



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 June 30, 2023

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

General Information

Executive Committee

Mayor

Deputy Mayor

Speaker

Chief Whip

M Zuma (ANC)

AS Mabaso (ANC)

NMN Gabela (ANC)

SR Majozi (ANC)

HM Lake (DA)

DC Madondo (DA)

DS Mkhize (ANC)

Councillors

NB Ahmed (ANC)

MS Branches (EFF)

NE Cebekhule (ANC)

SD Chonco (DA)

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)

MS Mbuto (EFF)

B Mkhize (IFP)

SA Mkhize (ANC)

TS Mkhize (ANC)

SN Mncwabe (EFF)

GS Mncwango (ANC)

MC Mshengu (ANC)

K Msomi (ANC)

NW Mtshwara (EFF)

NE Ndlovu (DA)

S Ngidi (ANC)

MA Ngubane (IFP)

RZ Ngubo (DA)

AN Phungula (DA)

VM Phungula (ANC)

S Reddy (DA)

RS Sokhela (ANC)

CB Van Der Byl (DA)

LW Wynne (ANC)

NC Zondi (IFP)

S Zondi (DA)

MB ZUma (ANC)

NJ Zungu (ANC)

Former Councillors

MS Bond (DA)

MK Ngcongo (ANC)

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

General Information

Auditors

Auditor General of South Africa
Registered Auditors

Registered office

242 Langalibalele Street
Pietermaritzburg
3201

Controlling entity

uMgungundlovu District Municipality

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Index

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

	Page
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 17
Accounting Policies	18 - 40
Notes to the Annual Financial Statements	41 - 102

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Index

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	Umnjeni Resilience Project
VAT	Value Added Tax
WCA	Workmen's Compensation
WIP	Work-in-progress
WSIG	Water Services Infrastructure Grant

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023



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 June 30, 2024 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 consolidated annual financial statements set out on pages 6 to 103, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2023 and were signed on its behalf by:

Accounting Officer
Dr EX Muthwa

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2023	2022	2023	2022
Assets					
Current Assets					
Cash and cash equivalents	3	333,152,099	84,539,751	328,660,005	81,683,080
Consumer debtors from exchange transactions	4	58,984,141	87,004,824	58,984,141	87,004,824
Receivables from exchange transactions	5	4,166,413	15,697,214	3,881,687	15,152,712
Inventories	8	3,995,741	3,514,384	3,995,741	3,514,384
Receivables from non-exchange transactions	7	-	16,035,180	-	16,035,180
		400,298,394	206,791,353	395,521,574	203,390,180
Non-Current Assets					
Property, plant and equipment	9	2,546,323,437	2,346,275,845	2,544,113,289	2,344,117,819
Intangible assets	10	70,741	36,553	70,741	36,553
Heritage assets	11	4,000	4,000	4,000	4,000
		2,546,398,178	2,346,316,398	2,544,188,030	2,344,158,372
Total Assets		2,946,696,572	2,553,107,751	2,939,709,604	2,547,548,552
Liabilities					
Current Liabilities					
Unspent conditional grants and receipts	12	27,281,137	23,638,973	20,530,141	16,822,427
Payables from exchange transactions	13	286,618,278	127,821,836	286,672,891	131,280,481
Consumer deposits	14	7,232,738	7,571,171	7,232,738	7,571,171
Other financial liabilities	15	13,677,958	12,310,417	13,677,958	12,310,417
VAT payable	16	26,423,490	10,488,408	27,771,214	11,213,952
Provisions	17	8,032,241	98,264,206	8,032,241	98,264,206
		369,265,842	280,095,011	363,917,183	277,462,654
Non-Current Liabilities					
Other financial liabilities	15	149,541,874	163,219,832	149,541,874	163,219,832
Provisions	17	54,034,000	54,742,000	54,034,000	54,742,000
		203,575,874	217,961,832	203,575,874	217,961,832
Total Liabilities		572,841,716	498,056,843	567,493,057	495,424,486
Net Assets		2,373,854,856	2,055,050,908	2,372,216,547	2,052,124,066
Reserves					
Revaluation reserve	51	51,703,936	52,895,700	51,703,936	52,895,700
Accumulated surplus	52	2,322,150,920	2,002,155,208	2,320,512,611	1,999,228,366
Total Net Assets		2,373,854,856	2,055,050,908	2,372,216,547	2,052,124,066

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2023	2022	2023	2022
Revenue					
Revenue from exchange transactions					
Service charges	18	447,235,423	310,099,132	447,235,423	310,099,132
Rental of facilities and equipment		504,621	-	504,621	-
Other income	19	468,882	84,095	468,882	72,614
Interest received - investment and banking	20	18,969,960	3,662,392	18,634,801	3,478,660
Interest from outstanding debtors	21	62,865,574	33,381,207	62,865,574	33,381,207
Total revenue from exchange transactions		530,044,460	347,226,826	529,709,301	347,031,613
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	22	1,018,870,724	901,691,254	1,018,475,174	901,577,854
Donations	23	368,783	525,000	368,783	525,000
Total revenue from non-exchange transactions		1,019,239,507	902,216,254	1,018,843,957	902,102,854
Total revenue		1,549,283,967	1,249,443,080	1,548,553,258	1,249,134,467
Expenditure					
Employee related costs	24	(287,786,446)	(289,538,901)	(281,451,930)	(284,125,013)
Remuneration of Councillors and Board Menbers	25	(15,542,762)	(11,673,350)	(15,399,437)	(11,530,847)
Depreciation and amortisation	26	(51,858,945)	(51,849,966)	(51,675,654)	(51,680,906)
Finance costs	27	(18,250,481)	(19,727,893)	(18,250,481)	(19,727,893)
Lease rentals on operating lease	28	(24,274,000)	(22,228,340)	(23,968,100)	(21,852,028)
Reversal of impairments	29	-	547,850,108	-	547,850,108
Debt Impairment	30	(310,016,011)	(151,088,107)	(309,751,607)	(151,088,107)
Bad debts written off		-	(504,671,372)	-	(504,671,372)
Inventory consumed	31	(191,819,705)	(184,878,312)	(191,819,705)	(184,878,312)
Contracted services	32	(209,970,079)	(174,695,412)	(209,970,079)	(174,695,412)
Transfers and subsidies	33	(50,000)	-	(9,550,000)	(9,158,074)
Inventories losses / adjustments		(67,919,537)	(87,135,266)	(67,919,537)	(87,135,266)
Impairment of assets		(13,909,036)	-	(13,909,036)	-
General Expenses	34	(46,440,338)	(37,044,066)	(42,200,699)	(35,242,141)
Total expenditure		(1,237,837,340)	(986,680,877)	(1,235,866,265)	(987,935,263)
Surplus for the year from continuing operations		311,446,627	262,762,203	312,686,993	261,199,204
Loss on disposal of assets		(79,402)	(8,580,309)	(31,235)	(8,580,309)
Actuarial gains / (losses)	36	7,063,097	(1,182,325)	7,063,097	(1,182,325)
Surplus for the year		318,430,322	252,999,569	319,718,855	251,436,570

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Economic entity			
Balance at 01 July 2021 as restated*	56,470,999	1,747,280,884	1,803,751,883
Changes in net assets			
Correction of prior year error	(2,383,535)	682,991	(1,700,544)
Realisation of reserve	(1,191,764)	1,191,764	-
Net income (losses) recognised directly in net assets	(3,575,299)	1,874,755	(1,700,544)
Surplus for the year	-	252,999,569	252,999,569
Total recognised income and expenses for the year	(3,575,299)	254,874,324	251,299,025
Total changes	(3,575,299)	254,874,324	251,299,025
Balance at 01 July 2022 as restated*	52,895,700	2,002,155,208	2,055,050,908
Changes in net assets			
Realisation of reserve	(1,191,764)	1,191,764	-
Correction of prior year	-	373,626	373,626
Net income (losses) recognised directly in net assets	(1,191,764)	1,565,390	373,626
Surplus for the year	-	318,430,322	318,430,322
Total recognised income and expenses for the year	(1,191,764)	319,995,712	318,803,948
Total changes	(1,191,764)	319,995,712	318,803,948
Balance at June 30, 2023	51,703,936	2,322,150,920	2,373,854,856
Note(s)	51		
Controlling entity			
Balance at July 1, 2021	56,470,999	1,746,600,032	1,803,071,031
Changes in net assets			
Correction of prior period error	(2,383,535)	-	(2,383,535)
Realisation of reserve	(1,191,764)	1,191,764	-
Net income (losses) recognised directly in net assets	(3,575,299)	1,191,764	(2,383,535)
Surplus for the year	-	251,436,570	251,436,570
Total recognised income and expenses for the year	(3,575,299)	252,628,334	249,053,035
Total changes	(3,575,299)	252,628,334	249,053,035
Balance at July 1, 2022	52,895,700	1,999,228,366	2,052,124,066
Changes in net assets			
Realisation of reserve	(1,191,764)	1,191,764	-
Correction of prior year	-	373,626	373,626
Net income (losses) recognised directly in net assets	(1,191,764)	1,565,390	373,626
Surplus for the year	-	319,718,855	319,718,855
Total recognised income and expenses for the year	(1,191,764)	321,284,245	320,092,481
Total changes	(1,191,764)	321,284,245	320,092,481
Balance at June 30, 2023	51,703,936	2,320,512,611	2,372,216,547
Note(s)	51		

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2023	2022	2023	2022
Cash flows from operating activities					
Receipts					
Sale of goods and services					
Grants		256,649,782	216,278,995	256,649,782	216,278,995
Interest income		1,021,165,249	901,357,172	1,022,182,888	900,043,735
Other income		19,130,146	3,628,255	18,794,987	3,444,485
		-	11,481	-	-
		1,296,945,177	1,121,275,903	1,297,627,657	1,119,767,215
Payments					
Employee costs					
Suppliers		(278,908,346)	(287,922,114)	(272,432,975)	(282,131,784)
Finance costs		(472,675,697)	(588,952,525)	(481,130,370)	(589,517,732)
Taxes on surpluses		(30,089)	(210,141)	(30,089)	(210,141)
		622,180	725,544	-	-
		(750,991,952)	(876,359,236)	(753,593,434)	(871,859,657)
Net cash flows from operating activities	38	545,953,225	244,916,667	544,034,223	247,907,558
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(266,221,986)	(219,298,294)	(265,938,407)	(219,276,394)
Purchase of other intangible assets	10	(37,200)	-	(37,200)	-
Net cash flows from investing activities		(266,259,186)	(219,298,294)	(265,975,607)	(219,276,394)
Cash flows from financing activities					
Repayment of other financial liabilities		(12,310,417)	(10,962,119)	(12,310,417)	(10,962,119)
Finance costs - borrowings		(18,771,274)	(18,793,006)	(18,771,274)	(18,793,006)
Net cash flows from financing activities		(31,081,691)	(29,755,125)	(31,081,691)	(29,755,125)
Net increase/(decrease) in cash and cash equivalents		248,612,348	(4,136,752)	246,976,925	(1,123,961)
Cash and cash equivalents at the beginning of the year		84,539,751	88,664,072	81,683,080	82,807,041
Effect of exchange rate movement on cash balances		-	12,431	-	-
Cash and cash equivalents at the end of the year	3	333,152,099	84,539,751	328,660,005	81,683,080

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

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	624,471,816	-	624,471,816	447,235,423	(177,236,393)
Rental of facilities and equipment	-	-	-	504,621	504,621
Other income	-	-	-	468,882	468,882
Interest received - investment	2,929,213	6,892,928	9,822,141	18,969,960	9,147,819
Interest on outstanding debtors	32,792,347	-	32,792,347	62,865,574	30,073,227
Total revenue from exchange transactions	660,193,376	6,892,928	667,086,304	530,044,460	(137,041,844)
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	885,516,000	130,691,922	1,016,207,922	1,018,870,724	2,662,802
Public contributions and donations	-	-	-	368,783	368,783
Total revenue from non-exchange transactions	885,516,000	130,691,922	1,016,207,922	1,019,239,507	3,031,585
Total revenue	1,545,709,376	137,584,850	1,683,294,226	1,549,283,967	(134,010,259)
Expenditure					
Employee Related Costs	(263,625,429)	(10,607,138)	(274,232,567)	(287,786,446)	(13,553,879)
Remuneration of Councillors and Board Members	(12,403,828)	(2,562,174)	(14,966,002)	(15,542,762)	(576,760)
Depreciation and amortisation	(53,704,784)	-	(53,704,784)	(51,858,945)	1,845,839
Reversal of impairments	-	77,603,949	77,603,949	-	(77,603,949)
Finance costs	(18,771,274)	-	(18,771,274)	(18,250,481)	520,793
Lease rentals on operating lease	(20,539,800)	(180,000)	(20,719,800)	(24,274,000)	(3,554,400)
Debt Impairment	(131,000,000)	-	(131,000,000)	(310,016,011)	(179,016,011)
Inventory consumed	(227,285,780)	(23,372,556)	(250,658,336)	(191,819,705)	58,838,631
Contracted Services	(159,553,722)	685,327	(158,868,395)	(209,970,079)	(51,101,684)
Transfers and Subsidies	-	-	-	(50,000)	(50,000)
Bad debts written off	-	(77,603,949)	(77,603,949)	-	77,603,949
General Expenses	(57,016,953)	5,079,003	(51,937,950)	(46,440,338)	5,497,612
Total expenditure	(943,901,370)	(30,957,538)	(974,858,908)	(1,156,008,767)	(181,149,859)
Operating surplus	601,808,006	106,627,312	708,435,318	393,275,200	(315,160,118)
Loss on disposal of assets	-	-	-	(79,402)	(79,402)
Actuarial gains/losses	-	-	-	7,063,097	7,063,097
Water losses	-	-	-	(67,919,537)	(67,919,537)
Impairment of assets	-	-	-	(13,909,036)	(13,909,036)
	-	-	-	(74,844,878)	(74,844,878)
Surplus before taxation	601,808,006	106,627,312	708,435,318	318,430,322	(390,004,996)
Surplus for the year from continuing operations	601,808,006	106,627,312	708,435,318	318,430,322	(390,004,996)
Capital expenditure	(206,974,000)	(72,787,186)	(279,761,186)	(266,259,186)	13,502,000

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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					
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	394,834,006	33,840,126	428,674,132	52,171,136	(376,502,996)

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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					
Reconciliation					
Basis difference					
Capital expenditure				266,259,186	
Actual Amount in the Statement of Financial Performance				318,430,322	

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

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					
Statement of Financial Position					
Assets					
Current Assets					
Inventories	4,488,473	(974,089)	3,514,384	3,995,741	481,357
Receivables from exchange transactions	265,571,409	(243,549,976)	22,021,433	4,166,413	(17,855,020)
Receivables from non-exchange transactions	16,035,182	-	16,035,182	-	(16,035,182)
Consumer debtors	504,170,662	(800,298,377)	(296,127,715)	58,984,141	355,111,856
Cash and cash equivalents	79,843,913	94,449,573	174,293,486	333,152,099	158,858,613
	870,109,639	(950,372,869)	(80,263,230)	400,298,394	480,561,624
Non-Current Assets					
Property, plant and equipment	2,454,276,665	149,528,852	2,603,805,517	2,546,323,437	(57,482,080)
Intangible assets	1	455,281	455,282	70,741	(384,541)
Heritage assets	4,000	-	4,000	4,000	-
	2,454,280,666	149,984,133	2,604,264,799	2,546,398,178	(57,866,621)
Total Assets	3,324,390,305	(800,388,736)	2,524,001,569	2,946,696,572	422,695,003
Liabilities					
Current Liabilities					
Other financial liabilities	13,677,958	-	13,677,958	13,677,958	-
Payables from exchange transactions	224,638,615	(120,355,193)	104,283,422	286,618,280	182,334,858
VAT payable	-	-	-	26,423,490	26,423,490
Consumer deposits	7,999,198	(49,454)	7,949,744	7,232,738	(717,006)
Unspent conditional grants and receipts	-	-	-	27,281,137	27,281,137
Provisions	3,865,096	(1,923,812)	1,941,284	8,032,241	6,090,957
	250,180,867	(122,328,459)	127,852,408	369,265,844	241,413,436
Non-Current Liabilities					
Other financial liabilities	149,541,949	(75)	149,541,874	149,541,874	-
Provisions	41,548,461	14,639,247	56,187,708	54,034,000	(2,153,708)
	191,090,410	14,639,172	205,729,582	203,575,874	(2,153,708)
Total Liabilities	441,271,277	(107,689,287)	333,581,990	572,841,718	239,259,728
Net Assets	2,883,119,028	(692,699,449)	2,190,419,579	2,373,854,854	183,435,275
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Revaluation reserve	56,470,999	-	56,470,999	51,703,936	(4,767,063)
Accumulated surplus	2,826,648,029	(692,699,449)	2,133,948,580	2,322,150,918	188,202,338
Total Net Assets	2,883,119,028	(692,699,449)	2,190,419,579	2,373,854,854	183,435,275

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

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					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	226,217,352	133,170,192	359,387,544	256,649,782	(102,737,762)
Grants	885,516,000	24,387,922	909,903,922	1,021,165,249	111,261,327
Interest income	5,718,426	13,305,856	19,024,282	19,130,146	105,864
	1,117,451,778	170,863,970	1,288,315,748	1,296,945,177	8,629,429
Payments					
Employee costs	(258,671,339)	(9,390,765)	(268,062,104)	(278,908,346)	(10,846,242)
Suppliers	(472,755,006)	(100,543,059)	(573,298,065)	(472,625,697)	100,672,368
Finance costs	-	-	-	(30,089)	(30,089)
Transfers and subsidies	-	-	-	(50,000)	(50,000)
Taxes on surpluses	-	-	-	622,180	622,180
	(731,426,345)	(109,933,824)	(841,360,169)	(750,991,952)	90,368,217
Net cash flows from operating activities	386,025,433	60,930,146	446,955,579	545,953,225	98,997,646
Purchase of property, plant and equipment	-	-	-	(266,221,986)	(266,221,986)
Purchase of intangible assets	-	-	-	(37,200)	(37,200)
Net cash flows from investing activities	-	-	-	(266,259,186)	(266,259,186)
Cash flows from financing activities					
Repayment of other financial liabilities	-	-	-	(12,310,417)	(12,310,417)
Consumer deposits	505,058	-	505,058	-	(505,058)
Finance costs - borrowings	-	-	-	(18,771,274)	(18,771,274)
Net cash flows from financing activities	-	-	-	(31,081,691)	(31,081,691)
Net increase/(decrease) in cash and cash equivalents	386,025,433	60,930,146	446,955,579	248,612,348	(198,343,231)
Cash and cash equivalents at the beginning of the year	81,683,080	-	81,683,080	84,539,751	2,856,671
Cash and cash equivalents at the end of the year	467,708,513	60,930,146	528,638,659	333,152,099	(195,486,560)

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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					
Controlling entity					
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	624,471,816	-	624,471,816	447,235,423	(177,236,393)
Rental of facilities and equipment	-	-	-	504,621	504,621
Other income	-	-	-	468,882	468,882
Interest received - investment	2,859,213	6,652,928	9,512,141	18,634,801	9,122,660
Interest on outstanding debtors	32,792,347	-	32,792,347	62,865,574	30,073,227
Total revenue from exchange transactions	660,123,376	6,652,928	666,776,304	529,709,301	(137,067,003)
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	885,516,000	130,361,922	1,015,877,922	1,018,475,174	2,597,252
Public contributions and donations	-	-	-	368,783	368,783
Total revenue from non-exchange transactions	885,516,000	130,361,922	1,015,877,922	1,018,843,957	2,966,035
Total revenue	1,545,639,376	137,014,850	1,682,654,226	1,548,553,258	(134,100,968)
Expenditure					
Employee related costs	(258,671,336)	(9,390,767)	(268,062,103)	(281,451,930)	(13,389,827)
Remuneration of councillors	(12,113,828)	(2,582,174)	(14,696,002)	(15,399,437)	(703,435)
Depreciation and amortisation	(53,554,784)	-	(53,554,784)	(51,675,654)	1,879,130
Reversal of impairments	-	77,603,949	77,603,949	-	(77,603,949)
Finance costs	(18,771,274)	-	(18,771,274)	(18,250,481)	520,793
Lease rentals on operating lease	(20,219,600)	(300,000)	(20,519,600)	(23,968,100)	(3,448,500)
Debt Impairment	(131,000,000)	-	(131,000,000)	(309,751,607)	(178,751,607)
Bad debts written off	-	(77,603,949)	(77,603,949)	-	77,603,949
Inventory consumed	(227,285,780)	(23,372,556)	(250,658,336)	(191,819,705)	58,838,631
Contracted Services	(159,553,722)	685,327	(158,868,395)	(209,970,079)	(51,101,684)
Transfers and Subsidies	(7,500,000)	(2,000,000)	(9,500,000)	(9,550,000)	(50,000)
General Expenses	(55,141,046)	6,552,632	(48,588,414)	(42,200,699)	6,387,715
Total expenditure	(943,811,370)	(30,407,538)	(974,218,908)	(1,154,037,692)	(179,818,784)
Operating surplus	601,828,006	106,607,312	708,435,318	394,515,566	(313,919,752)
Loss on disposal of assets	-	-	-	(31,235)	(31,235)
Actuarial gains/losses	-	-	-	7,063,097	7,063,097
Water losses	-	-	-	(67,919,537)	(67,919,537)
Impairment of assets	-	-	-	(13,909,036)	(13,909,036)
	-	-	-	(74,796,711)	(74,796,711)
Surplus before taxation	601,828,006	106,607,312	708,435,318	319,718,855	(388,716,463)
Surplus for the year from continuing operations	601,828,006	106,607,312	708,435,318	319,718,855	(388,716,463)
Capital expenditure	(206,974,000)	(72,787,186)	(279,761,186)	(265,975,607)	13,785,579
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	394,854,006	33,820,126	428,674,132	53,743,248	(374,930,884)

uMgungundlovu District Municipality and its Municipal Entity Consolidated
 (Registration number DC 22)
 Annual Financial Statements for the year ended June 30, 2023

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					
Reconciliation					
Basis difference					
Capital expenditure				265,975,607	
Actual Amount in the Statement of Financial Performance				319,718,855	

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	4,488,473	(974,089)	3,514,384	3,995,741	481,357
Receivables from exchange transactions	265,571,409	(243,549,976)	22,021,433	3,880,892	(18,140,541)
Receivables from non-exchange transactions	16,035,182	-	16,035,182	-	(16,035,182)
Consumer debtors	504,170,662	(800,298,377)	(296,127,715)	58,984,141	355,111,856
Cash and cash equivalents	79,843,913	94,449,573	174,293,486	328,660,005	154,366,519
	870,109,639	(950,372,869)	(80,263,230)	395,520,779	475,784,009

Non-Current Assets

Property, plant and equipment	2,454,276,665	149,528,852	2,603,805,517	2,544,113,289	(59,692,228)
Intangible assets	1	455,281	455,282	70,741	(384,541)
Heritage assets	4,000	-	4,000	4,000	-
	2,454,280,666	149,984,133	2,604,264,799	2,544,188,030	(60,076,769)

Total Assets

	3,324,390,305	(800,388,736)	2,524,001,569	2,939,708,809	415,707,240
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Liabilities

Current Liabilities

Other financial liabilities	13,677,958	-	13,677,958	13,677,958	-
Payables from exchange transactions	224,638,615	(120,355,193)	104,283,422	286,672,890	182,389,468
VAT payable	-	-	-	27,771,214	27,771,214
Consumer deposits	7,999,198	(49,454)	7,949,744	7,232,738	(717,006)
Unspent conditional grants and receipts	-	-	-	20,530,141	20,530,141
Provisions	3,865,096	(1,923,812)	1,941,284	8,032,241	6,090,957
	250,180,867	(122,328,459)	127,852,408	363,917,182	236,064,774

Non-Current Liabilities

Other financial liabilities	149,541,949	(75)	149,541,874	149,541,874	-
Provisions	41,548,461	14,639,247	56,187,708	54,034,000	(2,153,708)
	191,090,410	14,639,172	205,729,582	203,575,874	(2,153,708)

Total Liabilities

	441,271,277	(107,689,287)	333,581,990	567,493,056	233,911,066
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Net Assets

	2,883,119,028	(692,699,449)	2,190,419,579	2,372,215,753	181,796,174
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Revaluation reserve	56,470,999	-	56,470,999	51,703,936	(4,767,063)
Accumulated surplus	2,826,648,029	(692,699,449)	2,133,948,580	2,320,511,817	186,563,237
Total Net Assets	2,883,119,028	(692,699,449)	2,190,419,579	2,372,215,753	181,796,174

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

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					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	226,217,352	133,170,192	359,387,544	256,649,782	(102,737,762)
Grants	885,516,000	24,387,922	909,903,922	1,022,182,888	112,278,966
Interest income	5,718,426	13,305,856	19,024,282	18,794,987	(229,295)
	1,117,451,778	170,863,970	1,288,315,748	1,297,627,657	9,311,909
Payments					
Employee costs	(258,671,339)	(9,390,765)	(268,062,104)	(272,432,975)	(4,370,871)
Suppliers	(472,755,006)	(100,543,059)	(573,298,065)	(472,029,851)	101,268,214
Finance costs	-	-	-	(30,089)	(30,089)
Transfers and subsidies	(7,500,000)	(2,000,000)	(9,500,000)	(9,100,519)	399,481
	(738,926,345)	(111,933,824)	(850,860,169)	(753,593,434)	97,266,735
Net cash flows from operating activities	378,525,433	58,930,146	437,455,579	544,034,223	106,578,644
Cash flows from investing activities					
Purchase of property, plant and equipment	-	-	-	(265,938,407)	(265,938,407)
Purchase of intangible assets	-	-	-	(37,200)	(37,200)
Net cash flows from investing activities	-	-	-	(265,975,607)	(265,975,607)
Cash flows from financing activities					
Repayment of other financial liabilities	-	-	-	(12,310,417)	(12,310,417)
Consumer deposits	505,058	-	505,058	-	(505,058)
Finance costs - borrowings	-	-	-	(18,771,274)	(18,771,274)
Net cash flows from financing activities	-	-	-	(31,081,691)	(31,081,691)
Net increase/(decrease) in cash and cash equivalents	378,525,433	58,930,146	437,455,579	246,976,925	(190,478,654)
Cash and cash equivalents at the beginning of the year	81,683,080	-	81,683,080	81,683,080	-
Cash and cash equivalents at the end of the year	460,208,513	58,930,146	519,138,659	328,660,005	(190,478,654)

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1. Presentation of Annual Financial Statements

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

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

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.

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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:

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.

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 unitised 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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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
Cash and cash equivalents	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 South 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].

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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 an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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

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

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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

Recognition

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

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

Measurement

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

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

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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 7/1/2020 to 6/30/2021.

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

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:

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 July 1, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to GRAP 1 on Presentation of Financial Statements	July 1, 2023	Unlikely there will be a material impact
• IGRAP 21 on The Effect of Past Decisions on Materiality	July 1, 2023	Unlikely there will be a material impact
• Improvements to the Standards of GRAP (2021)	July 1, 2023	Unlikely there will be a material impact
• GRAP 25 on Employee Benefits (and IGRAP 7)	July 1, 2023	Unlikely there will be a material impact
• GRAP 104 on Financial Instruments	April 1, 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 July 1, 2023 or later periods but are not relevant to its operations:

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	32,182	140,005	31,205	138,135
Bank balances	328,651,454	80,633,623	328,628,800	77,794,945
Short-term deposits	4,452,602	-	-	-
Investment deposit	15,861	3,766,123	-	3,750,000
	333,152,099	84,539,751	328,660,005	81,683,080

An amount of R 100 000 is pledged as security for a guarantee to the South African Post Office on behalf of the municipality.

R 2 369 is held as a cost order notified by the Sheriff.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

3. Cash and cash equivalents (continued)

The economic entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
FNB Bank : Salaries Account - 50940092196	10,691,059	2,738,512	2,771,937	10,398,239	2,568,260	2,771,937
FNB Bank : Projects Account - 62023616462	51,519,019	199,040	30,903	51,519,018	199,040	30,903
FNB Bank : NSTD Call Account - 62215748289	627,782	590,158	570,688	627,782	590,158	570,688
FNB Bank : Mandela Race Account - 62411577193	852,605	822,211	807,688	851,740	821,186	807,688
FNB Bank : Main Account - 50940026773	260,945,111	69,694,907	73,032,508	261,227,398	69,694,906	73,032,444
FNB Bank : Fixed Deposit Account - 71101199555	-	3,750,000	3,750,000	-	3,750,000	3,750,000
FNB Bank : SANBI Account - 62597807125	2,776,483	2,510,625	98,599	2,776,458	2,518,780	98,599
ABSA Bank : Mandela Race Account - 4094362410	1,228,165	1,233,030	1,237,138	1,228,165	1,233,030	1,237,138
FNB Bank : Cheque Account - 62711665177	22,654	2,838,878	5,840,252	22,654	2,838,878	5,840,252
FNB Bank : Cheque Account - 62838452605	15,861	16,065	16,759	15,861	16,065	16,759
FNB Bank : Cheque Account - 63026183846	4,452,602	-	-	4,452,602	-	-
Total	333,131,341	84,393,426	88,156,472	333,119,917	84,230,303	88,156,408

4. Consumer debtors from exchange transactions

Gross balances

Water	901,687,701	641,127,146	901,687,701	641,127,146
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Less: Allowance for impairment

Water	(842,703,560)	(554,122,322)	(842,703,560)	(554,122,322)
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Net balance

Water	58,984,141	87,004,824	58,984,141	87,004,824
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Water

Current (0 -30 days)	54,057,393	24,975,322	54,057,393	24,975,322
31 - 60 days	38,755,993	20,000,987	38,755,993	20,000,987
61 - 90 days	57,396,764	17,280,503	57,396,764	17,280,503
91 - 120 days	37,467,438	15,821,069	37,467,438	15,821,069
121 - 150 days	25,490,956	16,077,958	25,490,956	16,077,958
> 150 days	688,519,157	546,971,308	688,519,157	546,971,308
	901,687,701	641,127,147	901,687,701	641,127,147

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
4. Consumer debtors from exchange transactions (continued)				
Summary of debtors by customer classification				
Households				
Current (0 -30 days)	32,272,145	23,452,577	32,272,145	23,452,577
31 - 60 days	27,220,932	12,193,142	27,220,932	12,193,142
61 - 90 days	48,869,591	11,742,025	48,869,591	11,742,025
91 - 120 days	31,825,927	11,109,970	31,825,927	11,109,970
121 - 150 days	21,048,787	11,243,325	21,048,787	11,243,325
> 150 days	587,565,205	427,053,809	587,565,205	427,053,809
	748,802,587	496,794,848	748,802,587	496,794,848
Less: Allowance for impairment	(733,698,476)	(492,655,771)	(733,698,476)	(492,655,771)
	15,104,111	4,139,077	15,104,111	4,139,077
Industrial/ commercial				
Current (0 -30 days)	12,581,777	1,256,245	12,581,777	1,256,245
31 - 60 days	6,260,575	4,977,387	6,260,575	4,977,387
61 - 90 days	5,601,034	3,746,951	5,601,034	3,746,951
91 - 120 days	4,055,033	1,937,642	4,055,033	1,937,642
121 - 150 days	3,350,118	3,250,903	3,350,118	3,250,903
> 150 days	71,410,856	78,378,333	71,410,856	78,378,333
	103,259,393	93,547,461	103,259,393	93,547,461
Less: Allowance for impairment	(77,804,352)	(61,466,551)	(77,804,352)	(61,466,551)
	25,455,041	32,080,910	25,455,041	32,080,910
National and provincial government				
Current (0 -30 days)	9,203,470	266,499	9,203,470	266,499
31 - 60 days	5,274,486	2,830,458	5,274,486	2,830,458
61 - 90 days	2,926,138	1,791,527	2,926,138	1,791,527
91 - 120 days	1,586,479	2,773,457	1,586,479	2,773,457
121 - 150 days	1,092,051	1,583,729	1,092,051	1,583,729
> 150 days	29,867,056	41,539,166	29,867,056	41,539,166
	49,949,680	50,784,836	49,949,680	50,784,836
Less: Allowance for impairment	(31,200,732)	-	(31,200,732)	-
	18,748,948	50,784,836	18,748,948	50,784,836
Total				
Current (0 -30 days)	54,057,393	28,325,571	54,057,393	28,325,571
31 - 60 days	38,755,993	15,995,915	38,755,993	15,995,915
61 - 90 days	57,396,764	17,230,035	57,396,764	17,230,035
91 - 120 days	37,467,438	12,808,676	37,467,438	12,808,676
121 - 150 days	25,490,956	17,576,957	25,490,956	17,576,957
> 150 days	688,519,157	549,189,992	688,519,157	549,189,992
	901,687,701	641,127,146	901,687,701	641,127,146
Less: Allowance for impairment	(842,703,560)	(554,122,322)	(842,703,560)	(554,122,322)
	58,984,141	87,004,824	58,984,141	87,004,824
Less: Allowance for impairment				
> 150 days	(842,703,560)	(554,122,322)	(842,703,560)	(554,122,322)
Total debtor past due but not impaired				
Current (0 -30 days)	13,614,355	4,386,995	13,614,355	4,386,995

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
4. Consumer debtors from exchange transactions (continued)				
31 - 60 days	10,132,291	3,929,162	10,132,291	3,929,162
61 - 90 days	5,847,860	3,302,644	5,847,860	3,302,644
91 - 120 days	2,786,700	2,307,472	2,786,700	2,307,472
121 - 150 days	2,081,269	3,361,315	2,081,269	3,361,315
> 150 days	22,224,337	45,285,475	22,224,337	45,285,475
	56,686,812	62,573,063	56,686,812	62,573,063

Reconciliation of allowance for impairment

Balance at beginning of the year	(554,122,322)	(950,884,860)	(554,122,322)	(950,884,860)
Debt impairment written off against allowance	(288,581,238)	(151,088,107)	(288,581,238)	(151,088,107)
Reversal of allowance	-	547,850,645	-	547,850,645
	(842,703,560)	(554,122,322)	(842,703,560)	(554,122,322)

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 June 30, 2023 amount to R43,072,457 (2022: R 148,893,449) were past due but not impaired.

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

1 month past due	10,132,291	6,638,362	10,132,291	6,638,362
2 months past due	5,847,860	8,157,302	5,847,860	8,157,302
3 months past due	27,092,306	134,097,785	27,092,306	134,097,785

Consumer debtors impaired

As of June 30, 2023, consumer debtors of R 288,581,238 (2022: R 151,088,107) were impaired and provided for.

The amount of the provision was R 842,703,560 as of June 30, 2023 (2022: R 554,122,322).

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

Over 5 months	842,703,560	544,122,322	842,703,560	544,122,322
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5. Receivables from exchange transactions

Trade debtors UMEDA	-	249,404	-	-
Staff Recoveries	490,090	468,577	490,090	468,577
Deposits	1,180,640	1,180,640	1,180,640	1,180,640
Interest Accrued	2,174,823	160,186	2,174,823	160,186
Advance Payments - Trade Payables	284,726	8,467,882	-	8,172,784
Other debtors	35,339	35,339	35,339	35,339
Sundry debtors	795	5,135,186	795	5,135,186
	4,166,413	15,697,214	3,881,687	15,152,712

Trade and other receivables pledged as security

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

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
6. Sundry debtors disclosure				
Gross balances				
Sundry debtors	15,372,285	15,371,490	15,372,285	15,371,490
Less: Allowance for impairment				
Sundry debtors	(15,371,490)	(10,236,304)	(15,371,490)	(10,236,304)
Net balances				
Sundry debtors	795	5,135,186	795	5,135,186
Included in the above is receivables from exchange transactions				
	795	5,135,186	795	5,135,186
Net balances	795	5,135,186	795	5,135,186
Sundry debtors >150 days				
	795	5,135,186	795	5,135,186
Summary of debtors by customer classification				
Sundry debtors > 150 days	15,372,285	15,371,490	15,372,285	15,371,490
Subtotal	15,372,285	15,371,490	15,372,285	15,371,490
Less : Allowance for impairment	(15,371,490)	(10,236,304)	(15,371,490)	(10,236,304)
	795	5,135,186	795	5,135,186
7. Receivables from non-exchange transactions				
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	16,035,182	16,035,180	16,035,182	16,035,180
Unauthorised, Irregular, Fruitless and Wasteful Expenditure - Impairment	(16,035,182)	-	(16,035,182)	-
	-	16,035,180	-	16,035,180

2022: Following the consequence 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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
8. Inventories				
Consumables	473,449	39,285	473,449	39,285
Materials	3,201,740	3,094,187	3,201,740	3,094,187
Water for distribution	320,552	380,912	320,552	380,912
	3,995,741	3,514,384	3,995,741	3,514,384

8.1

Inventories recognised as an expense during the year	191,819,705	184,878,312	191,819,705	184,878,312
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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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

Economic entity

	2023			2022		
	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	60,066,385	(5,403,364)	54,663,021	59,880,385	(4,109,702)	55,770,683
Plant and machinery	19,590,239	(5,833,354)	13,756,885	18,895,753	(5,056,874)	13,838,879
Furniture and fixtures	5,474,668	(2,371,538)	3,103,130	4,860,983	(2,137,065)	2,723,918
Motor vehicles	11,075,489	(2,870,865)	8,204,624	11,075,489	(2,429,496)	8,645,993
IT equipment	8,147,990	(3,560,060)	4,587,930	6,122,440	(3,013,453)	3,108,987
Infrastructure	2,916,758,441	(1,165,900,014)	1,750,858,427	2,781,998,332	(1,117,057,668)	1,664,940,664
Other equipment	560,771	(141,478)	419,293	602,393	(114,110)	488,283
Infrastructure Work-in-Progress	721,668,814	(13,909,037)	707,759,777	593,788,088	-	593,788,088
Total	3,746,313,147	(1,199,989,710)	2,546,323,437	3,480,194,213	(1,133,918,368)	2,346,275,845

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Controlling entity

	2023			2022		
	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	60,066,385	(5,403,364)	54,663,021	59,880,385	(4,109,702)	55,770,683
Plant and machinery	19,590,239	(5,833,354)	13,756,885	18,895,753	(5,056,874)	13,838,879
Furniture and fixtures	4,787,796	(2,232,471)	2,555,325	4,375,915	(2,039,093)	2,336,822
Motor vehicles	10,124,598	(2,663,803)	7,460,795	10,124,598	(2,285,827)	7,838,771
IT equipment	7,500,885	(3,412,176)	4,088,709	5,538,034	(2,904,472)	2,633,562
Infrastructure	2,916,758,441	(1,165,900,014)	1,750,858,427	2,781,998,332	(1,117,057,668)	1,664,940,664
Infrastructure Work-in-Progress	721,668,814	(13,909,037)	707,759,777	593,788,088	-	593,788,088
Total	3,743,467,508	(1,199,354,219)	2,544,113,289	3,477,571,455	(1,133,453,636)	2,344,117,819

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic Entity - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2,970,350	-	-	-	-	-	2,970,350
Buildings	55,770,683	186,000	-	-	(1,293,662)	-	54,663,021
Plant and machinery	13,838,879	694,487	-	-	(776,481)	-	13,756,885
Furniture and fixtures	2,723,918	613,684	-	-	(234,472)	-	3,103,130
Motor vehicles	8,645,993	-	-	-	(441,369)	-	8,204,624
IT equipment	3,108,987	2,078,203	(38,725)	-	(560,535)	-	4,587,930
Infrastructure	1,664,940,664	23,075	-	134,737,034	(48,842,346)	-	1,750,858,427
Other equipment	488,283	8,777	(40,676)	-	(37,091)	-	419,293
Infrastructure Work-in-Progress	593,788,088	262,617,760	-	(134,737,034)	-	(13,909,037)	707,759,777
	2,346,275,845	266,221,986	(79,401)	-	(52,185,956)	(13,909,037)	2,546,323,437

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. 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	3,109,561	186,359	(326,590)	-	(245,412)	2,723,918
Motor vehicles	9,087,362	-	-	-	(441,369)	8,645,993
IT equipment	3,932,644	760,718	(1,081,461)	-	(502,914)	3,108,987
Infrastructure	1,529,850,442	1,086,490	(6,926,207)	188,078,448	(47,148,509)	1,664,940,664
Other equipment	527,120	-	-	-	(38,837)	488,283
Infrastructure Work-in-Progress	565,531,769	216,334,767	-	(188,078,448)	-	593,788,088
	2,185,949,102	219,298,334	(8,579,109)	-	(50,392,482)	2,346,275,845

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling Entity 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2,970,350	-	-	-	-	-	2,970,350
Buildings	55,770,683	186,000	-	-	(1,293,662)	-	54,663,021
Plant and machinery	13,838,879	694,487	-	-	(776,481)	-	13,756,885
Furniture and fixtures	2,336,822	411,881	-	-	(193,378)	-	2,555,325
Motor vehicles	7,838,771	-	-	-	(377,976)	-	7,460,795
IT equipment	2,633,562	2,005,204	(31,235)	-	(518,822)	-	4,088,709
Infrastructure	1,664,940,664	134,760,109	-	-	(48,842,346)	-	1,750,858,427
Infrastructure Work-in-Progress	593,788,088	262,617,760	-	(134,737,034)	-	(13,909,037)	707,759,777
	2,344,117,819	400,675,441	(31,235)	(134,737,034)	(52,002,665)	(13,909,037)	2,544,113,289

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. 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)	-	(471,331)	2,633,562
Infrastructure	1,529,850,442	189,164,938	(6,926,207)	-	(47,148,509)	1,664,940,664
Infrastructure Work-in-Progress	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)	(50,226,310)	2,344,117,819

Pledged as security

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

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

9. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Monday, July 1, 2019. The municipal buildings fall within the jurisdiction of the uMsunduzi Local Municipality. The valuation was performed by uMsunduzi Municipality as prescribed by legislation.

A general valuation roll is determined and produced every four years, as stipulated within the Municipal Property Rates Act (MPRA) No 6 of 2004.

Property valuation data is compiled in a general valuation document which consists of property information of all registered properties, inclusive of the market value and property category.

Buildings are re-valued in line with any amendments made to the respective valuation roll.

These assumptions were based on market conditions during the period of the valuation.

Reconciliation of Work-in-Progress Economic Entity

Opening balance	593,788,088	565,531,769
Additions/capital expenditure	262,617,760	216,334,767
Transferred to completed assets	(134,737,034)	(188,078,448)
Impairment recognised	(13,909,037)	-
	707,759,777	593,788,088

Reconciliation of Work-in-Progress Controlling Entity

		Total
Opening balance	593,788,088	565,531,769
Additions/capital expenditure	262,617,760	216,334,767
Transferred to completed assets	(134,737,034)	(188,078,448)
Impairment recognised	(13,909,037)	-
	707,759,777	593,788,088

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

9. 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	55,476,555	51,450,301	55,476,555	51,450,301
Contracted services	31,574,265	23,991,165	31,574,265	23,991,165
Sale of goods/Inventory	3,278,988	2,350,156	3,278,988	2,350,156
	90,329,808	77,791,622	90,329,808	77,791,622

The Capital Projects within Work-in-Progress which have exceeded the initial completion date by more than six months are as follows:

Project Name	Location	Nature of Project	Initial Completion Date	Expected Completion date	Reasons for Delays	2023	2022
Camperdown CBD AC Pipes Replacement	Mkhambathini	Water	Planning only	30-Jun-25	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-Jun-27	Project under review and Business Plan sent to DWS for Approval	1,496,436	1,496,436
Ebuhleni Housing Project Bulk Water	Mpofana	Water	Planning only	TBC	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	TBC	Project under review and Business Plan sent to DWS for Approval	1,517,864	1,517,864
Enguga/Entshay abantu/Macksam	Impendle	Water	30-Jun-21	30-Oct-23	Project affected by flooding and under review for Disaster funding	21,834,716	21,361,341
Gengeshe Water	Richmond	Water	Planning only	TBC	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	TBC	Budget constraints	3,322,094	3,322,094
Howick Ac Pipelines Replacement	uMgeni	Water	Planning only	TBC	Project under review and Business Plan sent to DWS for Approval	5,035,987	5,035,987

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

					Economic entity		Controlling entity	
Figures in Rand					2023	2022	2023	2022
9. Property, plant and equipment (continued)								
Impendle Bulk Water Works	Impendle	Water	Planning only	TBC	Project under review by uMngeni Water for implementation		13,949,423	13,949,423
Impendle WWTW And Sewerage Reticulation	Impendle	Sanitation	Planning only	TBC	Project under review by uMngeni Water for implementation		863,813	863,813
Kwahaza Water Supply	Umgeni	Water	Planning only	TBC	Project under review by uMngeni Water for implementation		399,593	399,593
Kwamathwanya Water	Mpofana	Water	31-Jul-21	29-Apr-24	Contractor terminated due to poor performance		14,243,519	13,472,589
Manyavu Water Scheme	Mkhambathini	Water	30-Jun-21	14-Apr-24	Operational challenges		73,996,908	73,996,908
Mkhambathini Waste Water Works	Mkhambathini	Sanitation	Planning only	TBC	Project under review by uMngeni Water for implementation		3,016,720	3,016,720
Mooi River Bulk Mains Upgrading	Mpofana	Water	Planning only	TBC	Project under review and Business Plan sent to DWS for Approval		196,381	196,381
Mooriver Ac Pipes Replacement	Mpofana	Water	Planning only	TBC	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	TBC	Project under review by uMngeni Water for implementation		8,549,988	8,549,988
Mpophomeni Sanitation Plant	Umgeni	Sanitation	Planning only	TBC	Budget constraints		8,172,038	8,172,038
Nhlambamasoka, Nhlathimbe & Khathikjathi Water	Impendle	Water	Planning only	TBC	Project under review and on UMDM 5yr plan		1,359,540	1,359,540
Nkangala Water	Mkhambathini	Water	Planning only	TBC	Project under review and on UMDM 5yr plan		208,612	208,612

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

					Economic entity		Controlling entity	
Figures in Rand					2023	2022	2023	2022
9. Property, plant and equipment (continued)								
Phumlas Water Supply Upgrade	Mpofana	Water	Planning only	TBC	Project under review and Business Plan sent to DWS for Approval		820,881	820,881
Richmond AC Pipes Replacement	Richmond	Water	Project under construction	TBC	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	TBC	Project under review by uMngeni Water for implementation		4,751,919	4,751,919
Rosetta Water Upgrade	Mpofana	Water	Planning only	TBC	Project under review and Business Plan sent to DWS for Approval		635,500	635,500
Umslwathi Slum Water	uMshwathi	Water	22-Mar-22	29-Apr-24	Under construction.		45,102,221	43,061,239
Wartburg AC Pipes Replacement	uMshwathi	Water	Planning only	TBC	Project under review and Business Plan sent to DWS for Approval		653,594	653,594
Total							<u>225,808,072</u>	<u>222,522,784</u>

The municipality intends to complete the construction of these projects.

The municipality recognised an impairment loss of R13 909 037 relating to the work in progress for the Enguga/Entshayabantu/Macksam Project at R 3 919 079; the Lindokuhle/Mpolweni Project at R 4 280 440 and the Nkanyezini Project at R 5 715 518.

The municipality has not recognised an impairment loss for any further work-in-progress as these projects will be implemented as and when funding avails whereby the municipality anticipates that the completed project 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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

Economic entity

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	8,016,066	(7,945,325)	70,741	7,978,867	(7,942,314)	36,553

Controlling entity

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	7,020,219	(6,949,478)	70,741	6,983,020	(6,946,467)	36,553

Reconciliation of intangible assets: Economic entity - 2023

Computer software, other

	Opening balance	Additions	Amortisation	Total
	36,553	37,200	(3,012)	70,741

Reconciliation of intangible assets: Economic entity - 2022

Computer software, other

	Opening balance	Disposals	Amortisation	Total
	1,611,243	(1,200)	(1,573,490)	36,553

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets (continued)

Reconciliation of intangible assets: Controlling entity - 2023

Computer software, other

Opening balance	Additions	Amortisation	Total
36,553	37,200	(3,012)	70,741

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

Pledged as security

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

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

Economic entity

2023			2022		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
4,000	-	4,000	4,000	-	4,000

Mayoral Chain

Controlling entity

2023			2022		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
4,000	-	4,000	4,000	-	4,000

Mayoral Chain

Reconciliation of heritage assets: Economic entity - 2023

Opening balance	Total
4,000	4,000

Mayoral Chain

Reconciliation of heritage assets: Economic entity - 2022

Opening balance	Total
4,000	4,000

Mayoral Chain

Reconciliation of heritage assets: Controlling entity - 2023

Opening balance	Total
4,000	4,000

Mayoral Chain

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets (continued)

Reconciliation of heritage assets: Controlling entity - 2022

Mayoral Chain

Pledged as security

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

Opening balance	Total
4,000	4,000

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Rural Roads Asset Management Grant	90	29	90	29
Geospatial Grant	34	34	34	34
Water Services Infrastructure Grant	208	-	208	-
Camperdown WWTP Grant	4,000,095	4,000,095	4,000,095	4,000,095
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
Howick Falls Grant	4,821,050	4,886,600	-	-
Public Transport Plan Grant	308,817	308,817	308,817	308,817
Spatial Planning Grant	15,255	212,825	15,255	212,825
IDP Spatial Development Grant	335,275	622,775	335,275	622,775
Accelerated Water Intervention Grant - Capital	3	3	3	3
Disaster Recovery Grant	4,180,179	-	4,180,179	-
Accelerated Water Intervention Grant - Operational	12,336	-	12,336	-
RASET Grant - UMEDA	179,946	179,946	-	-
N3 Corridor Program	1,750,000	1,750,000	-	-
	27,281,137	23,638,973	20,530,141	16,822,427

Movement during the year

Balance at the beginning of the year	23,638,973	25,286,492	16,822,427	18,356,546
Additions during the year	344,735,000	281,778,000	344,735,000	281,778,000
Repayments	-	(118,090)	-	(118,090)
Income recognition during the year	(341,092,836)	(283,307,429)	(341,027,286)	(283,194,029)
	27,281,137	23,638,973	20,530,141	16,822,427

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.

13. Payables from exchange transactions

Trade Payables	191,835,067	51,543,380	192,070,435	55,180,310
Payments Received in Advance (Consumers)	9,361,390	9,619,219	9,361,390	9,619,219
Employee Related Accruals	13,024,597	1,342,330	13,024,597	1,342,330
Leave Pay Provision	21,138,572	18,928,480	20,957,817	18,750,195
Accrued Bonus	7,190,350	6,417,847	7,190,350	6,417,847
Accrued Interest - DBSA Loan	7,303,980	7,854,862	7,303,980	7,854,862
Unallocated Deposits	7,193,216	6,556,429	7,193,216	6,556,429
Retentions	29,571,106	25,559,289	29,571,106	25,559,289
	286,618,278	127,821,836	286,672,891	131,280,481

14. Consumer deposits

Water	7,232,738	7,571,171	7,232,738	7,571,171
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uMgungundlovu District Municipality and its Municipal Entity Consolidated
 (Registration number DC 22)
 Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
15. Other financial liabilities				
At amortised cost				
DBSA Loan	163,219,832	175,530,249	163,219,832	175,530,249
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	149,541,874	163,219,832	149,541,874	163,219,832
Current liabilities				
At amortised cost	13,677,958	12,310,417	13,677,958	12,310,417
16. VAT payable				
VAT payable	27,771,214	11,213,952	27,771,214	11,213,952
VAT receivable - UMEDA	(1,347,724)	(725,544)	-	-
	26,423,490	10,488,408	27,771,214	11,213,952

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

17. Provisions

Reconciliation of Provisions: Economic Entity - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Transfer to current portion	Total
Legal proceedings	-	4,446,241	-	-	-	4,446,241
Post Employment Benefits - short term	817,000	1,495,262	(1,179,262)	-	-	1,133,000
Long Service Awards - short term	1,993,000	1,905,640	(1,445,640)	-	-	2,453,000
Post Employment Benefits - long term	37,946,000	938,262	-	-	(1,495,262)	37,389,000
Long Service Awards - long term	16,796,000	2,664,262	-	-	(2,815,262)	16,645,000
Sewerage Services	95,454,206	-	-	(95,454,206)	-	-
	153,006,206	11,449,667	(2,624,902)	(95,454,206)	(4,310,524)	62,066,241

Reconciliation of Provisions: Economic Entity - 2022

	Opening Balance	Additions	Utilised during the year	Transfer to current portion	Total
Post Employment Benefits - short term	780,000	997,405	(960,405)	-	817,000
Long Service Awards - short term	2,759,000	1,761,920	(2,527,920)	-	1,993,000
Post Employment Benefits - long term	33,460,000	5,483,405	-	(997,405)	37,946,000
Long Service Awards - long term	12,236,000	6,321,920	-	(1,761,920)	16,796,000
Sewerage Services	10,738,759	84,715,447	-	-	95,454,206
	59,973,759	99,280,097	(3,488,325)	(2,759,325)	153,006,206

Reconciliation of Provisions: Controlling Entity 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Transfer to current portion	Total
Legal proceedings	-	4,446,241	-	-	-	4,446,241
Post Employment Benefits - short term	817,000	1,495,262	(1,179,262)	-	-	1,133,000
Long Service Awards - short term	1,993,000	1,905,640	(1,445,640)	-	-	2,453,000
Employee benefit cost - long term	37,946,000	938,262	-	-	(1,495,262)	37,389,000
Long Service awards - long term	16,796,000	2,664,262	-	-	(2,815,262)	16,645,000
Sewerage Services	95,454,206	-	-	(95,454,206)	-	-
	153,006,206	11,449,667	(2,624,902)	(95,454,206)	(4,310,524)	62,066,241

Reconciliation of Provisions: Controlling Entity - 2022

	Opening Balance	Additions	Utilised during the year	Transfer to current portion	Total
Post Employment Benefits - short term	780,000	997,405	(960,405)	-	817,000
Long Service Awards - short term	2,759,000	1,761,920	(2,527,920)	-	1,993,000
Post Employment Benefits - long term	33,460,000	5,483,405	-	(997,405)	37,946,000
Long Service Awards - long term	12,236,000	6,321,920	-	(1,761,920)	16,796,000
Sewerage Services	10,738,759	84,715,447	-	-	95,454,206
	59,973,759	99,280,097	(3,488,325)	(2,759,325)	153,006,206

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

17. Provisions (continued)

Non-current liabilities	54,034,000	54,742,000	54,034,000	54,742,000
Current liabilities	8,032,241	98,264,206	8,032,241	98,264,206
	62,066,241	153,006,206	62,066,241	153,006,206

The legal proceedings provision relates to a claim by Makhubu Civil CC for work done on the Trustfeed Water Reticulation Phase 1 to the value of R4 446 241.

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.

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 within the jurisdiction of the municipality.

18. Service charges

Other service charges	504,591	197,685	504,591	197,685
Sale of water	403,791,759	290,045,139	403,791,759	290,045,139
Sewerage and sanitation charges	42,939,073	19,856,308	42,939,073	19,856,308
	447,235,423	310,099,132	447,235,423	310,099,132

19. Other income

Licences and Permits	120,239	71,375	120,239	71,375
Insurance Refunds	89,345	12,720	89,345	1,239
Staff Recoveries	59,298	-	59,298	-
Management fees	200,000	-	200,000	-
	468,882	84,095	468,882	72,614

20. Interest Received - Investments and Bank Accounts

Interest revenue				
Bank	18,969,960	3,662,392	18,634,801	3,478,660

21. Interest from Outstanding Debtors

Interest - Receivables	62,865,574	33,381,207	62,865,574	33,381,207
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uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
22. Government grants and subsidies				
Operating grants				
Equitable Share	669,855,000	608,551,674	669,855,000	608,551,674
TIKZN Grant	330,000	-	-	-
Howick Falls Grant	65,550	113,400	-	-
Accelerated Water Intervention Grant	9,987,664	-	9,987,664	-
Sector Education and Training Authorities Grant	709,314	421,831	709,314	421,831
Expanded Public Works Programme Grant	2,287,000	2,299,000	2,287,000	2,299,000
Local Government Financial Management Grant	1,200,000	1,000,000	1,200,000	1,000,000
South African National Biodiversity Institution Grant	6,883,574	9,410,320	6,883,574	9,410,320
Spatial Planning Grant	197,570	493,925	197,570	493,925
Rural Roads Asset Management Grant	2,706,939	2,585,971	2,706,939	2,585,971
IDP Spatial Development Grant	287,500	225,400	287,500	225,400
Municipal Infrastructure Grant	12,220,837	-	12,220,837	-
Geospatial Grant	-	696,736	-	696,736
	706,730,948	625,798,257	706,335,398	625,684,857
Capital grants				
Municipal Infrastructure Grant	173,620,163	132,893,000	173,620,163	132,893,000
Water Services Infrastructure Grant	122,599,792	125,000,000	122,599,792	125,000,000
Accelerated Water Intervention Grant	10,000,000	17,999,997	10,000,000	17,999,997
Disaster Recovery Grant	5,919,821	-	5,919,821	-
	312,139,776	275,892,997	312,139,776	275,892,997
	1,018,870,724	901,691,254	1,018,475,174	901,577,854

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	349,015,724	293,139,580	348,620,174	293,026,180
Unconditional grants received	669,855,000	608,551,674	669,855,000	608,551,674
	1,018,870,724	901,691,254	1,018,475,174	901,577,854

A total of R 352 657 888 (2022: R 281 778 000) 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

Balance unspent at beginning of year	29	-	29	-
Current-year receipts	2,707,000	2,586,000	2,707,000	2,586,000
Conditions met - transferred to revenue	(2,706,939)	(2,585,971)	(2,706,939)	(2,585,971)
	90	29	90	29

Conditions still to be met - remain liabilities (see note 12).

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
22. Government grants and subsidies (continued)				
Geospatial Grant				
Balance unspent at beginning of year	34	700,186	34	700,186
Conditions met - transferred to revenue	-	(696,736)	-	(696,736)
Other	-	(3,416)	-	(3,416)
	34	34	34	34
Conditions still to be met - remain liabilities (see note 12).				
Water Services Infrastructure Grant				
Current-year receipts	122,600,000	125,000,000	122,600,000	125,000,000
Conditions met - transferred to revenue	(122,599,792)	(125,000,000)	(122,599,792)	(125,000,000)
	208	-	208	-
Camperdown WWTP Grant				
Balance unspent at beginning of year	4,000,095	4,000,095	4,000,095	4,000,095
Conditions still to be met - remain liabilities (see note 12).				
Expanded Public Works Programme Grant				
Balance unspent at beginning of year	-	114,674	-	114,674
Current-year receipts	2,287,000	2,299,000	2,287,000	2,299,000
Conditions met - transferred to revenue	(2,287,000)	(2,299,000)	(2,287,000)	(2,299,000)
Other	-	(114,674)	-	(114,674)
	-	-	-	-
Municipal Infrastructure Grant - Capital				
Current-year receipts	185,841,000	132,893,000	185,841,000	132,893,000
Conditions met - transferred to revenue	(185,841,000)	(132,893,000)	(185,841,000)	(132,893,000)
	-	-	-	-
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 12).				
Sector Education and Training Authority Grants				
Current-year receipts	709,314	421,831	709,314	421,831
Conditions met - transferred to revenue	(709,314)	(421,831)	(709,314)	(421,831)
	-	-	-	-

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
22. Government grants and subsidies (continued)				
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 12).				
Local Government Finance Management Grant				
Current-year receipts	1,200,000	1,000,000	1,200,000	1,000,000
Conditions met - transferred to revenue	(1,200,000)	(1,000,000)	(1,200,000)	(1,000,000)
	-	-	-	-
South African National Biodiversity Institute Grant				
Current-year receipts	6,883,574	9,410,000	150,000	9,410,000
Conditions met - transferred to revenue	(6,883,574)	(9,410,000)	(150,000)	(9,410,000)
	-	-	-	-
Municipal Infrastructure Grant - Operational				
Current-year receipts	12,220,837	-	12,220,837	-
Conditions met - transferred to revenue	(12,220,837)	-	(12,220,837)	-
	-	-	-	-
Howick Falls Grant				
Balance unspent at beginning of year	4,886,600	5,000,000	-	-
Conditions met - transferred to revenue	(65,550)	(113,400)	-	-
	4,821,050	4,886,600	-	-
Public Transport Plan Grant				
Balance unspent at beginning of year	308,817	308,817	308,817	308,817
Conditions still to be met - remain liabilities (see note 12).				
Spatial Planning Grant				
Balance unspent at beginning of year	212,825	706,750	212,825	706,750
Conditions met - transferred to revenue	(197,570)	(493,925)	(197,570)	(493,925)
	15,255	212,825	15,255	212,825
Conditions still to be met - remain liabilities (see note 12).				

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
22. Government grants and subsidies (continued)				
IDP Spatial Development Grant				
Balance unspent at beginning of year	622,775	848,175	622,775	848,175
Conditions met - transferred to revenue	(287,500)	(225,400)	(287,500)	(225,400)
	335,275	622,775	335,275	622,775
Conditions still to be met - remain liabilities (see note 12).				
Accelerated Water Intervention Grant -Capital				
Balance unspent at beginning of year	3	-	3	-
Current-year receipts	10,000,000	18,000,000	10,000,000	18,000,000
Conditions met - transferred to revenue	(10,000,000)	(17,999,997)	(10,000,000)	(17,999,997)
	3	3	3	3
Conditions still to be met - remain liabilities (see note 12).				
Disaster Recovery Grant				
Current-year receipts	10,000,000	-	10,000,000	-
Conditions met - transferred to revenue	(5,819,821)	-	(5,819,821)	-
	4,180,179	-	4,180,179	-
Conditions still to be met - remain liabilities (see note 11).				
Accelerated Water Intervention Grant - Operational				
Current-year receipts	10,000,000	-	10,000,000	-
Conditions met - transferred to revenue	(9,987,664)	-	(9,987,664)	-
	12,336	-	12,336	-
Conditions still to be met - remain liabilities (see note 12).				
RASET Grant - UMEDA				
Balance unspent at beginning of year	179,946	179,946	-	-
Conditions still to be met - remain liabilities (see note 12).				
N3 Corridor Program				
Balance unspent at beginning of year	1,750,000	1,750,000	-	-
TIKZN Grant				
Current-year receipts	330,000	-	-	-
Conditions met - transferred to revenue	(330,000)	-	-	-
	-	-	-	-
Conditions still to be met - remain liabilities (see note 12).				

uMgungundlovu District Municipality and its Municipal Entity Consolidated
 (Registration number DC 22)
 Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

23. Public contributions and donations

Umngeni Water - Disaster Relief	-	500,000	-	500,000
Umngeni Water - Public Participation	-	25,000	-	25,000
Santam - Fire Equipment	368,783	-	368,783	-
	368,783	525,000	368,783	525,000

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
24. Employee related costs				
Basic				
Bonus	166,415,368	161,600,900	160,991,598	157,069,667
Medical aid - company contributions	13,597,898	12,434,283	13,487,829	12,336,023
UIF	14,383,557	13,221,143	14,383,557	13,221,143
WCA	1,105,040	1,086,715	1,085,333	1,067,858
SDL	1,508,939	2,037,266	1,508,939	2,037,266
Other - Bargaining Council	2,238,054	2,208,850	2,238,054	2,208,850
Leave pay provision charge	67,964	64,500	67,964	64,500
Cellphone Allowances	3,909,006	7,155,143	3,855,566	7,077,726
Group Life Contributions	278,000	265,450	145,900	138,600
Standby Allowances	3,892,343	3,843,876	3,892,343	3,843,876
Other - Tool Allowances	5,639,372	9,035,825	5,639,372	9,035,825
Defined contribution plans	1,250,305	1,376,537	1,250,305	1,376,537
Travel, motor car, accommodation, subsistence and other allowances	31,941,553	31,620,787	31,708,476	31,425,857
Overtime payments	13,499,419	14,633,431	13,391,065	14,328,502
Long-service awards	5,524,749	7,495,744	5,524,749	7,495,744
Acting allowances	4,784,462	6,380,998	4,784,462	6,380,998
Housing benefits and allowances	1,408,372	1,231,539	1,160,207	1,231,539
Uniforms & Clothing Allowances	1,387,278	1,366,159	1,387,278	1,366,159
Shift Allowance	55,612	43,875	55,612	43,875
Backpay	9,712,583	7,656,793	9,712,583	7,656,793
Termination benefits - Curtailment and Settlements	5,834	61,412	-	-
	5,180,738	4,717,675	5,180,738	4,717,675
	287,786,446	289,538,901	281,451,930	284,125,013

Remuneration of Municipal Manager

Annual Remuneration				
Tools of Trade	484,680	1,277,473	484,680	1,277,473
Statutory Contributions	7,200	21,600	7,200	21,600
Leave Pay-out	7,756	15,024	7,756	15,024
Non-pensionable Cash Gratuity	193,314	-	193,314	-
	6,780	-	6,780	-
	699,730	1,314,097	699,730	1,314,097

The Municipal Manager's contract terminated on 31 October 2022.

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				
Travel Allowance	580,694	633,053	580,694	633,053
Tools of Trade	186,388	222,000	186,388	222,000
Housing Subsidy	18,000	21,600	18,000	21,600
Statutory Contributions	167,946	200,035	167,946	200,035
Non-pensionable Cash Gratuity	10,792	12,356	10,792	12,356
	37,290	-	37,290	-
	1,001,110	1,089,044	1,001,110	1,089,044

The contract of S Ndabandaba terminated on 30 April 2023.

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

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
24. Employee related costs (continued)				
Annual Remuneration	190,874	563,707	-	-
Travel Allowance	108,354	304,929	-	-
Tools of Trade	7,600	22,800	-	-
Statutory Contributions	708	265,961	-	-
Backpay	-	13,717	-	-
	307,536	1,171,114	-	-

The contract of NK Sibobi terminated on 31 October 2022.

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**

Annual Remuneration	-	876,052	-	-
Statutory Contributions	-	1,544	-	-
Tools of Trade	-	23,000	-	-
Backpay	-	16,635	-	-
	-	917,231	-	-

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.

The contract of B Nqaimbane terminated on 11 April 2022.

Remuneration of SEM: Corporate Services - UMDM

Annual Remuneration	934,126	875,080	934,126	875,080
Travel Allowance	184,734	180,000	184,734	180,000
Acting Allowance	69,780	-	-	-
Tools of Trade	21,600	21,600	21,600	21,600
Statutory Contributions	13,643	12,440	13,643	12,440
Non-pensionable Cash Gratuity	41,015	-	41,015	-
	1,264,898	1,089,120	1,195,118	1,089,120

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	-	439,620
Tools of Trade	-	9,000	-	9,000
Statutory Contributions	-	6,415	-	6,415
Leave Pay-out	-	90,424	-	90,424
	-	545,459	-	545,459

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

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

**Remuneration of SEM: Community Services -
UMDM**

Annual Remuneration	-	325,693	-	325,693
Travel Allowance	-	26,000	-	26,000

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
24. Employee related costs (continued)				
Tools of Trade	-	7,200	-	7,200
Statutory Contributions	-	4,215	-	4,215
Leave Pay-out	-	40,127	-	40,127
	-	403,235	-	403,235

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

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

Remuneration of SEM: Community Services - UMDM

Annual Remuneration	260,439	-	260,439	-
Acting Allowance	24,618	-	24,618	-
Tools of Trade	5,400	-	5,400	-
Statutory Contributions	3,085	-	3,085	-
Non-pensionable Cash Gratuity	11,865	-	11,865	-
	305,407	-	305,407	-

Council appointed EX Muthwa as Senior Executive Manager: Community Services as from 01 April 2023.

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

Remuneration of SEM: Economic Development and Planning - UMDM

Annual Remuneration	534,212	-	534,212	-
Travel Allowance	115,819	-	115,819	-
Tools of Trade	12,600	-	12,600	-
Statutory Contributions	7,335	-	7,335	-
Non-pensionable Cash Gratuity	20,340	-	20,340	-
	690,306	-	690,306	-

Council appointed M Sithole as Senior Executive Manager: Economic Development and Planning (UMDM) as from 01 December 2022.

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 Chief Executive Officer -

UMEDA: N Newton

Annual Remuneration	1,206,835	256,821	-	-
Statutory Contributions	2,125	84,215	-	-
Tools of Trade	27,600	6,900	-	-
	1,236,560	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.

Remuneration of the SEM: Technical Services - UMDM

Annual Remuneration	659,710	-	659,710	-
Travel Allowance	164,927	-	164,927	-
Tools of Trade	14,400	-	14,400	-

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
24. Employee related costs (continued)				
Statutory Contributions	9,023	-	9,023	-
Non-pensionable Cash Gratuity	17,893	-	17,893	-
	865,953	-	865,953	-

Council appointed Z Ndlovu as Senior Executive Manager: Technical Services as from 01 October 2023.

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

25. Remuneration of Councillors and Board Members

Mayor	1,311,910	1,048,633	1,311,910	1,048,633
Deputy Mayor	938,358	674,287	938,358	674,287
Executive Committee Members	5,442,907	3,078,830	5,442,907	3,078,830
Speaker	962,085	848,714	962,085	848,714
Councillors	5,775,235	5,285,003	5,775,235	5,285,003
Chief Whip	968,942	595,380	968,942	595,380
Board Members	143,325	142,503	-	-
	15,542,762	11,673,350	15,399,437	11,530,847

In-kind benefits

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 Mayor, Deputy Mayor and Speaker of the current Council who assumed office in November 2021 are full time. The Chief Whip and Executive Committee Members were authorised by the Department of Cooperative Governance and Traditional Affairs to assume full-time status from 01 September 2023. Each was provided with an office and secretarial support at the cost of the Council.

The Deputy Mayor and Speaker have 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	51,855,933	50,276,475	51,672,642	50,110,077
Intangible assets	3,012	1,573,491	3,012	1,570,829
	51,858,945	51,849,966	51,675,654	51,680,906

27. Finance costs

Trade and other payables	30,089	210,141	30,089	210,141
Service concession arrangements	18,220,392	19,517,752	18,220,392	19,517,752
	18,250,481	19,727,893	18,250,481	19,727,893

uMgungundlovu District Municipality and its Municipal Entity Consolidated
(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
28. Lease rentals on operating lease				
Premises				
Contractual amounts	1,687,861	1,420,895	1,476,021	1,065,208
Motor vehicles				
Contractual amounts	16,453,478	14,653,726	16,453,478	14,653,726
Equipment				
Contractual amounts	6,132,661	6,153,719	6,038,601	6,133,094
	24,274,000	22,228,340	23,968,100	21,852,028

29. Reversal of impairments

Reversal of impairments

Trade and other receivables

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.

- (547,850,108)

- (547,850,108)

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.

30. Debt impairment

Debt impairment

310,016,011	151,088,107	309,751,607	151,088,107
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31. Inventory Consumed

VIP Toilets

Water

Materials

Consumables

Community Programmes

20,926,016	34,662,961	20,926,016	34,662,961
165,124,936	146,666,708	165,124,936	146,666,708
3,278,988	2,350,156	3,278,988	2,350,156
529,323	683,146	529,323	683,146
1,960,442	515,341	1,960,442	515,341

191,819,705	184,878,312	191,819,705	184,878,312
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Reconciliation of Water for Distribution

Apparent losses: Unauthorised consumption

Water Purchased and Produced

Revenue Water: Authorised - Billed

Non-Revenue Water: Authorised - Unbilled

Subtotal

Water losses

Closing Balance

380,912	765,564	380,912	765,564
233,919,654	228,076,265	233,919,654	228,076,265
(83,601,775)	(90,030,204)	(83,601,775)	(90,030,204)
(81,523,161)	(56,636,504)	(81,523,161)	(56,636,504)
69,175,630	82,175,121	69,175,630	82,175,121
(68,855,078)	(81,794,209)	(68,855,078)	(81,794,209)
320,552	380,912	320,552	380,912

uMgungundlovu District Municipality and its Municipal Entity Consolidated
 (Registration number DC 22)
 Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
32. Contracted services				
Outsourced Services				
ICT Support Services	1,910,361	2,372,315	1,910,361	2,372,315
Business and Advisory	97,516	-	97,516	-
Catering Services	368,494	281,155	368,494	281,155
Hygiene Services	49,016	50,774	49,016	50,774
Security Services	13,590,127	6,096,330	13,590,127	6,096,330
Sewerage Services	70,774,598	79,357,512	70,774,598	79,357,512
Water Tankers	73,339,141	49,775,473	73,339,141	49,775,473
Consultants and Professional Services				
Business and Advisory	14,603,482	10,961,817	14,603,482	10,961,817
Infrastructure and Planning	18,060,319	12,724,935	18,060,319	12,724,935
Laboratory Services	753,134	1,235,926	753,134	1,235,926
Legal Cost	12,608,450	10,882,979	12,608,450	10,882,979
Contractors				
Employee Wellness	95,709	-	95,709	-
Event Promoters	695,324	-	695,324	-
Maintenance of Buildings and Facilities	2,366,730	931,758	2,366,730	931,758
Maintenance of Equipment	91,246	-	91,246	-
Medical Services	566,432	960	566,432	960
Photography	-	23,478	-	23,478
	209,970,079	174,695,412	209,970,079	174,695,412
33. Grants and subsidies paid				
Other subsidies				
UMEDA Transfer	-	-	9,500,000	9,158,074
Arbitration Awards	50,000	-	50,000	-
	50,000	-	9,550,000	9,158,074

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022
34. General expenses				
Advertising	188,402	118,082	135,954	118,082
Auditors remuneration	4,202,259	4,685,435	3,780,207	4,040,094
Bank charges	1,720,499	1,361,641	1,709,687	1,350,012
Consulting and professional fees	900,260	792,756	-	-
Fines and penalties	-	384,606	-	384,606
Promotional items	183,904	-	183,904	-
Hire	407,278	660,364	386,804	660,364
Insurance	1,580,178	2,226,623	1,499,717	2,160,433
Conferences and seminars	10,000	-	10,000	-
IT expenses	621,732	69,905	-	-
Fleet	1,212	-	-	-
Levies	8,046	2,807	-	-
Motor vehicle expenses	234,132	204,390	234,132	204,390
Fuel and oil	7,433,715	4,263,126	7,412,515	4,263,126
Placement fees	240,845	177,618	240,845	177,618
Postage and courier	259	668	259	668
Printing	79,505	22,179	45,997	-
Repairs and maintenance	260,826	150	-	-
Security	8,696	3,240	-	-
Software expenses	6,073,671	3,604,015	6,073,671	3,604,015
Subscriptions and membership fees	3,006,057	2,736,015	2,964,692	2,725,622
Telephone and fax	1,903,876	1,842,500	1,801,828	1,807,811
Transport and freight	2,464	22,151	-	-
Training	508,612	137,550	479,417	137,550
Travel - local	1,297,701	1,705,585	1,263,848	1,683,865
Interest on accounts	359	-	-	-
Legal fees	1,552,571	18,454	-	-
Assets expensed	168,459	807,264	168,459	807,264
Electricity - Infrastructure	7,960,568	6,812,972	7,960,568	6,812,972
Utilities - Municipal Services	2,554,124	2,422,865	2,544,479	2,370,164
Uniforms	3,009,058	1,772,957	3,009,058	1,772,957
Entrance fees	200	-	-	-
Bursaries and learnerships	-	21,600	-	21,600
Communications	26,023	46,095	26,023	46,095
Signage	243,890	68,001	243,890	68,001
Archiving	-	37,167	-	24,832
Consumables	26,212	15,285	-	-
Guarantees and warranties	24,745	-	24,745	-
	46,440,338	37,044,066	42,200,699	35,242,141

35. Loss on Disposal of Assets

(79,402)	(8,580,309)	(31,235)	(8,580,309)
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uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

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.

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

Opening balance	57,552,000	49,235,000	57,552,000	49,235,000
Benefits paid	(2,624,903)	(3,488,325)	(2,624,903)	(3,488,325)
Net expense recognised in the statement of financial performance	2,692,903	11,805,325	2,692,903	11,805,325
	57,620,000	57,552,000	57,620,000	57,552,000

Net expense recognised in the statement of financial performance

Current service cost	3,588,000	2,890,000	3,588,000	2,890,000
Past service cost	-	2,875,000	-	2,875,000
Interest cost	6,168,000	4,858,000	6,168,000	4,858,000
Actuarial (gains) losses	(7,063,097)	1,182,325	(7,063,097)	1,182,325
	2,692,903	11,805,325	2,692,903	11,805,325

Calculation of actuarial gains and losses

Actuarial (gains) losses – Plan assets	(7,063,097)	1,182,325	(7,063,097)	1,182,325
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Changes in the fair value of plan obligations are as follows:

Opening balance	57,552,000	49,235,000	57,552,000	49,235,000
Actuarial gains (losses)	(7,063,097)	1,182,325	(7,063,097)	1,182,325
Contributions by employer	6,168,000	7,733,000	6,168,000	7,733,000
Contributions by plan participants	3,588,000	2,890,000	3,588,000	2,890,000
Benefits paid	(2,624,903)	(3,488,325)	(2,624,903)	(3,488,325)
	57,620,000	57,552,000	57,620,000	57,552,000

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

40. Contingencies (continued)

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

41. Related parties

Relationships	Refer to accounting officers' report note 24
Accounting Officer	uMgungundlovu District Municipality
Controlling entity	uMgungundlovu Economic Development Agency
Municipal entity	Refer to note 25
Councillors	Refer to note 24
Senior Executive Management	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
Director - UMEDA	

42. Events after the reporting date

In July 2023 a claim of R4 519 931 was lodged by Bosch Projects against the municipality for monies owed for works performed.

In July 2023 a judgement was issued in favour of Makhubu Civil CC for settlement by the municipality of the claim for monies owed for works performed. The Infrastructure Work-in-Progress, VAT, Trade and other Payables from Exchange Transactions (Retentions) and Provisions disclosures on annual financial statements has been adjusted to the total value of R4 446 241.

In September 2023, the Council resolved to adopt for implementation the approval granted by the Department of Cooperative Governance and Traditional Affairs the increments in Councillors' Remuneration at 100% in line with the Government Gazette 49142: Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Council effective 1 July 2022. The Councillors' Remuneration and Payables from Exchange Transactions (Employee Related Accruals) disclosures on annual financial statements have been adjusted to the total value of R792 126.

In October 2023, a supplier issued a letter of demand for the payment of incremental charges for services rendered in October, November and December 2022. Following the receipt of a legal opinion, the municipality honoured the incremental charges to the value of R4 588 869. The Contracted Services and Payables from Exchange Transactions (Trade Payables) disclosures on the annual financial statements have been adjusted.

43. Inventories losses / adjustments

NRV adjustments	(935,541)	5,341,057	(935,541)	5,341,057
Water losses	68,855,078	81,794,209	68,855,078	81,794,209
	67,919,537	87,135,266	67,919,537	87,135,266

The total amount of water available for distribution was 28 057 394 kL of which 10 011 196 kL was sold and 9 762 364 kL related to non-revenue water, resulting in water losses of 8 245 366 kL (30%) for 2022/23 compared to 9 935 380 kL (35%) for 2021/22.

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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022
44. Fruitless and wasteful expenditure				
Opening balance as previously reported	41,314	37,279	535	-
	-	-	-	-
Opening balance as restated	41,314	37,279	535	-
Add: Fruitless and Wasteful Expenditure - current	20,095,550	37,697	20,095,188	34,197
Less: Amount written off - current	(14,662)	(33,662)	(14,662)	(33,662)
Closing balance	20,122,202	41,314	20,081,061	535

Cases Under Investigation

Current year fruitless and wasteful expenditures have been submitted to the Disciplinary Board for further investigations.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

44. Fruitless and wasteful expenditure (continued)

Amounts written off

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.

At a Full Council meeting which took place on 30 June 2023, fruitless and wasteful expenditure at an amount of R 14 662 was written off by Council in accordance with section 32(2)(b) of the MFMA.

Interest Expense
Variation orders

319,033	34,197	318,671	34,197
19,776,517	-	19,776,517	-
20,095,550	34,197	20,095,188	34,197

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022
45. Irregular expenditure				
Opening balance as previously reported	7,670,866	41,356,343	547,125	34,416,123
Correction of prior period error	-	(13,426,673)	-	(13,426,673)
Opening balance as restated	7,670,866	27,929,670	547,125	20,989,450
Add: Irregular Expenditure - current	107,821,681	864,424	107,499,025	680,904
Add: Irregular Expenditure - prior period	238,428,075	-	238,428,075	-
Less: Amounts recoverable - prior period	-	(342,860)	-	(342,860)
Less: Amount written off by Council	(345,884,457)	(20,780,368)	(345,884,457)	(20,780,368)
Closing balance	8,036,165	7,670,866	589,768	547,126

45. Irregular expenditure (continued)

Amounts recoverable

Cases Under Investigation

Investigations are still in progress regarding four cases which are all related to non-compliance with procurement process requirements.

On 30 June 2023, following the outcomes of the Council Committee investigations, Council adopted the Council Committee recommendations to write-off an amount of R 345,884,456. 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.

45. Irregular expenditure (continued)

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 MFMA	8,277,764	10,723,014	8,277,764	10,723,014
Failure to follow SCM Processes	3,591,885	10,052,249	3,591,885	10,052,249
Non-Compliance with DORA	-	5,105	-	5,105
Non-compliance with Section 33(1) of MFMA	333,938,148	-	333,938,148	-
Non-Compliance with SCM Regulation 18(A) (7-Day Advert)	76,700	-	76,700	-
	345,884,497	20,780,368	345,884,497	20,780,368

Irregular Expenditure Incurred During the Year

Non-Compliance with Section 33(1) of MFMA	107,415,459	-	107,415,459	-
Non-Compliance with SCM Regulation 18(a)	53,983	-	53,983	-
Failure to follow SCM Processes	352,239	730,645	29,583	547,125
Failure to follow Section 116(3) of the MFMA	-	133,779	-	133,779
	107,821,681	864,424	107,499,025	680,904

Irregular Expenditure Incurred During the Prior Year

Non-Compliance with Section 33(1) of MFMA	226,522,688	-	226,522,688	-
Failure to follow Section 116(3) of the MFMA	8,277,764	-	8,277,764	-
Failure to follow SCM Processes	3,627,622	-	3,627,622	-
	238,428,074	-	238,428,074	-

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022
46. Unauthorised expenditure				
Opening balance as previously reported	65,629,790	86,575,122	65,629,790	86,575,122
Correction of prior period error	14,002,216	-	14,002,216	-
Opening balance as restated	79,632,006	86,575,122	79,632,006	86,575,122
Add: Unauthorised Expenditure - current period	256,836,921	79,626,231	256,836,921	79,626,231
Less: Amount written off - prior period	(65,629,520)	(86,575,122)	(65,629,520)	(86,575,122)
Closing balance	270,839,407	79,626,231	270,839,407	79,626,231

An amount of R 256 836 921 unauthorised expenditure was incurred in the current financial year (2022: R79 626 231). The unauthorised expenditure is computed at vote level and disclosed at category level for purposes of providing further detail on the constituents of the amount.

On 30 June 2023, following the outcomes of the Council Committee investigations, Council adopted the Council Committee recommendations to write-off an amount of R 65 629 520. 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	172,369,165	(257,669)	172,369,165	(257,669)
Cash	73,083,065	79,883,900	73,083,065	79,883,900
	245,452,230	79,626,231	245,452,230	79,626,231

Analysed as follows: non-cash

Depreciation and amortisation	(1,874,924)	7,090,535	(1,874,924)	7,090,535
Debt impairment	167,366,916	26,088,107	167,366,916	26,088,107
Reversal of Impairment	-	(147,850,108)	-	(147,850,108)
Bad debts written off	-	104,651,163	-	104,651,163
Loss on disposal of assets	31,235	8,580,309	31,235	8,580,309
Actuarial gains	(7,063,097)	1,182,325	(7,063,097)	1,182,325
Asset impairment	13,909,036	-	13,909,036	-
	172,369,166	(257,669)	172,369,166	(257,669)

Analysed as follows: cash

Inventory consumed	(59,465,258)	(75,057,090)	(59,465,258)	(75,057,090)
Inventory losses / adjustments	67,919,538	87,135,266	67,919,538	87,135,266
Contracted services	52,324,443	54,062,589	52,324,443	54,062,589
Finance costs	(520,793)	(391,678)	(520,793)	(391,678)
Employee related costs	10,381,012	16,011,456	10,381,012	16,011,456
Lease rentals on operating lease	4,057,188	(171,642)	4,057,188	(171,642)
Remuneration of Councillors	703,433	(2,936,495)	703,433	(2,936,495)
Operational costs	(2,384,498)	1,231,494	(2,384,498)	1,231,494
Transfers and subsidies	50,000	-	50,000	-
	73,065,065	79,883,900	73,065,065	79,883,900

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,964,692	2,645,662	2,964,692	2,645,662
Amount paid - current year	(2,964,692)	(2,645,662)	(2,964,692)	(2,645,662)
	-	-	-	-

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

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

Audit fees

Opening balance	-	18,587	-	18,587
Current year subscription / fee	4,202,259	4,685,435	3,780,207	4,040,094
Amount paid - current year	(4,198,717)	(4,704,022)	(3,776,665)	(4,058,681)
	3,542	-	3,542	-

PAYE and UIF

Current year subscription / fee	45,094,954	44,659,351	45,094,954	44,659,351
Amount paid - current year	(45,094,954)	(44,659,351)	(45,094,954)	(44,659,351)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	48,255,593	45,444,361	48,255,593	45,444,361
Amount paid - current year	(48,255,593)	(45,444,361)	(48,255,593)	(45,444,361)
	-	-	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2023:

June 30, 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ragavaloo A (Mr)	2,679	28,641	31,320
Dlamini MP (Mr)	3,386	23,227	26,613
Holmes J (Ms)	3,539	858	4,397
Nkuna SD (Mr)	3,841	26,718	30,559
Mabhida N (Ms)	1,858	18,628	20,486
Ragavaloo A (Mr)	1,767	19,831	21,598
Zondi DP (Mr)	14,292	160,387	174,679
	31,362	278,290	309,652
June 30, 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ragavaloo A (Mr)	3,624	23,926	27,550
Diadla ME (Mr)	1,251	1,856	3,107
Dlamini MP (Mr)	1,133	18,605	19,738
Holmes J (Ms)	925	166	1,091
Nkuna SD (Mr)	1,437	20,762	22,199
Mabhida N (Ms)	1,167	12,852	14,019
Ragavaloo A (Mr)	1,885	21,583	23,468
Zondi DP (Mr)	5,955	147,552	153,507
	17,377	247,302	264,679

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

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 557 299 (2022: R 8 421 413) in the current financial year.

A total of R nil (2022: Rnil) deviations related to cases where there was an emergency.

A total of Rnil (2022: R nil) deviations related to cases where the goods/services were produced or available from a single provider only.

A total of R 557 299 (2022: R8 421 413) deviations related to exceptional cases where it was impractical or impossible to follow the official procurement process.

49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	163,219,832	175,530,249	163,219,832	175,530,249
Used to finance property, plant and equipment	(155,915,844)	(183,385,111)	(155,915,844)	(183,385,111)
	7,303,988	(7,854,862)	7,303,988	(7,854,862)

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.

50. Operating surplus

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

Operating lease charges				
Premises				
• Contractual amounts	1,687,861	1,420,895	1,476,021	1,065,208
Motor vehicles				
• Contractual amounts	16,453,478	14,653,726	16,453,478	14,653,726
Equipment				
• Contractual amounts	6,132,661	6,153,719	6,038,601	6,133,094
	24,274,000	22,228,340	23,968,100	21,852,028
Loss on disposal of assets and liabilities	(79,402)	(8,580,309)	(31,235)	(8,580,309)
Reversal of impairment on trade and other receivables	-	547,850,108	-	547,850,108
Gain on sale of non-current assets held for sale and net assets of disposal groups	13,909,036	-	13,909,036	-
Amortisation on intangible assets	3,012	1,573,491	3,012	1,570,829
Depreciation on property, plant and equipment	51,855,933	50,276,475	51,672,642	50,110,077
Employee costs	303,329,208	301,212,251	296,851,367	295,655,860

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

51. Revaluation reserve

Opening balance	52,895,700	56,470,999	52,895,700	56,470,999
Realisation of reserve	(1,191,764)	(1,191,764)	(1,191,764)	(1,191,764)
Correction of prior period error	-	(2,383,535)	-	(2,383,535)
	51,703,936	52,895,700	51,703,936	52,895,700

52. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2023

	Housing development fund	Total
Opening balance	8,127	8,127

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 - 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

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

53. 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
Property, Plant and Equipment	2,344,043,852	73,967	2,344,117,819
Provisions: Current	(69,631,687)	(28,632,519)	(98,264,206)
Provisions (Non-current)	(52,480,708)	(2,261,292)	(54,742,000)
Gross Debtors	728,394,404	(87,267,258)	641,127,146
Accumulated Surplus	(2,018,291,543)	19,063,178	(1,999,228,365)
VAT Payable	(34,285,332)	23,071,380	(11,213,952)
Payables from Exchange Transactions	(124,510,192)	(6,770,290)	(131,280,482)
Revaluation Reserve	(56,470,999)	3,575,298	(52,895,700)
Debt Impairment	(639,412,073)	85,289,752	(554,122,322)
Receivables from Exchange Transactions	21,294,928	(6,142,216)	15,152,712

Economic entity

	As previously reported	Correction of error	Restated
Property, Plant and Equipment	2,345,020,282	1,255,563	2,346,275,845
Provisions: Current	(69,631,687)	(28,632,519)	(98,264,206)
Provisions (Non-current)	(52,480,708)	(2,261,292)	(54,742,000)
Gross Debtors	728,394,404	(87,267,258)	641,127,146
Accumulated Surplus	(2,020,039,393)	17,884,185	(2,002,155,208)
VAT Payable	(33,559,788)	23,071,380	(10,488,408)
Payables from Exchange Transactions	(121,051,547)	(6,770,290)	(127,821,837)
Revaluation Reserve	(56,470,999)	3,575,298	(52,895,700)
Debt Impairment	(639,412,073)	85,289,752	(554,122,322)
Receivables from Exchange Transactions	21,544,332	(5,847,118)	15,697,214
Intangible Assets	334,313	(297,760)	36,553

Statement of financial performance

Controlling entity

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation		(51,754,873)	73,967	-	(51,680,906)
Employee Related Costs		(281,430,418)	(2,694,595)	-	(284,125,013)
Actuarial Losses		(1,883,920)	701,595	-	(1,182,325)
Other Revenue from Non-exchange Transactions		342,860	(342,860)	-	-
Finance Costs		(20,270,753)	342,860	-	(19,927,893)
Operating Grants		623,098,886	-	2,585,971	625,684,857
Capital Grants		278,478,968	-	(2,585,971)	275,892,997
Service Charges		315,729,067	(5,629,935)	-	310,099,132
Interest on Outstanding Debtors		33,375,838	5,369	-	33,381,207
Inventory Consumed		(184,862,063)	(16,249)	-	(184,878,312)
General Expenses		(35,369,180)	127,039	-	(35,242,141)
Bad debts written off		(436,415,404)	(68,255,968)	-	(504,671,372)
Debt Impairment		(160,857,851)	9,769,744	-	(151,088,107)
Reversal of Impairments		472,330,101	75,520,007	-	547,850,108
Contracted Services		(162,056,967)	(12,638,445)	-	(174,695,412)
Inventory Losses / Adjustments		(81,794,209)	(5,341,057)	-	(87,135,266)

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

53. Prior-year adjustments (continued)

Economic entity

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation		(52,336,805)	486,839	-	(51,849,966)
Employee Related Costs		(286,844,306)	(2,694,595)	-	(289,538,901)
Actuarial Losses		(1,883,920)	701,595	-	(1,182,325)
Other Revenue from Non-exchange Transactions		342,860	(342,860)	-	-
Finance Costs		(20,070,753)	342,860	-	(19,727,893)
Operating Grants		623,212,286	-	2,585,971	625,798,257
Capital Grants		278,478,968	-	(2,585,971)	275,892,997
Service Charges		315,729,067	(5,629,935)	-	310,099,132
Interest on Outstanding Debtors		33,375,838	5,369	-	33,381,207
Inventory Consumed		(184,874,398)	(3,914)	-	(184,878,312)
General Expenses		(36,854,928)	(189,138)	-	(37,044,066)
Remuneration of Councillors and Board Members		(11,907,289)	233,939	-	(11,673,350)
Debt Impairment		(160,857,851)	9,769,744	-	(151,088,107)
Bad Debts Written Off		(436,415,404)	(68,255,968)	-	(504,671,372)
Reversal of Impairments		472,330,101	75,520,007	-	547,850,108
Contracted Services		(162,056,857)	(12,638,555)	-	(174,695,412)
Inventory Losses / Adjustments		(81,794,209)	(5,341,057)	-	(87,135,266)
		287,572,400	(8,035,669)	-	279,536,731

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

53. 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 depreciation of Computer Equipment.

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

Consumer Debtors and Revenue from Exchange Transactions

The prior period correction relates to adjustments made for purposes of customer account query resolutions.

The corrections affected consumer debtors, accumulated surplus, VAT payable, service charges revenue and interest on outstanding debtors.

The bad debts writtent off have been corrected to reflect the amounts resolved for write-off by Council in July 2022 as these would constite an adjusting event as at 30 June 2022.

Provisions

The prior period corrections relate to the erroneous ommission of the Past Service Cost in the movements of the Provision for Long Service Awards as per Actuarial Valuation Report. Adjustments were made between the current and non-current portion of the provisions.

Furthermore, a number of invoices relating to the sewerage services were erroneously not included in the provision raised.

The corrections affected the current and non-current provisions, employee related costs, finance costs, contracted services, actuarial losses and accumulated surplus.

UIFW Recoveries

The prior period correction relates to the Fruitless and Wasteful Expenditure resolved as recoverable where the amount was erroneously raised as income and has now been set off agianst the related expenditure.

The corrections affected the other revenue from non-exchange transactions and finance costs.

Payables from Exchange Transactions, Advance Payments - Trade Payables and Expenditure

The prior period corrections relate to the expenditure whereby invoices relating to the year ending 30 June 2022 were were erroneously not raised in the correct period.

The corrections affected the trade payables, VAT payable, inventory consumed and general expenditure.

Furthermore, debit notes were erroneously not raised relating to the Umngeni Water account where adjustments have been made against the Advance Payments - Trade Payables.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022
53. Prior-year adjustments (continued)				
Unauthorised expenditure				
Opening balance	-	66,629,790	-	65,629,790
Adjustments made	-	14,002,216	-	14,002,216
Restated opening balance	-	80,632,006	-	79,632,006

Adjustment made to opening balance of unauthorised expenditure is due to the corrections relating to the prior year.

Revaluation Reserve

The prior period correction relates to the realisation of the revaluation reserve in line with the depreciation accumulated in the previous financial years.

The corrections affected the revaluation reserve and accumulated surplus.

Reclassifications

The Rural Roads Asset Management Grant was erroneously included in the capital grants disclosure and has been reclassified to operating grants as it does not relate to the procurement and/or construction of assets.

54. 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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022	2023	2022

54. Risk management (continued)

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 June 30, 2023	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	62,163,382
Trade and other payables	340,492,465	-	-	-
At June 30, 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	257,297,376	-	-	-

Controlling entity

At June 30, 2023	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	62,163,382
Trade and other payables	340,492,465	-	-	-
At June 30, 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	257,297,376	-	-	-

Credit risk

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

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

Financial instrument	Economic entity - 2023	Economic entity - 2022	Economic entity	Controlling entity
Cash and cash equivalents	333,152,099	84,539,693	328,436,471	81,683,080
Trade receivables	63,150,554	118,737,218	61,025,643	118,192,716

Market risk

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

54. Risk management (continued)

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.

55. 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 June 30, 2023, the municipality had an accumulated surplus of R 2,320,512,611 and that the municipality's total assets exceed its liabilities by R 2,372,216,547.

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.

56. 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 63.1 Over expenditure due to movements in leave payouts and higher than anticipated allowances.

Note 63.2 The debt impairment was higher than anticipated due to the collection of long outstanding debt remaining low in the current year and the inclusion of government debt in the impairment assessment.

Note 63.3 The contacted services overexpenditure was due to a higher than anticipated demand for water tankers where incremental charges also had to be honoured by the municipality; security costs were elevated by the change in the regulated PSIRA rates; legal fees were hidger due to the number of matters that required legal services.

Note 63.4 Operational leases over expenditure was due to the increased fuel resulting from the increases in the costs per litre. and the transitioning between fleet contracts.

Note 63.5 Asset disposal and impairment was not anticipated at the time of compiling the budget.

Note 63.6 Actuarial gain/loss estimate not available at the time of compiling the budget.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

57. 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.

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)
Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

57. 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	101,067,212	19,251,625	337,252,786	457,571,623
Revenue from exchange transactions	320,239	335,159	510,100,995	510,756,393
Total segment revenue	101,387,451	19,586,784	847,353,781	968,328,016
Interest revenue				18,634,800
Other income				653,264
Non-exchange Revenue				561,667,886
Total revenue reconciling items				580,955,950
Economic Entity's revenue				1,549,283,966

Expenditure

Salaries and wages	(93,318,609)	(14,591,735)	(80,899,395)	(188,809,739)
Depreciation and amortisation	-	(183,291)	(48,512,323)	(48,695,614)
Inventories losses / adjustments	-	-	(67,919,537)	(67,919,537)
Loss on disposal of assets	-	(48,167)	-	(48,167)
Debt impairment	-	(264,404)	(288,581,239)	(288,845,643)
Finance costs	-	-	(18,220,392)	(18,220,392)
Asset Impairment	-	-	(13,909,037)	(13,909,037)
Other expenses	(8,068,842)	(5,787,720)	(362,455,471)	(376,312,033)
Total segment expenditure	(101,387,451)	(20,875,317)	(880,497,394)	(1,002,760,162)

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

	Community Services	Planning and Economic Development	Trading Services	Total
57. Segment information (continued)				
Salaries and wages				(114,519,470)
Finance costs				(30,089)
Other expenses				(96,242,086)
Loss on disposal of assets				(31,235)
Actuarial (gains) / losses				7 063 097
Debt impairment				(21,170,368)
Depreciation and amortisation				(3,163,330)
Total expenditure reconciling items				(228,093,481)
Economic Entity's expenditure				(1,230,853,643)
Economic Entity's surplus (deficit) for the period				318,430,323
Assets				
Current Assets	-	4,776,820	62,506,434	67,283,254
Non-current Assets	574,568	2,210,148	2,458,020,561	2,460,805,277
Total segment assets	574,568	6,986,968	2,520,526,995	2,528,088,531
Current Assets				333,015,139
Non-current Assets				85,592,902
Total assets as per Statement of financial Position				2,946,696,572
Liabilities				
Current Liabilities	-	6,148,705	93,943,496	100,092,201
Non-current Liabilities	-	-	149,541,874	149,541,874
Total segment liabilities	-	6,148,705	243,485,370	249,634,075
Current Liabilities				269,173,641
Non-current Liabilities				54,034,000
Total liabilities as per Statement of financial Position				572,841,716

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Controlling entity

	Community Services	Planning and Economic Development	Trading service	Total
Revenue				
Revenue from non-exchange transactions	101,067,212	18,856,075	337,252,786	457,176,073
Revenue from exchange transactions	320,239	-	510,100,995	510,421,234
Total segment revenue	101,387,451	18,856,075	847,353,781	967,597,307
Interest revenue	-	-	-	18,634,800
Other income				653,264
Non-exchange revenue				561,667,886
Total revenue reconciling items				580,955,950
Municipality's revenue				1,548,553,257
Expenditure				
Salaries and wages	(93,318,609)	(8,113,894)	(80,899,395)	(182,331,898)
Other expenses	(8,068,842)	(10,742,181)	(362,455,471)	(381,266,494)
Inventories losses / adjustments	-	-	(67,919,537)	(67,919,537)
Depreciation and amortisation	-	-	(48,512,323)	(48,512,323)
Debt impairment	-	-	(288,581,239)	(288,581,239)
Finance costs	-	-	(18,220,392)	(18,220,392)
Asset impairment	-	-	(13,909,037)	(13,909,037)
Total segment expenditure	(101,387,451)	(18,856,075)	(880,497,394)	(1,000,740,920)
Total reconciling items				(228,093,481)

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

57. Segment information (continued)

	Community Services	Planning and Economic Development	Trading service	Total
Salaries and wages				(114,519,470)
Finance costs				(30,089)
Other expenses				(96,242,086)
Loss on disposal of assets				(31,235)
Actuarial (gains) / losses				7,063,097
Debt impairment				(21,170,368)
Depreciation and amortisation				(3,163,330)
Municipality's surplus (deficit) for the period				319,718,855
Assets				
Current Assets	-	-	62,506,434	62,506,434
Non-current Assets	574,568	-	2,458,020,561	2,458,595,129
Total segment assets	574,568	-	2,520,526,995	2,521,101,563
Current Assets				333,015,139
Non-current Assets				85,592,902
Total assets as per Statement of financial Position			2,939,709,604	
Liabilities				
Current Liabilities	-	350,564	94,392,977	94,743,541
Non-current Liabilities	-	-	149,541,874	149,541,874
Total segment liabilities	-	350,564	243,934,851	244,285,415
Current Liabilities				269,173,641
Non-current Liabilities				54,034,000
Total liabilities as per Statement of financial Position				567,493,056

uMgungundlovu District Municipality and its Municipal Entity Consolidated

(Registration number DC 22)

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022	2023	2022

57. 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 regions, the necessary information for disclosure of geographical information is not available and the cost to develop it is anticipated to be excessive.