project under review by uMngeni Water for implementation	863 813	863 813
Kwahaza Water Supply	Umgeni	Water	Planning only	-	Project under review by uMngeni Water for implementation	399 593	399 593
Kwamathwanya Water	Mpofana	Water	2021/07/31	30/09/2022	Project under construction	13 472 589	3 354 657
Manyavu Water Scheme	Mkhambathini	Water	2021/06/30	30/09/2022	Project under construction	73 996 908	73 996 908
Mkhambithini Waste Water Works	Mkhambathini	Sanitation	Planning only	28/06/2027	Project under review by uMngeni Water for implementation	3 016 720	3 016 720
Mooi River Bulk Mains Upgrading	Mpofana	Water	Planning only	30/06/2024	Project under review and Business Plan sent to DWS for Approval	196 381	196 381
Mooriver Ac Pipes Replacement	Mpofana	Water	Planning only	28/06/2027	Project under review and Business Plan sent to DWS for Approval	1 289 426	1 289 426
Mpofana Waste Water Treatment Works	Mpofana	Sanitation	Planning only	28/06/2027	Project under review by uMngeni Water for implementation	8 549 988	8 549 988
Mpophomeni Sanitation Plant	Umgeni	Sanitation	Planning only	-	-	8 172 038	8 172 038
Nhlambamasoka, Nhlathimbe & Khathikjathi Water	Impendle	Water	Planning only	28/06/2027	Project under review and on UMDM 5yr plan	1 359 540	1 359 540
Nkangala Water	Mkhambathini	Water	Planning only	28/06/2027	Project under review and on UMDM 5yr plan	208 612	208 612
Nkanyezi Water Supply	Mkhambathini	Water	Planning only	28/06/2027	Project under implementation in phases	49 487 461	41 231 350

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Figures in Rand	Economic entity		Controlling entity				
	2022	2021	2022	2021			
8. Property, plant and equipment (continued)							
Phumlas Water Supply Upgrade	Mpofana	Water	Planning only	28/06/2027	Project under review and Business Plan sent to DWS for Approval	820 881	820 881
Richmond AC Pipes Replacement	Richmond	Water	Planning only	28/06/2027	Project under review and Business Plan sent to DWS for Approval	5 906 405	5 906 405
Richmond Waste Water Treatment Works	Richmond	Sanitation	Planning only	28/06/2027	Project under review by uMngeni Water for implementation	4 751 919	4 751 919
Rosetta Water Upgrade	Mpofana	Water	Planning only	28/06/2027	Project under review and Business Plan sent to DWS for Approval	635 500	635 500
Umshwathi Slum Water	uMshwathi	Water	2022/03/22	30/09/2022	Under construction.	43 061 239	30 613 712
Wartburg AC Pipes Replacement	uMshwathi	Water	Planning only	28/06/2027	Project under review and Business Plan sent to DWS for Approval	653 594	653 594
Total	-	-				272 010 245	238 471 295

The municipality intends to complete the construction of these assets.

The municipality has not recognised any impairment loss relating to the work-in progress as these infrastructure assets will be capable of providing the municipality with the intended service potential once construction is completed.

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

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9. Intangible assets

Economic entity	2022		2021			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	8 343 870	(8 009 557)	334 313	11 957 869	(10 346 626)	1 611 243

Controlling entity

Economic entity	2022		2021			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6 983 020	(6 946 467)	36 553	10 962 022	(9 353 441)	1 608 581

Reconciliation of intangible assets: Economic entity - 2022

Computer software, other	Opening balance	Additions	Disposals	Amortisation	Total
	1 611 243	365 003	(1 200)	(1 640 733)	334 313

Reconciliation of intangible assets: Economic entity - 2021

Computer software, other	Opening balance	Additions	Disposals	Amortisation	Total
	456 119	1 600 578	(445 454)	(1 611 243)	1 611 243

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9. Intangible assets (continued)

Reconciliation of intangible assets: Controlling entity - 2022

Computer software, other

Opening balance	Disposals	Amortisation	Total
1 608 581	(1 200)	(1 570 828)	36 553

Reconciliation of intangible assets: Controlling entity - 2021

Computer software, other

Opening balance	Additions	Amortisation	Total
175 289	1 600 668	(167 376)	1 608 581

Pledged as security

There were no intangible assets pledged as security during the year under review.

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10. Heritage assets

Economic entity	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	4 000	-	4 000	4 000	-	4 000
Controlling entity						
	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	4 000	-	4 000	4 000	-	4 000

Reconciliation of heritage assets: Economic entity - 2022

Mayoral Chain	Opening balance	4 000	Total	4 000
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Reconciliation of heritage assets: Economic entity - 2021

Mayoral Chain	Opening balance	4 000	Total	4 000
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Reconciliation of heritage assets: Controlling entity - 2022

Mayoral Chain	Opening balance	4 000	Total	4 000
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10. Heritage assets (continued)

Reconciliation of heritage assets: Controlling entity - 2021

	Opening balance	Total
Mayoral Chain	4 000	4 000

Pledged as security

There were no heritage assets pledged as security during the year under review.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Rural Roads Asset Management Grant	29	-	29	-
Geospatial Grant	34	700 186	34	700 186
Camperdown WWTP & PTP Grant	4 308 912	4 308 912	4 308 912	4 308 912
EPWP Grant	-	114 674	-	114 674
ORIO Grant	11 550 860	11 550 860	11 550 860	11 550 860
RASSET & DGDS Grant	126 989	126 989	126 989	126 989
Spatial Planning Grant	212 825	706 750	212 825	706 750
IDP Spatial Development Grant	622 775	848 175	622 775	848 175
Accelerated Water Intervention Grant	3	-	3	-
N3 Corridor Program	1 750 000	1 750 000	-	-
Raset Program	179 946	179 946	-	-
Howick Falls Grant	4 886 600	5 000 000	-	-
	23 638 973	25 286 492	16 822 427	18 356 546

Movement during the year

Balance at the beginning of the year	25 286 492	28 918 532	18 356 546	26 542 731
Correction of prior period error	-	(415 679)	-	30 176
Additions during the year	281 778 000	241 428 882	281 778 000	236 428 882
Repayments	(118 090)	(6 040 000)	(118 090)	(6 040 000)
Income recognition during the year	(283 307 429)	(238 605 243)	(283 194 029)	(238 605 243)
	23 638 973	25 286 492	16 822 427	18 356 546

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance have been recognised.

12. Payables from exchange transactions

Trade Payables	44 773 091	159 344 638	48 410 021	158 984 307
Payments Received in Advance (Consumers)	9 619 219	5 215 510	9 619 219	5 215 510
Employee Related Accruals	1 342 330	3 476 833	1 342 330	3 476 833
Leave Pay Provision	18 928 480	13 830 584	18 750 195	13 729 716
Accrued Bonus	6 417 847	6 402 747	6 417 847	6 402 747
Accrued Interest - DBSA Loan	7 854 862	8 489 608	7 854 862	8 489 608
Unallocated Deposits	6 556 429	7 355 355	6 556 429	7 355 355
Retentions	25 559 289	15 443 066	25 559 289	15 443 066
	121 051 547	219 558 341	124 510 192	219 097 142

13. Consumer deposits

Water	7 571 171	7 259 697	7 571 171	7 259 697
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14. Other financial liabilities

At amortised cost

DBSA Loan	175 530 249	186 492 368	175 530 249	186 492 368
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	2022	2021	2022	2021

14. Other financial liabilities (continued)

The loan from the Development Bank of Southern Africa is a total of R230 000 000 borrowed over a 15 year term subject to a fixed 15 year swap rate plus 230 basis points (average 10%) over the loan period.

Non-current liabilities

At amortised cost	163 219 832	175 530 249	163 219 832	175 530 249
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Current liabilities

At amortised cost	12 310 417	10 962 119	12 310 417	10 962 119
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15. VAT payable

VAT payable	34 285 332	67 691 817	34 285 332	67 691 817
VAT receivable - UMEDA	(725 544)	(330 936)	-	-
	33 559 788	67 360 881	34 285 332	67 691 817

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

16. Provisions

Reconciliation of Provisions: Economic Entity - 2022

	Opening Balance	Additions	Utilised during the year	Transfer to current portion	Total
Post Employment Benefits - short term	817 000	817 000	(780 000)	-	854 000
Long Service Awards - short term	2 759 000	1 993 000	(2 527 920)	-	2 224 080
Post Employment Benefits - long term	33 423 000	5 303 000	-	(817 000)	37 909 000
Long Service Awards - long term	12 235 788	4 328 920	-	(1 993 000)	14 571 708
Sewerage Services	10 449 137	56 104 470	-	-	66 553 607
	59 683 925	68 546 390	(3 307 920)	(2 810 000)	122 112 395

Reconciliation of Provisions: Economic Entity - 2021

	Opening Balance	Additions	Utilised during the year	Transfer to current portion	Total
Post Employment Benefits - short term	941 671	817 000	(941 671)	-	817 000
Long Service Awards - short term	2 610 000	2 759 000	(2 610 000)	-	2 759 000
Post Employment Benefits - long term	31 024 329	3 215 671	-	(817 000)	33 423 000
Long Service Awards - long term	10 455 788	4 539 000	-	(2 759 000)	12 235 788
Sewerage Services	-	10 449 137	-	-	10 449 137
	45 031 788	21 779 808	(3 551 671)	(3 576 000)	59 683 925

Reconciliation of Provisions: Controlling Entity 2022

	Opening Balance	Additions	Utilised during the year	Transfer to current portion	Total
Post Employment Benefits - short term	817 000	817 000	(780 000)	-	854 000
Long Service Awards - short term	2 759 000	1 993 000	(2 527 920)	-	2 224 080
Employee benefit cost - long term	33 423 000	5 303 000	-	(817 000)	37 909 000
Long Service awards - long term	12 235 788	4 328 920	-	(1 993 000)	14 571 708
Sewerage Services	10 449 137	56 104 470	-	-	66 553 607
	59 683 925	68 546 390	(3 307 920)	(2 810 000)	122 112 395

Reconciliation of Provisions: Controlling Entity - 2021

	Opening Balance	Additions	Utilised during the year	Transfer to current portion	Total
Post Employment Benefits - short term	941 671	817 000	(941 671)	-	817 000
Long Service Awards - short term	2 610 000	2 759 000	(2 610 000)	-	2 759 000
Post Employment Benefits - long term	31 024 329	3 215 671	-	(817 000)	33 423 000
Long Service Awards - long term	10 455 788	4 539 000	-	(2 759 000)	12 235 788
Sewerage Services	-	10 449 137	-	-	10 449 137
	45 031 788	21 779 808	(3 551 671)	(3 576 000)	59 683 925

Non-current liabilities	52 480 708	45 658 788	52 480 708	45 658 788
Current liabilities	69 631 687	14 025 137	69 631 687	14 025 137
	122 112 395	59 683 925	122 112 395	59 683 925

These provisions relate to post employment benefits which the economic entity is obliged to honour in terms of the prevailing conditions of employment for all staff members.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
16. Provisions (continued)				
The sewerage services provision relates to a dispute between Umngeni Water and the municipality in relation to the costs charged onto the municipality for management of Water Treatment Works withing the jurisdiction of the municipality.				
17. Service charges				
Other service charges	197 685	669 723	197 685	669 723
Sale of water	295 675 074	278 652 177	295 675 074	278 652 177
Sewerage and sanitation charges	19 856 308	15 324 157	19 856 308	15 324 157
	315 729 067	294 646 057	315 729 067	294 646 057
18. Other income				
Tender Documents	-	53 348	-	53 348
Insurance refund	12 720	6 531	1 239	-
Licences and Permits	71 375	-	71 375	-
Staff Recoveries	-	21 157	-	21 157
	84 095	81 036	72 614	74 505
19. Investment revenue				
Interest revenue				
Bank	3 662 430	2 995 646	3 478 660	2 907 135
20. Interest from Outstanding Debtors				
Interest - Receivables	33 375 838	47 173 702	33 375 838	47 173 702
21. Government grants and subsidies				
Operating grants				
Equitable share	608 551 674	572 040 000	608 551 674	572 040 000
SETA Grants	421 831	1 018 884	421 831	1 018 884
EPWP Grant	2 299 000	2 956 326	2 299 000	2 956 326
Financial Management Grant	1 000 000	1 000 000	1 000 000	1 000 000
Disaster Management -C ovid 19	-	521 963	-	521 963
SANBI Grant	9 410 320	7 548 998	9 410 320	7 548 998
Spatial Planning Grant	493 925	293 250	493 925	293 250
IDP Spatial Development Grant	225 400	151 825	225 400	151 825
Geospatial Grant	696 736	1 323 564	696 736	1 323 564
Howick Falls Grant	113 400	-	-	-
	623 212 286	586 854 810	623 098 886	586 854 810
Capital grants				
Municipal Infrastructure Grant	132 893 000	100 003 433	132 893 000	100 003 433
Rural Roads Assessment Management Systems Grant	2 585 971	2 552 000	2 585 971	2 552 000
Water Services Infrastructure Grant	125 000 000	80 000 000	125 000 000	80 000 000
Covid-19 Capital Grant	-	41 235 000	-	41 235 000
Accelerated Water Intervention Grant	17 999 997	-	17 999 997	-
	278 478 968	223 790 433	278 478 968	223 790 433
	901 691 254	810 645 243	901 577 854	810 645 243

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	2022	2021	2022	2021

21. Government grants and subsidies (continued)

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	293 139 580	238 605 243	293 026 180	238 605 243
Unconditional grants received	608 551 674	572 040 000	608 551 674	572 040 000
	901 691 254	810 645 243	901 577 854	810 645 243

A total of R 281 778 000 (2021: R 241 428 882) was transferred / paid to the economic entity as conditional grants during the year under review.

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The economic entity provides fully subsidised water and sanitation at a maximum of 6kl per month, including the basic charges for such supply, to approved indigent registered households.

Rural Roads Asset Management Grant

Current-year receipts	2 586 000	2 552 000	2 586 000	2 552 000
Conditions met - transferred to revenue	(2 585 971)	(2 552 000)	(2 585 971)	(2 552 000)
	29	-	29	-

Conditions still to be met - remain liabilities (see note 11).

Geospatial Grant

Balance unspent at beginning of year	700 186	1 993 574	700 186	1 993 574
Correction of prior period error	-	30 176	-	30 176
Conditions met - transferred to revenue	(696 736)	(1 323 564)	(696 736)	(1 323 564)
Repayment	(3 416)	-	(3 416)	-
	34	700 186	34	700 186

Conditions still to be met - remain liabilities (see note 11).

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	2022	2021	2022	2021
21. Government grants and subsidies (continued)				
Water Services Infrastructure Grant				
Current-year receipts	125 000 000	80 000 000	125 000 000	80 000 000
Conditions met - transferred to revenue	(125 000 000)	(80 000 000)	(125 000 000)	(80 000 000)
	-	-	-	-
Camperdown WWTP & PTP Grant				
Balance unspent at beginning of year	4 308 912	4 308 912	4 308 912	4 308 912
Conditions still to be met - remain liabilities (see note 11).				
EPWP Grant				
Balance unspent at beginning of year	114 674	-	114 674	-
Current-year receipts	2 299 000	3 071 000	2 299 000	3 071 000
Conditions met - transferred to revenue	(2 299 000)	(2 956 326)	(2 299 000)	(2 956 326)
Repayment	(114 674)	-	(114 674)	-
	-	114 674	-	114 674
Municipal Infrastructure Grant				
Balance unspent at beginning of year	-	6 040 433	-	6 040 433
Current-year receipts	132 893 000	100 003 000	132 893 000	100 003 000
Conditions met - transferred to revenue	(132 893 000)	(100 003 433)	(132 893 000)	(100 003 433)
Repayment	-	(6 040 000)	-	(6 040 000)
	-	-	-	-
ORIO Grant				
Balance unspent at beginning of year	11 550 860	11 550 860	11 550 860	11 550 860
Conditions still to be met - remain liabilities (see note 11).				
SETA Grants				
Current-year receipts	421 831	1 018 884	421 831	1 018 884
Conditions met - transferred to revenue	(421 831)	(1 018 884)	(421 831)	(1 018 884)
	-	-	-	-
RASET & DGDS Grant				
Balance unspent at beginning of year	126 989	126 989	126 989	126 989
Conditions still to be met - remain liabilities (see note 11).				
Finance Management Grant				
Current-year receipts	1 000 000	1 000 000	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)	(1 000 000)	(1 000 000)
	-	-	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
21. Government grants and subsidies (continued)				
SANBI Grant				
Current-year receipts	9 410 000	7 548 998	9 410 000	7 548 998
Conditions met - transferred to revenue	(9 410 000)	(7 548 998)	(9 410 000)	(7 548 998)
	-	-	-	-
Disaster Covid 19 Grant				
Balance unspent at beginning of year	-	521 000	-	521 000
Conditions met - transferred to revenue	-	(521 000)	-	(521 000)
	-	-	-	-
Spatial Planning Grant				
Balance unspent at beginning of year	706 750	1 000 000	706 750	1 000 000
Conditions met - transferred to revenue	(493 925)	(293 250)	(493 925)	(293 250)
	212 825	706 750	212 825	706 750

Conditions still to be met - remain liabilities (see note 11).

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
21. Government grants and subsidies (continued)				
IDP Spatial Development Grant				
Balance unspent at beginning of year	848 175	1 000 000	848 175	1 000 000
Conditions met - transferred to revenue	(225 400)	(151 825)	(225 400)	(151 825)
	622 775	848 175	622 775	848 175
Conditions still to be met - remain liabilities (see note 11).				
Accelerated Water Intervention Grant				
Conditions met - transferred to revenue	18 000 000	-	18 000 000	-
Other	(17 999 997)	-	(17 999 997)	-
	3	-	3	-
Conditions still to be met - remain liabilities (see note 11).				
Covid-19 Capital Grant				
Current-year receipts	-	41 235 000	-	41 235 000
Conditions met - transferred to revenue	-	(41 235 000)	-	(41 235 000)
	-	-	-	-
N3 Corridor Program - UMEDA				
Balance unspent at beginning of year	1 750 000	1 750 000	-	-
Conditions still to be met - remain liabilities (see note 11).				
Raset Program - UMEDA				
Balance unspent at beginning of year	179 946	590 073	-	-
Correction of prior period error	-	(410 127)	-	-
	179 946	179 946	-	-
Conditions still to be met - remain liabilities (see note 11).				
Howik Falls Grant				
Balance unspent at beginning of year	5 000 000	-	-	-
Current-year receipts	-	5 000 000	-	-
Conditions met - transferred to revenue	(113 400)	-	-	-
	4 886 600	5 000 000	-	-
Conditions still to be met - remain liabilities (see note 11).				
22. Public contributions and donations				
Umngeni Water - Disaster Relief	500 000	-	500 000	-
Umngeni Water - Public Participation	25 000	-	25 000	-
	525 000	-	525 000	-

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	2022	2021	2022	2021

23. Other Income from Non-Exchange Transactions

Fruitless and Wasteful Expenditure	342 860	7 062 528	342 860	7 062 528
Irregular Expenditure	-	8 629 792	-	8 629 792
	342 860	15 692 320	342 860	15 692 320

2022: Following the cosequence management processes, the recovery of fruitless and wasteful expenditure to the value of R342 860 is sought by the municipality. Letters have been issued to those affected.

2021: At a Full Council meeting which took place on 27 August 2021, fruitless and wasteful expenditure at an amount of R7 062 582 and irregular expenditure at an amount of R8 629 792 was resolved to be recoverable by Council. The recovery process is in progress.

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	2022	2021	2022	2021
24. Employee related costs				
Basic	161 678 317	150 855 310	157 069 667	148 416 291
Bonus	12 434 283	12 175 698	12 336 023	12 082 028
Medical aid - company contributions	13 221 143	13 060 902	13 221 143	13 060 902
UIF	1 086 715	1 122 436	1 067 858	917 100
WCA	2 037 266	1 362 699	2 037 266	1 362 699
SDL	2 208 850	1 854 996	2 208 850	1 854 996
Other - Bargaining Council	64 500	61 591	64 500	61 591
Leave pay provision charge	7 077 726	(1 509 852)	7 077 726	(1 509 852)
Cellphone Allowances	265 450	200 800	138 600	129 600
Group Life Contributions	3 843 876	3 655 606	3 843 876	3 655 606
Standby Allowances	9 035 825	11 078 560	9 035 825	11 078 560
Other - Tool Allowances	1 376 537	1 494 589	1 376 537	1 494 589
Defined contribution plans	31 620 787	31 376 968	31 425 857	31 376 968
Travel, motor car, accommodation, subsistence and other allowances	14 633 431	22 339 386	14 328 502	21 445 246
Overtime payments	7 495 744	9 120 383	7 495 744	9 120 383
Long-service awards	6 380 998	2 905 413	6 380 998	2 905 413
Acting allowances	1 231 539	1 033 089	1 231 539	786 513
Housing benefits and allowances	1 366 159	1 314 007	1 366 159	1 314 007
Uniforms & Clothing Allowances	43 875	76 958	43 875	76 958
Shift Allowance	7 656 793	6 087 312	7 656 793	6 087 312
Backpay	61 412	16 218	-	-
Termination benefits - Curtailment and Settlements	2 023 080	3 014 023	2 023 080	3 014 023
	286 844 306	272 697 092	281 430 418	268 730 933

Remuneration of Municipal Manager

Annual Remuneration	1 277 473	1 277 473	1 277 473	1 277 473
Tools of Trade	21 600	21 600	21 600	21 600
Statutory Contributions	15 024	12 577	15 024	12 577
	1 314 097	1 311 650	1 314 097	1 311 650

The remuneration of the Municipal Manager is included in the employee related costs of the economic entity.

Remuneration of the Chief Financial Officer - UMDM

Annual Remuneration	633 053	465 679	633 053	465 679
Car Allowance	222 000	129 500	222 000	129 500
Housing Subsidy	200 035	116 687	200 035	116 687
Tools of Trade	21 600	14 400	21 600	14 400
Statutory Contributions	12 356	8 157	12 356	8 157
	1 089 044	734 423	1 089 044	734 423

Council appointed S Ndabandaba as Chief Financial Officer (UMDM) from October 2020 who is still the current incumbent for that portfolio.

The remuneration of the Chief Financial Officer (UMDM) is included in the employee related costs of the economic entity.

Remuneration of the Chief Financial Officer - UMEDA

Annual Remuneration	563 707	542 646	-	-
Car Allowance	304 929	292 194	-	-
Tools of Trade	22 800	22 800	-	-
Backpay	13 717	4 968	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
24. Employee related costs (continued)				
Statutory Contributions	265 961	-	-	-
	1 171 114	862 608	-	-

The remuneration of the Chief Financial Officer (UMEDA) is included in the employee related costs of the economic entity.

Remuneration of Chief Executive Officer - UMEDA: B Nqaimbane

Heading

Annual Remuneration	876 052	-	-	-
Statutory Contributions	1 544	-	-	-
Tools of Trade	23 000	23 000	-	-
Backpay	16 635	-	-	-
Acting Allowance	-	246 576	-	-
	917 231	269 576	-	-

B Nqaimbane's term of office concluded during the financial year. The remuneration of the Chief Executive Officer (UMEDA) is included in the employee related costs of the economic entity

Remuneration of SEM: Corporate Services - UMDM

Annual Remuneration	875 080	875 080	875 080	875 080
Car Allowance	180 000	180 000	180 000	180 000
Tools of Trade	21 600	21 600	21 600	21 600
Statutory Contributions	12 440	10 424	12 440	10 424
	1 089 120	1 087 104	1 089 120	1 087 104

The remuneration of the Senior Executive Manager: Corporate Services is included in the employee related costs of the economic entity.

Remuneration of SEM: Economic Development and Planning - UMDM

Annual Remuneration	439 620	703 392	439 620	703 392
Tools of Trade	9 000	14 400	9 000	14 400
Statutory Contributions	6 415	8 331	6 415	8 331
Leave Pay'-out	90 424	-	90 424	-
	545 459	726 123	545 459	726 123

J Martin as Senior Executive Manager: Economic Development and Planning (UMDM) resigned on 30 November 2021.

The remuneration of the Senior Executive Manager: Economic Development and Planning (UMDM) is included in the employee related costs of the economic entity.

Remuneration of SEM: Community Services - UMDM

Annual Remuneration	325 693	977 080	325 693	977 080
Car Allowance	26 000	78 000	26 000	78 000
Tools of Trade	7 200	21 600	7 200	21 600
Statutory Contributions	4 215	10 594	4 215	10 594
Leave Pay-out	40 127	-	40 127	-
	403 235	1 087 274	403 235	1 087 274

T Ndlela as Senior Executive Manager: Community Services (UMDM) resigned on 31 October 2021.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

24. Employee related costs (continued)

The remuneration of the Senior Executive Manager: Community Services (UMDM) is included in the employee related costs of the economic entity.

Remuneration of SEM: Technical Services - UMDM

Annual Remuneration	-	368 381	-	368 381
Car Allowance	-	90 132	-	90 132
Contributions to Medical and Pension Funds	-	58 055	-	58 055
Tools of Trade	-	7 200	-	7 200
Statutory Contributions	-	5 607	-	5 607
	-	529 375	-	529 375

Mr B Mbambo resigned as Senior Executive Manager: Technical Services (UMDM) in October 2020.

The remuneration of the Senior Executive Manager: Technical Services (UMDM) is included in the employee related costs of the economic entity.

Remuneration: GM Projects - UMEDA

Annual Remuneration	815 702	773 000	-	-
Contributions to UIF, PAYE, Medical and Pension Funds	238 634	1 785	-	-
Tools of Trade	22 800	11 400	-	-
Backpay	-	4 600	-	-
	1 077 136	790 785	-	-

The remuneration of the General Manager: Projects (UMEDA) is included in the employee related costs of the economic entity.

Remuneration of Chief Executive Officer - UMEDA: N Newton

Annual Remuneration	256 821	-	-	-
Contributions to UIF, Medical and Pension Funds	84 215	-	-	-
Tools of Trade	6 900	-	-	-
	347 936	-	-	-

M Newton was appointed by the Board of Directors in May 2022. The remuneration of the Chief Executive Officer (UMEDA) is included in the employee related costs of the economic entity.

25. Remuneration of Councillors and Board Members

Mayor	1 048 633	1 051 128	1 048 633	1 051 128
Deputy Mayor	674 287	299 705	674 287	299 705
Executive Committee Members	3 078 830	2 895 318	3 078 830	2 895 318
Speaker	848 714	849 781	848 714	849 781
Councillors	5 285 003	5 795 540	5 285 003	5 795 540
Chief Whip	595 380	799 445	595 380	799 445
Board Members	376 442	23 300	-	-
	11 907 289	11 714 217	11 530 847	11 690 917

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	2022	2021	2022	2021

25. Remuneration of Councillors and Board Members (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members of the previous Council who vacated office in October 2021 were full-time. Each was provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker of the current Council who assumed office in November 2021 were full-time. Each was provided with an office and secretarial support at the cost of the Council.

The Deputy Mayor has the use of separate Council leased vehicles for official duties.

The Mayor, Deputy Mayor and speaker each have two full-time bodyguards.

26. Depreciation and amortisation

Property, plant and equipment	50 696 071	48 802 227	50 184 044	48 246 377
Intangible assets	1 640 734	445 544	1 570 829	167 376
	52 336 805	49 247 771	51 754 873	48 413 753

27. Finance costs

Trade and other payables	553 001	321 358	553 001	321 358
Service concession arrangements	19 517 752	20 711 519	19 517 752	20 711 519
	20 070 753	21 032 877	20 070 753	21 032 877

28. Lease rentals on operating lease

Premises

Contractual amounts	1 420 895	1 990 450	1 065 208	1 617 990
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Motor vehicles

Contractual amounts	14 653 726	15 273 077	14 653 726	15 273 077
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Equipment

Contractual amounts	6 153 719	3 561 171	6 133 094	3 549 995
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	22 228 340	20 824 698	21 852 028	20 441 062
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29. Reversal of impairments

Reversal of impairments

Trade and other receivables	(472 330 101)	-	(472 330 101)	-
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As provided for by the municipality's debt write off policy, the Chief Financial Officer and Accounting Officer have authorised write offs on various categories of debtors. The CFO and Accounting Officer have delegated authority to write off debt that has a balance of R100 000 and below. The policy provides that all debt write offs shall be reported to the Municipal Council.

The debts written off are within the categories of untraceable, prescribed and indigent customer debts. Consequently, the accumulated impairment previously recognised for the affected accounts has been reversed.

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	2022	2021	2022	2021

30. Debt impairment

Debt impairment	160 857 851	184 992 708	160 857 851	184 992 708
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31. Inventory Consumed

VIP Toilets	34 662 961	19 660 497	34 662 961	19 660 497
Water	146 666 708	172 062 334	146 666 708	172 062 334
Materials	2 333 907	5 977 820	2 333 907	5 977 820
Consumables	683 146	302 136	683 146	302 136
Disaster Materials	515 341	-	515 341	-
Agricultural Produce	12 335	13 926	-	-
	184 874 398	198 016 713	184 862 063	198 002 787

Reconciliation of Water for Distribution

Opening Balance	765 564	602 800	765 564	602 800
Water Purchased and Produced	228 076 265	243 144 929	228 076 265	243 144 929
Revenue Water: Authorised - Billed	(90 030 204)	(145 743 863)	(90 030 204)	(145 743 863)
Non-Revenue Water: Authorised - Unbilled	(56 636 504)	(26 318 471)	(56 636 504)	(26 318 471)
Subtotal	82 175 121	71 685 395	82 175 121	71 685 395
Water losses	(81 794 209)	(70 919 831)	(81 794 209)	(70 919 831)
Closing Balance	380 912	765 564	380 912	765 564

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
32. Contracted services				
Outsourced Services				
ICT Support Services	2 372 315	1 040 919	2 372 315	1 040 919
Catering Services	281 155	10 000	281 155	10 000
Clearing and Grass Cutting Services	-	2 960 891	-	2 960 891
Hygiene Services	50 774	-	50 774	-
Sewerage Services	66 718 957	60 130 545	66 718 957	60 130 545
Water Tankers	49 775 473	72 022 353	49 775 473	72 022 353
Consultants and Professional Services				
Business and Advisory	10 961 817	11 822 627	10 961 817	11 822 627
Infrastructure and Planning	12 724 935	19 910 569	12 724 935	19 910 569
Laboratory Services	1 235 926	4 309 245	1 235 926	4 309 245
Legal Cost	10 882 979	11 301 247	10 882 979	11 301 247
Contractors				
Employee Wellness	-	14 510	-	14 510
Event Promoters	-	44 171	-	44 171
Maintenance of Buildings and Facilities	931 758	965 118	931 758	965 118
Medical Services	960	-	960	-
Photography	23 478	-	23 478	-
Safeguard and Security	6 096 330	7 724 393	6 096 330	7 724 393
	162 056 857	192 256 588	162 056 857	192 256 588
33. Grants and subsidies paid				
Other subsidies				
UMEDA Transfer	-	-	9 158 074	6 500 000

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
34. General expenses				
Advertising	118 082	117 042	118 082	88 407
Auditors remuneration	4 685 435	3 648 266	4 040 094	3 608 685
Bank charges	1 361 736	1 285 987	1 350 012	1 275 056
Cleaning	-	17 583	-	-
Consulting and professional fees	561 066	1 791 769	-	460 304
Fines and penalties	384 606	-	384 606	-
Hire	660 364	579 426	660 364	579 426
Insurance	2 226 623	991 290	2 160 433	906 162
IT expenses	-	175 680	-	-
Levies	2 807	-	-	-
Motor vehicle expenses	204 390	221 815	204 390	221 815
Fuel and oil	4 263 126	4 402 559	4 263 126	4 402 559
Placement fees	177 618	181 757	177 618	181 757
Postage and courier	668	124 812	668	124 812
Printing	22 179	371 259	-	311 075
Promotions	-	82 307	-	82 307
Repairs and maintenance	150	286	-	-
Security	3 240	4 838	-	-
Software expenses	3 604 015	2 707 426	3 604 015	2 445 658
Subscriptions and membership fees	2 736 490	1 803 088	2 725 622	1 796 772
Telephone and fax	1 842 500	1 768 166	1 807 811	1 659 243
Training	137 550	493 768	137 550	425 942
Travel - local	1 724 919	836 739	1 683 865	777 227
Assets expensed	807 264	-	807 264	-
Electricity - Infrastructure	6 946 106	-	6 946 106	-
Utilities - Municipal Services	2 422 865	1 724 560	2 370 164	1 703 371
Uniforms	1 772 957	2 783 927	1 772 957	2 782 627
Bursaries and learnerships	21 600	368 523	21 600	368 523
Communications	40 000	-	40 000	-
Signage	68 001	-	68 001	-
Archiving	24 832	-	24 832	-
Consumables	15 285	10 506	-	-
Legal costs	18 454	9 071	-	-
Other expenses	-	43 091	-	-
	36 854 928	26 545 541	35 369 180	24 201 728

35. Loss on Disposal of Assets

Loss on disposal of assets	(8 580 309)	(4 702 557)	(8 580 309)	(4 702 557)
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36. Employee benefit obligations

Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement medical aid plan

The municipality operates on five accredited medical aid schemes, namely, Bonitas, KeyHealth, LA Health, SAMWUMed and HosMed.

Pension benefits

Pensioners have the option to continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH Actuarial Consulting, have carried out the annual statutory valuation and provided the information required to be disclosed in terms of GRAP 25.

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	2022	2021	2022	2021

36. Employee benefit obligations (continued)

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

Opening balance	49 235 000	45 032 000	49 235 000	45 032 000
Benefits paid	(3 307 920)	(3 437 000)	(3 307 920)	(3 437 000)
Net expense recognised in the statement of financial performance	9 631 920	7 640 000	9 631 920	7 640 000
	55 559 000	49 235 000	55 559 000	49 235 000

Net expense recognised in the statement of financial performance

Current service cost	2 890 000	2 489 000	2 890 000	2 489 000
Interest cost	4 858 000	4 533 000	4 858 000	4 533 000
Actuarial (gains) / losses	1 883 920	618 000	1 883 920	618 000
	9 631 920	7 640 000	9 631 920	7 640 000

Calculation of actuarial gains and losses

Actuarial (gains) / losses – Plan assets	1 883 920	618 000	1 883 920	618 000
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Changes in the fair value of plan obligations are as follows:

Opening balance	49 235 000	45 032 000	49 235 000	45 032 000
Actuarial gains / (losses)	1 883 920	618 000	1 883 920	618 000
Contributions by employer	4 858 000	4 533 000	4 858 000	4 533 000
Contributions by plan participants	2 890 000	2 489 000	2 890 000	2 489 000
Benefits paid	(3 307 920)	(3 437 000)	(3 307 920)	(3 437 000)
	55 559 000	49 235 000	55 559 000	49 235 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	3.17 %	2.75 %	3.17 %	2.75 %
Expected rate of return on assets	6.94 %	6.77 %	6.94 %	6.77 %
Medical cost trend rates	8.15 %	8.27 %	8.15 %	8.27 %

Defined contribution plan

It is the policy of the economic entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The economic entity is under no obligation to cover any unfunded benefits.

37. Auditors' remuneration

Fees	4 685 435	3 648 266	4 040 094	3 608 685
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	2022	2021	2022	2021
38. Cash generated from operations				
Surplus	261 035 276	117 733 621	259 815 208	118 635 221
Adjustments for:				
Depreciation and amortisation	52 336 805	49 247 771	51 754 873	48 413 753
Loss on disposal of assets	8 580 309	4 702 557	8 580 309	4 702 557
Actuarial (gains) / losses	1 883 920	618 000	1 883 920	618 000
Donations received	(525 000)	-	(525 000)	-
Finance costs	20 070 753	20 711 519	20 070 753	20 711 519
Impairment reversals	(472 330 101)	-	(472 330 101)	-
Debt impairment	160 857 851	184 992 708	160 857 851	184 992 708
Bad debts written off	436 415 404	-	436 415 404	-
Movements in other provisions	-	10 503 041	6 324 000	10 473 466
Movements in provisions	6 324 000	-	-	-
Movement in leave provision	5 097 896	(1 509 851)	5 020 479	(1 509 851)
Movement in bonus accrual	15 100	1 049 955	15 100	1 049 955
Changes in working capital:				
Inventories	986 424	(2 135 995)	974 089	(2 149 921)
Receivables from exchange transactions	(14 311 605)	816 536	(14 311 605)	713 007
Consumer debtors	(129 102 477)	(175 991 427)	(129 102 477)	(175 991 427)
Other receivables from non-exchange transactions	(4 642 684)	(13 657 747)	(342 860)	(15 692 320)
Employee related accruals	2 134 503	-	2 134 503	-
Employee benefits movement	(6 324 000)	-	(6 324 000)	-
Interest accrued on borrowings	(634 746)	-	(634 746)	-
Payables from exchange transactions	(97 466 593)	(18 520 073)	(97 448 371)	(16 636 681)
VAT	(33 480 306)	31 680 942	(33 406 485)	31 423 505
Unspent conditional grants and receipts	(1 647 519)	(3 470 204)	(1 534 119)	(8 186 185)
Consumer deposits	311 474	415 474	311 474	415 474
Leave provision	(5 020 479)	1 509 851	(5 020 479)	1 509 851
Bonus accrual	(15 100)	(1 049 955)	(15 100)	(1 049 955)
Other provisions	56 104 470	(10 473 466)	56 104 470	(10 473 466)
	246 653 575	197 173 257	249 267 090	191 969 210

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
39. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	262 978 736	361 352 331	262 978 736	361 352 331
Total capital commitments				
Already contracted for but not provided for	262 978 736	361 352 331	262 978 736	361 352 331
Authorised operational expenditure				
Already contracted for but not provided for				
• Office rental	613 056	452 511	613 056	452 511
• Other general commitments	41 259 315	16 247 874	41 020 645	15 654 851
	41 872 371	16 700 385	41 633 701	16 107 362
Total operational commitments				
Already contracted for but not provided for	41 872 371	16 700 385	41 633 701	16 107 361
Total commitments				
Total commitments				
Authorised capital expenditure	262 978 736	361 352 331	262 978 736	361 352 331
Authorised operational expenditure	41 872 371	16 700 385	41 633 701	16 107 361
	304 851 107	378 052 716	304 612 437	377 459 692

This committed capital expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	18 322 389	7 384 107	18 083 719	6 916 562
- in second to fifth year inclusive	23 549 982	9 316 278	23 549 982	9 190 800
	41 872 371	16 700 385	41 633 701	16 107 362

Operating lease payments represent rentals payable by the economic entity for certain of its office properties, equipment and vehicles. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

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	2022	2021	2022	2021

40. Contingencies

A matter between the municipality and Yellowdot to the value of R445 790 for unpaid invoices and the early termination of a contract. An amount of R50 000 is further estimated for costs.

A matter between the municipality and ORIO Funding. The matter is in relation to work done and damages relating to ORIO Funded Projects to the value of R72 000 000. An amount of R800 000 is further estimated for costs.

An amount of R658 280 is claimed by Zain Brothers for payment of a sub-contractor that provided a service and is yet to be paid by the contractor. An amount of R50 000 is further estimated for costs.

A claim of R3 150 000 against the municipality for damages suffered by plaintiff KA Murdoch from a motor vehicle accident in the Howick area. An amount of R80 000 is further estimated for costs.

A motor vehicle claim against the municipality by T Sheshoka for R364 640. An amount of R50 000 is further estimated for costs.

A claim by Hilton Development Comm for the amount of R100 000 for delays in the provision of sewerage services resulting in delays in their project implementation.

A civil claim of R546 062 by G Shabalala against the municipality for damage to property caused by storm water drainage.

A matter between the municipality and Ms N Moodley where she is seeking reinstatement to her previous role as well as back pay to the value of R2 000 000.

A matter between the municipality and LB Mbatha to the value of R20 000 seeking compensation because of damages suffered as a result of negligence by a municipal employee.

An amount of R300 000 is claimed by DMS Cabling for the Mandela Marathon electricity costs.

A matter between the municipality and Zabalaza Mshengu (Farm Dwellers) to comply with a court order granted against it to install VIP toilets and water tanks for farm dwellers residing in its jurisdiction.

No provision has been made in the financial statements for all of the above liabilities.

A matter between the municipality and Tommy Auto for the recovery of debt owed to the municipality to the value of R339 108.

A matter between the municipality and Belo and Kies for the recovery of debt owed to the municipality to the value of R361 969.

A matter between the municipality and Tayun Textile for the recovery of debt owed to the municipality to the value of R10 000 000.

A matter between the municipality and Richmond Primary School for the recovery of debt owed to the municipality to the value of R350 000.

A matter between the municipality and ORIO for the recovery of debt owed to the municipality to the value of R8 000 000.

No provision has been made in the financial statements for all of the above assets.

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	2022	2021	2022	2021

41. Related parties

Relationships	
Accounting Officer	Refer to Accounting Officer's Report and note 24
Controlling entity	uMgungundlovu District Municipality
Municipal Entity	uMgungundlovu Economic Development Agency
Councillors	Refer to General Information and note 25
Senior Management	Refer to note 24
Director - UMEDA	Dulcie Zinhle Sokhela - Refer to note 25
Director - UMEDA	Mpumelelo Zikalala - Refer to note 25
Director - UMEDA	Sihle Ndlovu - - Refer to note 25
Director - UMEDA	Albert Modi - - Refer to note 25

42. Events after the reporting date

On 30 August 2022, following a full asset verification, Council resolved to write-off assets at a total carrying value of R 8 564 301 due to the assets either not being found, have become redundant or are damaged and can no longer be used in the manner intended by management.

43. Water Losses

Water loss	81 794 209	70 919 831	81 794 209	70 919 831
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The total amount of water available for distribution was 28 124 627 kL of which 11 136 403 kL was sold and 7 005 726 related to non-revenue water, resulting in water losses of 9 935 380 kL (35%) for 2021/22 compared to 7 504 744 kL (33%) for 2020/21.

The volume of water losses has increased as a result of water leakages not reported timeously; illegal connections (especially in the rural areas); flat rate charge to customers in certain areas; and faulty meters.

As part of the Revenue enhancement Programme, the municipality is identifying illegal connections as well as faulty meters and installing new meters.

44. Fruitless and wasteful expenditure

Opening balance as previously reported	37 279	6 779 250	-	6 779 250
Opening balance as previously reported UMEDA	-	-	-	-
Opening balance as restated	37 279	6 816 529	-	6 779 250
Add: Fruitless and Wasteful Expenditure - current	37 697	-	34 197	-
Add: Fruitless and Wasteful Expenditure - prior period	-	283 278	-	283 278
Less: Amounts recoverable - prior period	-	(6 779 251)	-	(6 779 251)
Less: Amounts recoverable - current	-	(283 277)	-	(283 277)
Less: Amount written off - current	(33 662)	-	(33 662)	-
Closing balance	41 314	37 279	535	-

The fruitless and wasteful expenditure of the municipal entity is under investigation. Council resolved that the implicated officials will be subjected to the disciplinary process of the economic entity.

A payment of R 3 500 by the municipal entity was erroneously processed twice, however, the recovery process of this amount is in progress.

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	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

44. Fruitless and wasteful expenditure (continued)

Amounts recoverable

At a Full Council meeting which took place on 27 August 2021, fruitless and wasteful expenditure at an amount of R7 062 528 was resolved to be recoverable by Council. This was treated as an adjusting event for reporting purposes in the 2020/21 financial year. The recovery process is in progress.

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44. Fruitless and wasteful expenditure (continued)

Amounts written off

On 27 August 2021, after council committee investigations, council adopted the council committee recommend to write-off an amount of R - from the municipal official as it was proven without reasonable doubt that the official was liable for the identified non-compliance to the SCM processes.

At a Full Council meeting which took place on 28 June 2022, fruitless and wasteful expenditure at an amount of R 33 662 was written off by Council in accordance with section 32(2)(b) of the MFMA.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
45. Irregular expenditure				
Opening balance as previously reported	41 356 343	56 441 278	34 416 123	50 249 514
Correction of prior period error	(13 426 673)	331 745	(13 426 673)	-
Opening balance as restated	27 929 670	56 773 023	20 989 450	50 249 514
Add: Irregular Expenditure - prior period	-	933 086	-	933 086
Add: Irregular Expenditure - current period	864 424	12 815 877	680 904	12 399 165
Less: Amounts recoverable - prior period	(342 860)	(8 629 792)	(342 860)	(8 629 792)
Less: Amount written off - current period	(20 780 368)	(20 535 851)	(20 780 368)	(20 535 851)
Closing balance	7 670 866	41 356 343	547 126	34 416 122

45. Irregular expenditure (continued)

Amounts recoverable

On 27 August 2021, after the council committee investigations, council adopted the council committee recommendations to recover an amount of R8 629 792 from the municipal officials concluded to be liable for the identified non-compliance to the SCM processes.

Irregular Expenditure Written off by Council

On 28 June 2022, following the outcomes of the Council Committee investigations, Council adopted the Council Committee recommendations to write-off an amount of R 20 780 372. The consequence management process was implemented and these amounts were concluded to be amounts not incurred in vain (ie. there was value for money).

These amounts were written off in line with section 32(2)(b) of the MFMA which states that after investigation by a council committee, irregular expenditure may be certified by the council as irrecoverable and written off by the council.

Failure to follow section 116(3) of the MFMA	10 723 014	22 470	10 723 014	22 470
Failure to follow SCM Processes	10 052 249	20 513 381	10 052 249	20 513 381
Non-compliance with DoRA	5 105	-	5 105	-
	20 780 368	20 535 851	20 780 368	20 535 851

Irregular Expenditure Incurred During the Year

Expenditure incurred on expired contracts	-	6 000	-	-	6 000
Failure to follow SCM processes	730 645	19 472	547 125	-	19 472
Failure to follow Section 116(3) of the MFMA	-	9 653 693	-	-	9 653 693
Non-compliance with SCM Regulation 43	-	2 714 000	-	-	2 714 000
Non-compliance with SCM Regulation 44	133 779	6 000	133 779	-	6 000
Employee related irregularities	-	327 396	-	-	-
Conditions of grant not met	-	89 316	-	-	-
	864 424	12 815 877	680 904	12 399 165	

Irregular Expenditure Incurred During the Prior

Year					
Failure to follow Section 116(3) of the MFMA	-	933 085	-	-	933 085

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	2022	2021	2022	2021
46. Unauthorised expenditure				
Opening balance as previously reported	86 575 122	182 429 395	86 575 122	182 429 395
Opening balance as restated	86 575 122	182 429 395	86 575 122	182 429 395
Add: Unauthorised Expenditure - current period	65 629 790	86 575 122	65 629 790	86 575 122
Less: Amount written off - prior period	(86 575 122)	(182 429 395)	(86 575 122)	(182 429 395)
Closing balance	65 629 790	86 575 122	65 629 790	86 575 122

An amount of R 65 729 790 unauthorised expenditure was incurred in the current financial year (2021: R 86 575 122). This was due to the actual expenditure being more than the approved operating expenditure budget.

The main contributors to the excess expenditure being:

- debt write-offs resulting from the data cleansing process of debtors
- depreciation of assets due to correction of error of Manzamnyama and Maqongqo Water Projects that were completed in the 2020/21 financial year.
- the negotiations for the contracted services relating to sewerage services were not concluded within the financial year and resulted in over-expenditure of related service.

On 28 June 2022, following the outcomes of the Council Committee investigations, Council adopted the Council Committee recommendations to write-off an amount of R 86 575 122. The investigation outcome cited no instances of financial misconduct was noted and these amounts were written off in line with section 32(2)(a)(ii) of the MFMA.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	7 087 447	147 178 881	7 087 447	147 178 881
Cash	58 542 343	(60 603 759)	58 542 343	(60 603 759)
	65 629 790	86 575 122	65 629 790	86 575 122

Analysed as follows: non-cash

Depreciation and amortisation	7 164 502	3 824 236	3 106 218	3 106 218
Debt impairment	35 857 851	144 072 663	35 857 851	144 072 663
Reversal of debt impairment	(72 330 101)	-	(72 330 101)	-
Bad debts written off	36 395 195	-	36 395 195	-
	7 087 447	147 896 899	3 029 163	147 178 881

Analysed as follows: cash

Inventory consumed	(75 073 339)	(49 425 645)	(75 073 339)	(49 425 645)
Water losses	81 794 209	-	81 794 209	-
Contracted services	41 424 033	(21 264 759)	41 424 033	(21 264 759)
Finance costs	(48 818)	(6 517 170)	(48 818)	(6 517 170)
Employee related costs	13 316 861	(6 679 151)	13 316 861	(6 679 151)
Remuneration of Councillors and Board members	(171 642)	(2 091 337)	(171 642)	(2 091 337)
General expenditure	237 534	20 939 063	237 534	20 939 063
Lease rental on operating lease	(2 936 495)	4 435 240	(2 936 495)	4 435 240
	58 542 343	(60 603 759)	58 542 343	(60 603 759)

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 645 662	2 946 058	2 645 662	2 946 058
Amount paid - current year	(2 645 662)	(2 946 058)	(2 645 662)	(2 946 058)
	-	-	-	-

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

Audit fees

Opening balance	18 587	-	18 587	-
Current year subscription / fee	4 685 435	3 589 288	4 040 094	3 549 707
Amount paid - current year	(4 704 022)	(3 570 701)	(4 058 681)	(3 531 120)
	-	18 587	-	18 587

PAYE and UIF

Current year subscription / fee	44 659 351	45 272 425	44 659 351	45 272 425
Amount paid - current year	(44 659 351)	(45 272 425)	(44 659 351)	(45 272 425)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	45 444 361	44 437 873	45 444 361	44 437 873
Amount paid - current year	(45 444 361)	(44 437 873)	(45 444 361)	(44 437 873)
	-	-	-	-

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	2022	2021	2022	2021

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ragavaloo A (Mr)	3 624	23 926	27 550
Dladla ME (Mr)	1 251	1 856	3 107
Dlamini MP (Mr)	1 133	18 605	19 738
Holmes J (Ms)	925	166	1 091
Lake H (Ms)	415	-	415
Nkuna SD (Mr)	1 437	20 762	22 199
Mabhida N (Ms)	1 167	12 852	14 019
Ntuli JB (Mr)	100	-	100
Rangavaloo A (Mr)	1 885	21 538	23 423
Zondi DP (Mr)	5 955	147 552	153 507
	17 892	247 257	265 149

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ragavaloo A (Mr)	275	19 198	19 473
Dladla ME (Mr)	-	374	374
Dlamini MP (Mr)	55	2 802	2 857
Mungroo NA (Mr)	9 247	61 013	70 260
Lake H (Ms)	-	90	90
Nkuna SD (Mr)	424	24 862	25 286
Mabhida N (Ms)	284	6 496	6 780
Ntuli JB (Mr)	234	1 295	1 529
Rangavaloo A (Mr)	3 560	8 660	12 220
Zondi DP (Mr)	1 023	115 069	116 092
	15 102	239 859	254 961

48. Deviation from supply chain management regulations

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

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

The economic entity recorded deviations totalling R 8 421 413 (2021: R 7 523 962) in the current financial year.

A total of R nil (2021: R 568 298) deviations related to cases where there was an emergency.

A total of R nil (2021: R nil) deviations related to cases where the goods/services were produced or available from a single provider only.

A total of R 8 421 413 (2021: R 6 955 664) deviations related to exceptional cases where it was impractical or impossible to follow the official procurement process.

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49. Budget differences

Material differences between budget and actual amounts

There was excess expenditure to the final budget of 7% for the current year (2021: 9%). This was mainly due to increased contributions for debt write-offs, depreciation, employee related costs and sewerage services. There were no other material differences between the final budget and the actual amounts.

50. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	261 035 276	117 733 621	259 815 208	118 635 221
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51. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

Operating activities

Actual amount as presented in the budget statement	246 288 572	197 173 257	249 267 090	191 969 210
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Investing activities

Actual amount as presented in the budget statement	(219 298 334)	(167 516 669)	(219 276 434)	(167 507 519)
----------------------------------------------------	---------------	---------------	---------------	---------------

Financing activities

Actual amount as presented in the budget statement	(31 114 617)	(30 719 497)	(31 114 617)	(30 719 497)
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Net cash generated from operating, investing and financing activities

	(4 124 379)	(1 062 909)	(1 123 961)	(6 257 806)
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52. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	175 530 249	186 492 368	175 530 249	186 492 368
Used to finance property, plant and equipment	(183 385 111)	(194 981 976)	(183 385 111)	(194 981 976)
	(7 854 862)	(8 489 608)	(7 854 862)	(8 489 608)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

53. Other revenue

Other income from exchange transactions	84 095	81 036	72 614	74 505
Fresh Farm Products (Fresh Produce)	-	68 210	-	-
	84 095	149 246	72 614	74 505

54. Operating surplus

Operating surplus for the year is stated after accounting for the following:

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54. Operating surplus (continued)

Operating lease charges

Premises				
• Contractual amounts	1 420 895	1 990 450	1 065 208	1 617 990
Motor vehicles				
• Contractual amounts	14 653 726	15 273 077	14 653 726	15 273 077
Equipment				
• Contractual amounts	6 153 719	3 561 171	6 133 094	3 549 995
	22 228 340	20 824 698	21 852 028	20 441 062
Loss on disposal of assets and liabilities	(8 580 309)	(4 702 557)	(8 580 309)	(4 702 557)
Reversal of impairment on trade and other receivables	472 330 101	-	472 330 101	-
Amortisation on intangible assets	1 640 734	445 544	1 570 829	167 376
Depreciation on property, plant and equipment	50 696 071	48 802 227	50 184 044	48 246 377
Employee costs	298 751 595	284 411 309	292 961 265	280 421 850

55. Revenue

Service charges	315 729 067	294 646 057	315 729 067	294 646 057
Other income from exchange transactions	84 095	81 036	72 614	74 505
Farm Fresh Produce	-	68 210	-	-
Interest received - investment	3 662 430	2 995 646	3 478 660	2 907 135
Interest on outstanding debtors	33 375 838	47 173 702	33 375 838	47 173 702
Government grants & subsidies	901 691 254	810 645 243	901 577 854	810 645 243
Public contributions and donations	525 000	-	525 000	-
Other income from non-exchange transactions	342 860	15 692 320	342 860	15 692 320
	1 255 410 544	1 171 302 214	1 255 101 893	1 171 138 962

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	315 729 067	294 646 057	315 729 067	294 646 057
Other income from exchange transactions	84 095	81 036	72 614	74 505
Farm Fresh Produce	-	68 210	-	-
Interest received - investment	3 662 430	2 995 646	3 478 660	2 907 135
Interest on outstanding debtors	33 375 838	47 173 702	33 375 838	47 173 702
	352 851 430	344 964 651	352 656 179	344 801 399

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants & subsidies	901 691 254	810 645 243	901 577 854	810 645 243
Public contributions and donations	525 000	-	525 000	-
Other revenue from non-exchange transactions	342 860	15 692 320	342 860	15 692 320
	902 559 114	826 337 563	902 445 714	826 337 563

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56. Sundry Debtors Disclosure

Gross balances				
Sundry debtors	15 371 490	15 373 077	15 371 490	15 373 077
Less: Allowance for impairment				
Sundry debtors	(10 236 304)	(10 048 135)	(10 236 304)	(10 048 135)
Net balances				
Sundry debtors	5 135 186	5 324 942	5 135 186	5 324 942
Included in the above is receivables from exchange transactions				
Sundry debtors	5 135 186	5 324 942	5 135 186	5 324 942
Net balances	5 135 186	5 324 942	5 135 186	5 324 942
Sundry debtors >150 days	5 135 186	5 324 942	5 135 186	5 324 942
Summary of debtors by customer classification				
Sundry debtors > 150 days	15 371 490	15 373 077	15 371 490	15 373 077
Subtotal	15 371 490	15 373 077	15 371 490	15 373 077
Less : Allowance for impairment	(10 236 304)	(10 048 135)	(10 236 304)	(10 048 135)
	5 135 186	5 324 942	5 135 186	5 324 942

57. Revaluation reserve

Opening balance	56 470 999	24 628 860	56 470 999	24 628 860
Correction of prior period error	-	31 842 139	-	31 842 139
	56 470 999	56 470 999	56 470 999	56 470 999

58. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2022

	Housing development fund	Total
Opening balance	8 127	8 127

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2021

	Housing development fund	Total
Opening balance	8 127	8 127

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58. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity 2022

	Housing development fund	Total
Opening balance	8 127	8 127

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2021

	Housing development fund	Total
Opening balance	8 127	8 127

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59. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Controlling entity

	As previously reported	Correction of error	Restated
Revaluation Surplus	24 628 860	31 842 139	56 470 999
Accumulated Surplus	1 774 997 225	(9 808 000)	1 765 189 225
Property, Plant and Equipment	2 154 008 671	29 638 133	2 183 646 804
Cash and Cash Equivalents	82 389 734	417 303	82 807 041
Consumer Debtors	84 920 531	(97 523)	84 823 008
Receivables from Exchange Transactions	7 169 505	1 987	7 171 492
Unspent Conditional Grants	18 512 573	(156 027)	18 356 546
Payables from Exchange Transactions	232 933 880	(13 836 738)	219 097 142
Consumer Deposits	7 258 007	690	7 259 697
VAT Payable	66 403 085	1 288 732	67 691 817
Provisions	39 055 788	20 628 137	59 683 925

Economic entity

	As previously reported	Correction of error	Restated
Revaluation Surplus	24 628 860	31 842 139	56 470 999
Accumulated Surplus	1 775 363 200	(9 646 194)	1 765 717 006
Property, Plant and Equipment	2 154 008 671	29 638 133	2 183 646 804
Cash and Cash equivalents	82 389 734	417 303	82 807 041
Consumer Debtors	84 920 531	(97 523)	84 823 008
Receivables from Exchange Transactions	7 169 505	1 987	7 171 492
Unspent Conditional Grants	25 604 355	317 863	25 286 492
Payables from Exchange Transactions	232 933 880	(4 860 956)	228 072 924
Consumer Deposits	7 258 007	690	7 259 697
VAT Payable	66 403 085	1 288 732	67 691 817
Provisions	39 055 788	20 628 137	59 683 925

Statement of financial performance

Controlling entity

	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges		297 454 545	(2 808 488)	-	294 646 057
Interest from Outstanding Debtors		47 998 807	(825 105)	-	47 173 702
Government Grants & Subsidies		810 459 040	186 203	-	810 645 243
Employee Related Costs		266 132 358	2 598 575	-	268 730 933
Depreciation		46 879 865	1 533 888	-	48 413 753
Finance Costs		21 032 830	47	-	21 032 877
Lease Rentals on Operating Leases		4 435 240	5 636 785	10 369 037	20 441 062
Debt Impairment		187 819 718	(4 405 717)	-	184 992 708
Inventory Consumed		-	-	198 002 787	198 002 787
Contracted Services		191 096 914	1 217 635	(57 961)	192 256 588
General Expenses		60 609 736	(156 479)	(36 251 529)	24 201 728
Actuarial (Gains) / Losses		2 333 000	(1 715 000)	-	618 000
Bulk Water Purchases		245 082 355	(2 100 190)	(242 982 165)	-
Inventories Losses / Write Downs		-	-	70 919 831	70 919 831

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	2022	2021	2022	2021	
59. Prior-year adjustments (continued)					
Economic entity					
	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges		297 454 545	(2 808 488)	-	294 646 057
Interest from Outstanding Debtors		47 998 807	(825 105)	-	47 173 702
Government Grants & Subsidies		810 743 059	(97 816)	-	810 645 243
Employee Related Costs		266 132 358	2 598 575	-	268 730 933
Depreciation		46 879 865	1 533 888	-	48 413 753
Finance Costs		21 032 830	47	-	21 032 877
Lease Rentals on Operating Lease		4 435 240	5 636 785	10 369 037	20 441 062
Debt Impairment		187 819 718	4 405 717	-	184 992 708
Inventory Consumed		254 082 355	-	25 940 453	271 022 808
Contracted Services		191 096 914	1 159 674	-	192 256 588
General Expenses		60 609 736	(98 518)	(36 309 490)	24 201 728
Actuarial (Gains) / Losses		2 333 000	(1 715 000)	-	618 000
Surplus for the year		-	-	-	-

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59. Prior-year adjustments (continued)

Errors

The following prior period errors adjustments occurred:

Property, Plant and Equipment

A prior period error has been presented relating to the revaluation of buildings as per the Msunduzi Municipality Valuation Roll, effective on 01 July 2019, and the capitalisation of infrastructure assets erroneously omitted from completed projects.

The corrections affected the property, plant and equipment, revaluation surplus, accumulated surplus and the depreciation expense.

Revenue and Debtors

Closed Accounts

The correction of prior year relates to closed accounts that we not finalised on the system and therefore continued billing interests and estimated charges. These accounts were not supposed to bill anything and therefore the billing and interest charged was reversed.

Parking Accounts

Correction relate to parking accounts that have been billing customers that no longer have the right and access to the parking facilities. The parking contracts were terminated and therefore no billing was supposed to continue on these accounts because the municipality had no basis to charge customers.

Expenditure and Payables

The prior period corrections relate to expenditures incorrectly raised and or/duplicated as well as accruals that had not been raised due to invoices not yet received prior to the submission of the prior year annual financial statements.

Cash and Cash Equivalents

The prior period correction relates to Post Office account incorrectly presented within trade and other payables.

Irregular expenditure

Opening balance	41 356 343	55 107 234	34 416 122	-
Adjustments made	-	331 745	-	-
Items included erroneously	838 095	-	838 095	-
Amounts condoned by Council	(13 320 217)	-	(13 320 217)	-
Outstanding contract documents located	(754 551)	-	(754 551)	-
No payments made against contract	(190 000)	-	(190 000)	-
Restated opening balance	27 929 670	55 438 979	20 989 449	-

2022: The adjustments made to irregular expenditure are as a result of amounts erroneously included in the closing balance of irregular expenditure as at 30 June 2021.

2021: The adjustment made to opening balance of irregular expenditure of the municipal entity is due to an omission of irregular expenditure of R331 745 made to Kaizen International and Mashize Investments on the 30 June 2020 annual financial statements.

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60. Risk management

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The economic entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the economic entity's financial performance.

Liquidity risk

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

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

Economic entity

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	31 081 691	31 081 691	93 145 073	93 245 073
Trade and other payables	307 933 874	-	-	-
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	31 081 691	31 081 691	93 245 073	124 326 764
Trade and other payables	379 149 335	-	-	-

Controlling entity

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	31 081 691	31 081 691	93 245 073	93 245 073
Trade and other payables	305 301 517	-	-	-
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	31 081 691	31 081 691	93 245 073	124 326 764
Trade and other payables	372 089 127	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial instrument	Economic Entity - 2022	Economic Entity - 2021	Controlling Entity - 2022	Controlling Entity - 2021
Cash and Cash Equivalents	84 539 693	88 664 072	81 683 080	82 807 041
Trade Receivables	126 561 843	107 936 224	126 312 439	107 686 820

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	2022	2021	2022	2021

60. Risk management (continued)

Market risk

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk.

61. Going concern

The current ratio for the the current financial year is 0.80:1; the collection rate is 63% and the cash coverage ratio is 1.01. This indicates that the economic entity does not have sufficient cash resources to meet its obligations, however if we look at an overall picture, the total assets exceed the total liabilities which indicates that the municipality is solvent. The economic entity receives grants to fund operating activities as well as capital commitments .

We draw attention to the fact that at 30 June 2022, the economic entity had an accumulated surplus of R 2 020 039 393 and that the municipality's total assets exceed its liabilities by R 2 076 510 392.

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.

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62. Actual operating expenditure versus budgeted operating expenditure

Refer to the Statement of Comparison of Budget and Actual Amounts for a comparison of actual operating expenditure versus budgeted operating expenditure. The reasons for the variances are as follows:

Note 61.1 Consumption of services was lower than anticipated where, as part of the Revenue Enhancement Programme, the resolving of customer queries has contributed to lower actual service charges realised.

Note 61.2 These amounts relate to income received for the environmental health licensing and an insurance refund which were not budgeted for.

Note 61.3 Received more than anticipated interest revenue from investments and bank accounts due to higher than expected bank balances.

Note 61.4 Billed less interest on outstanding debtors than anticipated where, as part of the Revenue Enhancement Programme, the resolving of customer queries has contributed to lower actual interest outstanding debtors realised.

Note 61.5 Conditional grants received but not yet spent at year end.

Note 61.6 This amount relates to the release of retentions following the completion of projects and/or project phases.

Note 61.7 This income relates to recoveries of Fruitless and Wasteful expenditure which was not budgeted for.

Note 61.8 Employee costs were in excess to the budget due to higher than anticipated costs following the response required upon declaration of the State of National Disaster in April 2022.

Note 61.9 Saving on remuneration of Councillors.

Note 61.10 Depreciation of assets in excess due to correction of error of Manzamnyama and Maqongqo Water Projects that were completed in the 2020/21 financial year.

Note 61.11 As part of the Revenue Enhancement Programme, the Debtors database was interrogated and in line with the municipality's debt write off policy, the Chief Financial Officer and Accounting Officer have authorised write offs on various categories of debtors. The debts written off are within the categories of untraceable, prescribed and indigent customer debts. The debt impairment of the affected accounts was reversed accordingly and was in excess of the amount budgeted for.

Note 61.12 Saving on interest costs.

Note 61.13 Saving on lease rental costs.

Note 61.14 Additional impairment due to higher than anticipated outstanding debtor balances aged beyond 90 days.

Note 61.15 As part of the Revenue Enhancement Programme, the Debtors database was interrogated and in line with the municipality's debt write off policy, the Chief Financial Officer and Accounting Officer have authorised write offs on various categories of debtors. The debts written off are within the categories of untraceable, prescribed and indigent customer debts. The debt write-off accounted for was in excess of the budget.

Note 61.16 Saving on inventory consumed.

Note 64.17 The negotiations for the contracted services relating to sewerage services were not concluded within the financial year and resulted in over-expenditure of related service.

Note 64.18 Unavoidable expenditure incurred.

Note 64.19 Asset disposal not anticipated at the time of compiling the budget.

Note 64.20 Actuarial gain not anticipated at the time of compiling the budget.

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63. Segment information

General information

Identification of segments

The economic entity is organised and reports to management and governance structures on the basis of five major functional areas: Budget and Treasury, Community Services, Planning and Economic Development/LED/Tourism, Technical Services and Corporate and other support services/units. These are based on municipal powers as cited on the IDP as well as municipal classification per the standard chart of accounts.

A segment is an activity of an entity:

(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity.

(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

(c) for which separate financial information is available.

Within these functional areas, 3 reportable segments were identified by management. 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

The identified reportable segments are as follows:

Community Services

Planning and Economic Development

Trading Services

Aggregated segments

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

Types of goods and/or services by segment

The type of goods and services in these services are those consistent with the provision of basic services to municipal customers and community. The nature of the services generate economic benefits for the municipality as well improve the service potential of the municipality.

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63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Economic entity

	Community Services	Planning and Economic Development	Trading Services	Total
Revenue				
Revenue from non-exchange transactions	65 299 000	9 523 720	222 879 560	297 702 280
Revenue from exchange transactions	-	-	349 104 905	349 104 905
Interest Revenue	-	183 770	-	183 770
Other income	71 375	11 481	-	82 856
Total segment revenue	65 370 375	9 718 971	571 984 465	647 073 811
Interest revenue				3 478 660
Other income				1 239
Non-exchange Revenue				604 856 833
Total revenue reconciling items				608 336 732
Economic Entity's revenue				1 255 410 543
Expenditure				
Salaries and wages	(44 531 188)	(9 345 574)	(83 462 860)	(137 339 622)
Other expenses	(20 605 867)	(5 252 703)	(453 948 162)	(479 806 732)
Finance Costs	-	-	(19 517 752)	(19 517 752)
Debt Impairment	-	-	(160 857 851)	(160 857 851)
Reversal of impairment	-	-	472 330 101	472 330 101
Bad debts written off	-	-	(436 415 404)	(436 415 404)
Total segment expenditure	(65 137 055)	(14 598 277)	(681 871 928)	(761 607 260)

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	Community Services	Planning and Economic Development	Trading Services	Total
63. Segment information (continued)				
Salaries and wages				(161 455 581)
Finance costs				(553 001)
Other expenses				(60 295 196)
Loss on disposal of assets				(8 580 309)
Actuarial (gains) / losses				(1 883 920)
Total expenditure reconciling items				(232 768 007)
Economic Entity's expenditure				(994 375 267)
Economic Entity's surplus (deficit) for the period				261 035 276
Assets				
Current Assets	176 454	3 106 017	91 442 500	94 724 971
Non-current Assets	-	1 274 190	2 317 970 663	2 319 244 853
Total segment assets	176 454	4 380 207	2 409 413 163	2 413 969 824
Current Assets				119 890 949
Non-current Assets				26 113 742
Total assets as per Statement of financial Position				2 559 974 515
Liabilities				
Current Liabilities	835 600	7 336 938	35 741 426	43 913 964
Non-current Liabilities	-	-	163 219 832	163 219 832
Total segment liabilities	835 600	7 336 938	198 961 258	207 133 796
Current Liabilities				223 849 619
Non-current Liabilities				52 480 708
Total liabilities as per Statement of financial Position				483 464 123
Controlling entity				

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63. Segment information (continued)

	Community Services	Planning and Economic Development	Trading service	Total
Revenue				
Revenue from non-exchange transactions	65 299 000	9 410 320	222 879 560	297 588 880
Revenue from exchange transactions	-	-	349 104 905	349 104 905
Other income - licences	71 375	-	-	71 375
Total segment revenue	65 370 375	9 410 320	571 984 465	646 765 160
Interest revenue	-	-	-	3 478 661
Other income	-	-	-	1 239
Non-exchange revenue	-	-	-	604 856 833
Total revenue reconciling items				608 336 733
Municipality's revenue				1 255 101 893
Expenditure				
Salaries and wages	(44 531 188)	(3 555 244)	(83 462 860)	(131 549 292)
Other expenses	(20 605 867)	(11 954 451)	(453 948 162)	(486 508 480)
Finance Costs	-	-	(19 517 752)	(19 517 752)
Debt Impairment	-	-	(160 857 851)	(160 857 851)
Reversal of impairment	-	-	472 330 101	472 330 101
Bad debts written off	-	-	(436 415 404)	(436 415 404)
Total segment expenditure	(65 137 055)	(15 509 695)	(681 871 928)	(762 518 678)
Total segmental surplus/(deficit)				-
Salaries and wages				(161 455 581)
Finance costs				(553 001)
Other expenses				(60 295 196)
Loss on disposal of assets				(8 580 309)
Actuarial (gains) / losses				(1 883 920)
Municipality's surplus (deficit) for the period				259 815 208

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63. Segment information (continued)

	Community Services	Planning and Economic Development	Trading service	Total
Assets				
Current Assets	176 454	-	91 442 500	91 618 954
Non-current Assets	-	-	2 317 970 663	2 317 970 663
Total segment assets	176 454	-	2 409 413 163	2 409 589 617
Current Assets				119 890 949
Non-current Assets				26 113 742
Total assets as per Statement of financial Position				2 555 594 308
Liabilities				
Current Liabilities	835 600	-	35 741 426	36 577 026
Non-current Liabilities	-	-	163 219 832	163 219 832
Total segment liabilities	835 600	-	198 961 258	199 796 858
Current Liabilities				228 554 200
Non-current Liabilities				52 480 708
Total liabilities as per Statement of financial Position				480 831 766

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63. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

The nature of differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit and discontinued operations

The economic entity applies the same measurement basis on the information disclosed for the reportable segment as that of the municipal financial statements, except for departmental charges which are allocated between the departments based on consumption, expenditure incurred or any other relevant basis of allocation agreed-upon by the respective departments. On the municipal financial statements, departmental charges are eliminated. There are no other allocations to the reportable segments.

Information about geographical areas

Although the municipality operates in several geographical areas across different wards, these areas are irrelevant for users of the financial statements to make decisions about the entity as the goods or services provided are substantially the same.