uMGUNGUNDLOVU

UMASIPALA WESIFUNDA

DISTRICT MUNICIPALITY

DISTRIK MUNISIPALITEIT

UMGUNGUNDLOVU DISTRICT MUNICIPALITY
(Registration number DC 22)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Executive Committee

Mayor	M Zuma (ANC)
Deputy Mayor	AS Mabaso (ANC)
Speaker	NMN Gabela (ANC)
Chief Whip	SR Majozi (ANC)
	HM Lake (DA)
	TC Madondo (DA)
	DS Mkhize (ANC)
	MS Mthethwa (ANC)
	ME Mpulo (EFF)
	L Pienaar (IFP)
	SP Zungu (ANC)
Councillors	NB Ahmed (ANC)
	MS Branches (EFF)
	SD Chonco (DA)
	GM Dladla (ANC)
	ME Dladla (ANC)
	GN Dlamini (ANC)
	TI Dlamini (ANC)
	ZW Dlamini (ANC)
	NW Gasa (ANC)
	TA Hlatshwayo (DA)
	K Jansen van Rensburg (DA)
	NR Khanyile (ANC)
	PN Maphanga (IFP)
	V Maphumulo (ANC)
	B Mkhize (IFP)
	SA Mkhize (ANC)
	TS Mkhize (ANC)
	SN Mncwabe (EFF)
	GS Mncwango (ANC)
	MC Mshengu (ANC)
	K Msomi (ANC)
	NW Mtshwara (EFF)
	AB Ngcobo (EFF)
	S Ngidi (ANC)
	MA Ngubane (IFP)
	RZ Ngubo (DA)
	AN Phungula (DA)
	VM Phungula (ANC)
	S Reddy (DA)
	RS Sokhela (ANC)
	LW Wynne (ANC)
	NC Zondi (IFP)
	MB Zuma (ANC)
	NJ Zungu (ANC)
	Former Councillors
	NE Cebekhulu (ANC)
	MS Mbuto (EFF)

General Information

	NE Ndlovu (DA) CB Van Der Byl (DA) S Zondi (DA)
Auditors	Auditor General of South Africa Registered Auditors
Registered office	242 Langalibalele Street Pietermaritzburg 3201
Postal address	P O Box 3235 Pietermaritzburg 3200
Controlling entity	uMgungundlovu District Municipality - [Not Consolidated]
Bankers	First National Bank

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

ABSA	ABSA Bank Limited and its subsidiaries
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
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
SDBIP	Service Delivery Budget and Implementation Plan
SDL	Skills Development Levy
SEM	Senior Executive Manager
SETA	Sector Education and Training Authority
UIF	Unemployment Insurance Fund
UIFWE	Unauthorised, Irregular, Fruitless and Wasteful Expenditure
UMDM	uMgungundlovu District Municipality
UMEDA	uMgungundlovu Economic Development Agency
URP	Umngeni Resilience Project
VAT	Value Added Tax
WCA	Workmen's Compensation
WIP	Work-in-progress
WSIG	Water Services Infrastructure Grant

uMGUNGUNDLOVU
UMASIPALA WESIFUNDA
DISTRICT MUNICIPALITY
DISTRIK MUNISIPALITEIT

Accounting Officer's Responsibilities and Approval

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

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

The accounting 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 municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 30 to these financial statements are within the upper limits of the framework as envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 5 to 89, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2024.

Accounting Officer
Dr EX Muthwa

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	228 224 840	328 660 005
Consumer debtors from exchange transactions	4	44 668 431	73 594 089
Receivables from exchange transactions	5&6	3 548 150	3 881 292
Inventories	8	8 316 729	4 660 901
		284 758 150	**410 796 287**
Non-Current Assets			
Property, plant and equipment	9	2 664 332 205	2 550 267 104
Intangible assets	10	35 283	35 918
Heritage assets	11	4 000	4 000
		2 664 371 488	**2 550 307 022**
Total Assets		**2 949 129 638**	**2 961 103 309**
Liabilities			
Current Liabilities			
Transfers and Subsidies Unspent & Grants received in advance	12	21 500 138	20 530 141
Payables from exchange transactions	13	130 278 035	328 963 525
Consumer deposits	14	7 533 347	7 232 738
Other financial liabilities	15	15 160 831	13 677 958
VAT payable	17	55 992 795	15 980 917
Provisions	16	4 721 822	8 032 241
		235 186 968	**394 417 520**
Non-Current Liabilities			
Other financial liabilities	15	134 381 043	149 541 874
Provisions	16	60 647 000	54 034 000
		195 028 043	**203 575 874**
Total Liabilities		**430 215 011**	**597 993 394**
Net Assets		**2 518 914 627**	**2 363 109 915**
Reserves			
Revaluation reserve	53	50 512 172	51 703 936
Accumulated surplus	54	2 468 402 455	2 311 405 979
Total Net Assets		**2 518 914 627**	**2 363 109 915**

* See Note 56

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	487 382 051	446 991 227
Rental of facilities and equipment		-	156 520
Debt waived	19	17 382 096	-
Other income from exchange transactions	20	468 304	468 882
Interest on investments and bank accounts	21	34 566 256	18 634 801
Interest from outstanding debtors	22	89 199 707	62 865 574
Total revenue from exchange transactions		**628 998 414**	**529 117 004**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	23	933 442 381	1 018 475 174
Public contributions and donations	24	3 338 731	368 783
Fines, penalties and forfeits		-	976 581
Taxation revenue			
Total revenue from non-exchange transactions		**936 781 112**	**1 019 820 538**
Total revenue		**1 565 779 526**	**1 548 937 542**
Expenditure			
Employee related costs	25	(317 177 634)	(281 325 847)
Remuneration of councillors	26	(16 517 850)	(15 525 518)
Depreciation and amortisation	27	(55 276 533)	(51 677 483)
Finance costs	28	(16 859 324)	(20 702 484)
Lease rentals on operating lease	29	(20 946 140)	(23 953 658)
Debt impairment	30	(363 797 166)	(293 317 745)
Bad debts written off	31	(8 290 617)	-
Inventory consumed	32	(203 735 886)	(190 568 449)
Contracted services	33	(252 235 277)	(219 602 757)
Transfers and subsidies	34	(12 037 045)	(9 550 000)
General expenses	35	(58 572 839)	(42 593 215)
Total expenditure		**(1 325 446 311)**	**(1 148 817 156)**
Operating surplus	52	**240 333 215**	**400 120 386**
Loss on disposal of assets	36	(54 328)	(31 235)
Actuarial gains / (losses)	37	(1 163 000)	7 063 098
Impairment of non-current assets	55	(35 423 368)	(13 909 037)
Inventories losses/adjustments	44	(47 884 723)	(79 941 627)
		(84 525 419)	**(86 818 801)**
Surplus for the year		**155 807 796**	**313 301 585**

* See Note 56

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2022	**52 895 700**	**1 999 228 366**	**2 052 124 066**
Changes in net assets			
Surplus for the year	-	313 301 585	313 301 585
Realisation of revaluation reserve	(1 191 764)	1 191 764	-
Correction of prior period error	-	(2 315 736)	(2 315 736)
Total changes	(1 191 764)	312 177 613	310 985 849
Restated* Balance at 01 July 2023	**51 703 936**	**2 311 402 895**	**2 363 106 831**
Changes in net assets			
Surplus for the year	-	155 807 796	155 807 796
Realisation of reserve	(1 191 764)	1 191 764	-
Total changes	(1 191 764)	156 999 560	155 807 796
Balance at 30 June 2024	**50 512 172**	**2 468 402 455**	**2 518 914 627**
Note(s)	53		

* See Note 56

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Services charges and other receipts from exchange transactions		305 726 645	319 883 246
Transfers and Subsidies and Public contributions		934 412 378	1 022 182 888
Interest income - Investment		34 899 398	16 620 164
		1 275 038 421	1 358 686 298
Payments			
Employees and Councillors		(333 620 556)	(275 164 170)
Suppliers, Service Providers and other		(788 654 560)	(524 739 011)
Finance costs		(23 057)	(2 482 092)
Transfers and subsidies		(12 037 045)	(9 550 000)
		(1 134 335 218)	(811 935 273)
Cash generated from operations	39	**140 703 203**	**546 751 025**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(210 056 676)	(268 692 409)
Cash flows from financing activities			
Repayment of other financial liabilities		(13 677 958)	(12 310 417)
Finance costs - borrowings		(17 403 734)	(18 771 274)
Net cash flows from financing activities		**(31 081 692)**	**(31 081 691)**
Net increase/(decrease) in cash and cash equivalents		**(100 435 165)**	**246 976 925**
Cash and cash equivalents at the beginning of the year		328 660 005	81 683 080
Cash and cash equivalents at the end of the year	3	**228 224 840**	**328 660 005**

* See Note 56

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	623 387 456	(123 858 438)	**499 529 018**	487 382 051	**(12 146 967)**	Note 50.1
Debt waived	-	-	**-**	17 382 096	**17 382 096**	Note 50.2
Other income from exchange transactions	-	331 159	**331 159**	468 304	**137 145**	
Interest received - bank accounts and investment	7 000 000	26 000 000	**33 000 000**	34 566 256	**1 566 256**	Note 50.3
Interest from outstanding debtors	34 530 342	44 736 102	**79 266 444**	89 199 707	**9 933 263**	Note 50.4
Total revenue from exchange transactions	**664 917 798**	**(52 791 177)**	**612 126 621**	**628 998 414**	**16 871 793**	
Revenue from non-exchange transactions						
Taxation revenue						
Transfer revenue						
Government grants & subsidies	938 255 000	(8 189 000)	**930 066 000**	933 442 381	**3 376 381**	Note 50.5
Public contributions and donations	-	-	**-**	3 338 731	**3 338 731**	Note 50.6
Total revenue from non-exchange transactions	**938 255 000**	**(8 189 000)**	**930 066 000**	**936 781 112**	**6 715 112**	
Total revenue	**1 603 172 798**	**(60 980 177)**	**1 542 192 621**	**1 565 779 526**	**23 586 905**	
Expenditure						
Employee Related Costs	(317 205 572)	9 104 623	**(308 100 949)**	(317 177 634)	**(9 076 685)**	Note 50.7
Remuneration of councillors	(15 585 660)	(1 578 684)	**(17 164 344)**	(16 517 850)	**646 494**	
Depreciation and amortisation	(56 393 188)	(1 703 082)	**(58 096 270)**	(55 276 533)	**2 819 737**	Note 50.8
Impairment of non-current assets	-	-	**-**	(35 423 368)	**(35 423 368)**	Note 50.9
Finance costs	(17 403 733)	-	**(17 403 733)**	(16 859 324)	**544 409**	
Lease rentals on operating lease	(21 241 178)	(2 213 039)	**(23 454 217)**	(20 946 140)	**2 508 077**	Note 50.8
Debt Impairment	(137 943 000)	(22 057 000)	**(160 000 000)**	(363 797 166)	**(203 797 166)**	Note 50.10
Bad debts written off	-	-	**-**	(8 290 617)	**(8 290 617)**	Note 50.11
Inventory Consumed	(269 935 618)	45 416 094	**(224 519 524)**	(203 735 886)	**20 783 638**	Note 50.8
Contracted Services	(183 943 663)	(80 250 509)	**(264 194 172)**	(252 235 277)	**11 958 895**	Note 50.8
Transfers and Subsidies	(11 500 000)	(692 242)	**(12 192 242)**	(12 037 045)	**155 197**	
General Expenses	(59 554 126)	(7 946 987)	**(67 501 113)**	(58 572 839)	**8 928 274**	Note 50.8
Total expenditure	**(1 090 705 738)**	**(61 920 826)**	**(1 152 626 564)**	**(1 360 869 679)**	**(208 243 115)**	
Operating surplus	**512 467 060**	**(122 901 003)**	**389 566 057**	**204 909 847**	**(184 656 210)**	
Loss on disposal of assets and liabilities	-	(54 328)	**(54 328)**	(54 328)	**-**	
Actuarial gains/losses	-	-	**-**	(1 163 000)	**(1 163 000)**	
Inventories losses/adjustments	-	(76 419 038)	**(76 419 038)**	(47 884 723)	**28 534 315**	Note 50.8
	-	**(76 473 366)**	**(76 473 366)**	**(49 102 051)**	**27 371 315**	
Surplus before taxation	**512 467 060**	**(199 374 369)**	**313 092 691**	**155 807 796**	**(157 284 895)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Capital expenditure	(184 314 977)	(22 557 098)	**(206 872 075)**	(201 805 385)	**5 066 690**	50.12
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**328 152 083**	**(221 931 467)**	**106 220 616**	**(45 997 589)**	**(152 218 205)**	
Reconciliation						
Basis difference						
Capital expenditure				201 805 385		
Actual Amount in the Statement of Financial Performance				**155 807 796**		

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 514 284	481 357	**3 995 641**	8 316 729	**4 321 088**	
Receivables from exchange transactions	-	-	**-**	3 547 750	**3 547 750**	
Consumer debtors	475 512 802	(225 688 989)	**249 823 813**	44 668 431	**(205 155 382)**	
Cash and cash equivalents	(93 376 071)	539 497 536	**446 121 465**	228 224 840	**(217 896 625)**	
	385 651 015	**314 289 904**	**699 940 919**	**284 757 750**	**(415 183 169)**	
Non-Current Assets						
Property, plant and equipment	2 702 677 639	(9 808 182)	**2 692 869 457**	2 664 332 205	**(28 537 252)**	
Intangible assets	447 534	(411 485)	**36 049**	35 283	**(766)**	
Heritage assets	4 000	-	**4 000**	4 000	**-**	
	2 703 129 173	**(10 219 667)**	**2 692 909 506**	**2 664 371 488**	**(28 538 018)**	
Total Assets	**3 088 780 188**	**304 070 237**	**3 392 850 425**	**2 949 129 238**	**(443 721 187)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	13 677 958	**13 677 958**	15 160 831	**1 482 873**	
Payables from exchange transactions	(349 121 430)	822 981 024	**473 859 594**	130 278 035	**(343 581 559)**	
VAT payable	172 837 869	(68 540 513)	**104 297 356**	55 992 795	**(48 304 561)**	
Consumer deposits	-	-	**-**	7 533 347	**7 533 347**	
Transfers and Subsidies Unspent & Grants received in advance	(73 827 573)	94 357 714	**20 530 141**	21 500 138	**969 997**	
Provisions	49 631 956	(39 140 699)	**10 491 257**	4 721 822	**(5 769 435)**	
	(200 479 178)	**823 335 484**	**622 856 306**	**235 186 968**	**(387 669 338)**	
Non-Current Liabilities						
Other financial liabilities	149 541 874	-	**149 541 874**	134 381 043	**(15 160 831)**	
Provisions	15 715 009	38 318 991	**54 034 000**	60 647 000	**6 613 000**	
	165 256 883	**38 318 991**	**203 575 874**	**195 028 043**	**(8 547 831)**	
Total Liabilities	**(35 222 295)**	**861 654 475**	**826 432 180**	**430 215 011**	**(396 217 169)**	
Net Assets	**3 124 002 483**	**(557 584 238)**	**2 566 418 245**	**2 518 914 227**	**(47 504 018)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	56 470 999	(4 767 063)	**51 703 936**	50 512 172	**(1 191 764)**	
Accumulated surplus	3 067 531 484	(552 817 175)	**2 514 714 309**	2 468 402 055	**(46 312 254)**	
Total Net Assets	**3 124 002 483**	**(557 584 238)**	**2 566 418 245**	**2 518 914 227**	**(47 504 018)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service charges and other receipts from exchange transactions	430 239 575	(125 353 391)	**304 886 184**	305 726 645	**840 461**	
Interest received	7 000 000	26 000 000	**33 000 000**	34 899 398	**1 899 398**	
Transfers and Subsidies and Public contributions	725 397 000	205 049 833	**930 446 833**	934 412 378	**3 965 545**	
	1 162 636 575	**105 696 442**	**1 268 333 017**	**1 275 038 421**	**6 705 404**	
Payments						
Employees and Councillors	(332 791 232)	7 525 939	**(325 265 293)**	(333 620 556)	**(8 355 263)**	
Suppliers	(973 415 769)	411 469 713	**(561 946 056)**	(788 654 560)	**(226 708 504)**	
Finance costs	-	-	**-**	(23 057)	**(23 057)**	
Transfers & Subsidies	(11 500 000)	(692 242)	**(12 192 242)**	(12 037 045)	**155 197**	
	(1 317 707 001)	**418 303 410**	**(899 403 591)**	**(1 134 335 218)**	**(234 931 627)**	
Net cash flows from operating activities	**(155 070 426)**	**523 999 852**	**368 929 426**	**140 703 203**	**(228 226 223)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(162 655 774)	(122 947 171)	**(285 602 945)**	(210 056 676)	**75 546 269**	
Cash flows from financing activities						
Receipts/(Payment of capital) – Borrowings	-	-	**-**	(13 677 958)	**(13 677 958)**	
Finance cost – Borrowings	(17 403 733)	-	**(17 403 733)**	(17 403 734)	**(1)**	
Net cash flows from financing activities	**(17 403 733)**	**-**	**(17 403 733)**	**(31 081 692)**	**(13 677 959)**	
Net increase/(decrease) in cash and cash equivalents	(335 129 933)	401 052 681	**65 922 748**	(100 435 165)	**(166 357 913)**	
Cash and cash equivalents at the beginning of the year	235 129 443	93 554 562	**328 684 005**	328 660 005	**(24 000)**	
Cash and cash equivalents at the end of the year	**(100 000 490)**	**494 607 243**	**394 606 753**	**228 224 840**	**(166 381 913)**	

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 municipality.

All amounts 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 municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables is calculated on an individual account basis, based on ageing, historical payments and/or payment arrangements.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

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 municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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 municipality or from other rights and obligations.

Accounting Policies

1.5 Intangible assets (continued)

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset that 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 to a finite useful life where it was initially 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:

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

The municipality 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.

Accounting Policies

1.6 Heritage assets

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

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 a municipality'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.

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 a municipality 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 municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

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

Recognition

The municipality 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 municipality, and the cost or fair value of the asset can be measured reliably.

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 municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality 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.

1.7 Financial instruments (continued)

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 entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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 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 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. 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.

Accounting Policies

1.7 Financial instruments (continued)

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 the 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.

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 collectability 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 municipality 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.

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 municipality incurs to acquire the asset on the reporting date.

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the 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 municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- Base 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;
- Base 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 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
- Estimate 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 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.

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

Accounting Policies

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

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

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

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

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.13 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Accounting Policies

1.13 Employee benefits (continued)

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 whereby 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 cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

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 recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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

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 recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and are available to be used only to pay or fund employee benefits; and 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 accounts, 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.

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-measure 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.

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

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

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

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

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

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

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

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

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.

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 municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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 capital expenditure at some set time in the future which has not yet 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.

Measurement

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

Rendering of Services

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

Accounting Policies

1.20 Comparative figures (continued)

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

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 the municipality 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 municipality or any of the municipality'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 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 impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been 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.

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 measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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

1.26 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 municipality'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

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

General purpose financial reporting by the municipality 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 2023/07/01 to 2024/06/30.

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

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

Accounting Policies

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

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

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

1.30 General expenses

Expenses (such as contracted services, general expenses and transfers and subsidies) are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence 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.

1.31 Councillors' Remuneration

Salaries, allowances and benefits of councillors as disclosed in note 25 to these annual financial statements are determined with reference to the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 on Employee Benefits (and IGRAP 7)	01 April 2024	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.
• IGRAP 21 on The Effect of Past Decisions on Materiality	01 April 2024	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.
• Amendments to GRAP 1	01 April 2024	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.
• Improvements to Standards of GRAP	01 April 2024	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.
• Guideline of Landfill Sites	01 April 2024	The impact is not material.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 22 on Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact.
• GRAP 104 on Financial Instruments	01 April 2025	Not expected to impact results but may result in additional disclosure.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Cash and cash equivalents (continued)

	2024	2023
Cash on hand	233 857	31 205
Bank balances	227 990 983	328 628 800
	228 224 840	**328 660 005**

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.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB Bank : Salaries Account - 50940092196	4 317 392	10 691 059	2 738 512	4 317 392	10 398 239	2 568 260
FNB Bank : Projects Account - 62023616462	5 964 273	51 519 019	199 040	5 964 273	51 519 018	199 040
FNB Bank : NSTD Call Account - 62215748289	201 100 000	627 782	590 158	201 100 000	627 782	590 158
FNB Bank : Mandela Race Account - 62411577193	899 722	852 605	822 211	899 722	851 740	821 186
FNB Bank : Main Account - 50940026773	9 940 881	260 945 111	69 694 907	9 940 881	261 227 398	69 694 906
FNB Bank : Fixed Deposit Account - 71101199555	-	-	3 750 000	-	-	3 750 000
FNB Bank : SANBI Account - 62597807125	4 783 698	2 776 483	2 510 625	4 783 698	2 776 458	2 518 780
ABSA Bank : Mandela Marathon Account - 4094362410	1 223 163	1 228 165	1 233 030	1 223 163	1 228 165	1 233 030
Total	**228 229 129**	**328 640 224**	**81 538 483**	**228 229 129**	**328 628 800**	**81 375 360**

4. Consumer debtors from exchange transactions

	2024	2023
Gross balances		
Water	1 234 735 296	899 863 788
Less: Allowance for impairment		
Water	(1 190 066 865)	(826 269 699)
Net balance		
Water	44 668 431	73 594 089
Water		
Current (0 -30 days)	61 121 154	53 875 868
31 - 60 days	41 259 063	35 432 511
61 - 90 days	37 110 251	48 300 327
91 - 120 days	35 100 170	41 893 806
121 - 150 days	37 876 870	31 110 178
> 150 days	1 022 267 788	689 251 098
	1 234 735 296	**899 863 788**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Consumer debtors from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	37 714 564	32 292 378
31 - 60 days	33 172 348	26 530 551
61 - 90 days	30 402 274	39 274 487
91 - 120 days	28 557 790	35 887 744
121 - 150 days	28 308 330	25 727 323
> 150 days	893 445 679	583 931 963
	1 051 600 985	743 644 446
Less: Allowance for impairment	(1 047 096 616)	(739 405 282)
	4 504 369	**4 239 164**

Industrial/ commercial		
Current (0 -30 days)	14 330 043	12 445 770
31 - 60 days	4 364 269	3 697 880
61 - 90 days	4 583 776	6 801 265
91 - 120 days	2 609 820	4 022 894
121 - 365 days	5 813 191	4 093 049
> 150 days	77 735 607	71 571 004
	109 436 706	102 631 862
Less: Allowance for impairment	(92 725 095)	(43 115 507)
	16 711 611	**59 516 355**

National and provincial government		
Current (0 -30 days)	9 074 298	9 137 721
31 - 60 days	3 722 446	5 204 079
61 - 90 days	2 124 201	2 224 575
91 - 120 days	3 932 560	1 983 167
121 - 365 days	3 755 348	1 289 806
> 150 days	51 088 751	33 802 132
	73 697 604	53 641 480
Less: Allowance for impairment	(50 245 153)	(43 748 909)
	23 452 451	**9 892 571**

Total		
Current (0 -30 days)	61 121 154	53 875 868
31 - 60 days	41 259 063	35 432 511
61 - 90 days	37 110 251	48 300 327
91 - 120 days	35 100 170	41 893 806
121 - 365 days	37 876 870	31 110 178
> 150 days	1 022 267 788	689 251 098
	1 234 735 296	899 863 788
Less: Allowance for impairment	(1 190 066 865)	(826 269 699)
	44 668 431	**73 594 089**

Less: Allowance for impairment		
> 150 days	(1 190 066 865)	(826 269 699)

Total debtor past due but not impaired		
31 - 60 days	6 702 234	8 751 525
61 - 90 days	6 258 854	8 100 675
91 - 120 days	3 875 249	4 482 669
121 - 365 days	49 184 749	4 214 888

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Consumer debtors from exchange transactions (continued)

> 150 days	5 027 595	67 081 448
	71 048 681	**92 631 205**

Reconciliation of allowance for impairment

Balance at beginning of the year	(826 269 699)	(554 122 322)
Debt impairment written off against allowance	(363 797 166)	(272 147 377)
	(1 190 066 865)	**(826 269 699)**

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 past due but are not considered to be impaired as at 30 June 2024, R71 048 681 2023: R92 631 205 were past due but not impaired.

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

1 month past due	6 702 234	8 751 525
2 months past due	6 258 854	8 100 675
3+ months past due	58 087 593	75 779 005

Consumer debtors impaired

As of 30 June 2024, consumer debtors of R 375 818 422 (2023: R284 757 377) impaired and provided for.

The amount of the provision was R 1 202 088 120 as at 30 June 2024 (2023: R 826 269 699).

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

Over 6 months	1 202 088 120	826 269 699

5. Receivables from exchange transactions

Staff Recoveries	490 090	490 090
Deposits	1 180 640	1 180 640
Interest Accrued	1 841 681	2 174 823
Other debtors	35 339	35 339
Sundry debtors	400	400
	3 548 150	**3 881 292**

Trade and other receivables pledged as security

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

6. Sundry debtors disclosure

Gross balances		
Sundry debtors	15 371 890	15 371 890
Less: Allowance for impairment		
Sundry debtors	(15 371 490)	(15 371 490)
Net balance		
Sundry debtors	400	400

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Sundry debtors disclosure (continued)

Included in above is receivables from exchange transactions		
Sundry debtors	400	400
Net balance	**400**	**400**
Water		
> 150 days	400	400

Summary of debtors by customer classification

Reconciliation of allowance for impairment		
Balance at beginning of the year	(15 371 490)	(10 236 304)
Contributions to allowance	-	(5 135 186)
	(15 371 490)	**(15 371 490)**

7. Receivables from non-exchange transactions

Unauthorised, Irregular, Fruitless and Wasteful Expenditure	16 035 182	16 035 182
Unauthorised, Irregular, Fruitless and Wasteful Expenditure - Impairment	(16 035 182)	(16 035 182)
	-	**-**

8. Inventories

Work in progress	4 556 537	-
Consumables	654 700	435 146
Materials	2 646 021	3 905 216
Water for distribution	459 471	320 539
	8 316 729	**4 660 901**
Inventories recognised as expense	203 735 886	190 568 449

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.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2024			2023		
	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	60 234 185	(6 705 498)	53 528 687	60 066 385	(5 403 364)	54 663 021
Plant and machinery	21 467 241	(6 686 607)	14 780 634	19 742 539	(5 833 354)	13 909 185
Furniture and fixtures	5 744 284	(2 483 858)	3 260 426	4 609 596	(2 232 141)	2 377 455
Transport Assets	12 917 818	(3 077 447)	9 840 371	10 124 598	(2 663 803)	7 460 795
IT equipment	13 116 487	(4 385 923)	8 730 564	7 478 881	(3 416 712)	4 062 169
Infrastructure	3 228 617 689	(1 221 583 277)	2 007 034 412	2 916 758 441	(1 165 900 014)	1 750 858 427
Infrastructure Work-in-Progress	609 606 087	(45 419 326)	564 186 761	727 874 739	(13 909 037)	713 965 702
Total	**3 954 674 141**	**(1 290 341 936)**	**2 664 332 205**	**3 749 625 529**	**(1 199 358 425)**	**2 550 267 104**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Donations received	Transfers of completed assets	Depreciation	Impairment loss	Transfer of impairment loss	Total
Land	2 970 350	-	-	-	-	-	-	-	2 970 350
Buildings	54 663 021	167 800	-	-	-	(1 302 134)	-	-	53 528 687
Plant and machinery	13 909 185	1 201 231	-	523 471	-	(853 253)	-	-	14 780 634
Furniture and fixtures	2 377 455	1 139 288	(2 483)	-	-	(253 834)	-	-	3 260 426
Transport Assets	7 460 795	-	-	2 793 220	-	(413 644)	-	-	9 840 371
IT equipment	4 062 169	5 711 072	(51 845)	22 040	-	(1 012 872)	-	-	8 730 564
Infrastructure	1 750 858 427	503 638	-	-	311 355 610	(51 770 184)	-	(3 913 079)	2 007 034 412
Infrastructure Work-in-Progress	713 965 702	193 086 958	-	-	(311 355 610)	-	(35 423 368)	3 913 079	564 186 761
	2 550 267 104	**201 809 987**	**(54 328)**	**3 338 731**	**-**	**(55 605 921)**	**(35 423 368)**	**-**	**2 664 332 205**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers of completed assets	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	846 787	-	-	(776 481)	-	13 909 185
Furniture and fixtures	2 336 822	233 681	-	-	(193 048)	-	2 377 455
Transport Assets	7 838 771	-	-	-	(377 976)	-	7 460 795
IT equipment	2 633 462	1 983 200	(31 235)	-	(523 258)	-	4 062 169
Infrastructure	1 664 940 664	23 075	-	134 737 034	(48 842 346)	-	1 750 858 427
Infrastructure Work-in-Progress	593 788 088	268 823 685	-	(134 737 034)	-	(13 909 037)	713 965 702
	2 344 117 719	**272 096 428**	**(31 235)**	**-**	**(52 006 771)**	**(13 909 037)**	**2 550 267 104**

Pledged as security

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

Allocations to Cost of Inventory

The depreciation expense of infrastructure assets to the value of R330 023 (2023: R329 923) has been accounted for as part of the cost for Own Source Water (inventory).

9. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Monday, 01 July 2019. The municipal buildings fall within the jurisdiction of 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 roll 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.

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

Reconciliation of Work-in-Progress 2024

	Total
Opening balance	713 965 702
Additions/capital expenditure	193 086 958
Transferred to completed items	(311 355 610)
Impairment recognised	(35 423 368)
Transfer of impairment	3 913 079
	564 186 761

Reconciliation of Work-in-Progress 2023

	Total
Opening balance	593 788 088
Additions/capital expenditure	268 823 685
Transferred to completed items	(134 737 034)
Impairment recognised	(13 909 037)
	713 965 702

Figures in Rand	2024	2023

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	48 192 393	55 476 555
Contracted services	37 563 462	31 063 898
Inventory consumed	3 927 655	3 335 828
General expenditure	4 122 197	-
	93 805 707	**89 876 281**

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	2024	2023
Camperdown CBD AC Pipes Replacement	Mkhambathini	Water	Planning only	30-Jun-26	Limited availability of funds on MTREF - Implementation of this project is prioritised for 2025/2026	3 694 994	3 694 994
Cedara Bulk Services	Umgeni	Water	Planning only	30-Jun-27	Limited availability of funds on MTREF - Engineering consultant appointed in 2023/24 to revise business plans and to seek external sources of funding	1 496 436	1 496 436
Construction of Boreholes	District-wide	Water	30-Jun-23	30-Sep-24	Delays experienced due to dry conditions (poor water quality / no water found after drilling) which resulted to limited budget.	8 695 652	8 695 652
Ebuhleni Housing Project Bulk Water	Mpofana	Water	Planning only	TBC	Limited availability of funds on the MTREF	2 997 287	2 997 287

Notes to the Annual Financial Statements

Figures in Rand						2024	2023

9. Property, plant and equipment (continued)

Embuthweni Water Phase 4	Mkhambathini	Water	Planning only	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding	1 517 864	1 517 864
Gengeshe Water	Richmond	Water	Planning only	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding	1 790 190	1 790 190
Hilton Corridor Development	uMngeni	Water	Planning only	TBC	Engineering consultant appointed to do entire AC replacement within the district but due to limitations on MTREF project will commence on completion of Howick AC Replacement Project	3 322 094	3 322 094
Impendle Bulk Water Works	Impendle	Water	Planning only	TBC	Limited availability of funds on MTREF - project under review by Umngeni-Uthukela Water for implementation	-	13 949 423
Impendle WWTW And Sewerage Reticulation	Impendle	Sanitation	Planning only	TBC	Limited availability of funds on MTREF	863 813	863 813

Notes to the Annual Financial Statements

Figures in Rand						2024	2023

9. Property, plant and equipment (continued)

Kwahaza Water Supply	Umgeni	Water	Planning only	TBC	Limited availability of funds on MTREF - Bulk water supply is limited and awaiting Vulindlela Bulk Water Supply	399 593	399 593
Kwamathwanya Water	Mpofana	Water	31-Jul-21	28-Feb-25	Contactor terminated due to poor performance - procurement process to appoint new contractor in progress	14 243 519	13 472 589
Mkhambathini Waste Water Works	Mkhambathini	Sanitation	Planning only	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding	3 016 720	3 016 720
Mooi River Bulk Mains Upgrading	Mpofana	Water	Planning only	TBC	Limited availability of funds on MTREF - consulting engineers appointed to undertake designs with project due for implementation in 2024/25	196 381	196 381
Mooi River Ac Pipes Replacement	Mpofana	Water	Planning only	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding	1 289 426	1 289 426

Notes to the Annual Financial Statements

Figures in Rand						2024	2023

9. Property, plant and equipment (continued)

Mpofana Waste Water Treatment Works	Mpofana	Sanitation	Planning only	TBC	Limited availability of funds on MTREF - project under review by Umngeni-Uthukela Water for implementation	-	8 549 988
Mpophomeni Sanitation Plant	Umgeni	Sanitation	Planning only	TBC	Limited availability of funds on MTREF - project under review by Umngeni-Uthukela Water for implementation	-	8 172 038
Nhlambamasoka,Nhlathimbe & Khathikjathi Water	Impendle	Water	Planning only	TBC	Limited availability of funds on MTREF - revised business plan approved by DWS. Engineering consultants appointed to undertake designs with project implementation due from 2024/25	1 359 540	1 359 540
Nkangala Water	Mkhambathini	Water	Planning only	TBC	Plan awaiting completion of Phase 2 of Impendle bulk which is to be implemented by Umgeni-Uthukela Water	208 612	208 612

Notes to the Annual Financial Statements

Figures in Rand						2024	2023

9. Property, plant and equipment (continued)

Phumlas Water Supply Upgrade	Mpofana	Water	Planning only	TBC	Limited availability of funds on MTREF - revised business plan approved by DWS. Engineering consultants appointed to undertake designs with project implementation due from 2024/25	820 881	820 881
Richmond AC Pipes Replacement	Richmond	Water	Planning only	TBC	Limited availability of funds on MTREF - Engineering consultant appointed in 2023/24 to revise business plans and to seek external sources of funding	5 906 405	5 906 405
Richmond Waste Water Treatment Works	Richmond	Sanitation	Planning only	TBC	Limited availability of funds on MTREF - project under review by Umngeni-Uthukela Water for implementation	-	4 751 919
Rosetta Water Upgrade	Mpofana	Water	Planning only	TBC	Limited availability of funds on MTREF - Implementation of this project is prioritised for 2025/2026	635 500	635 500
Umshwathi Slum Water / Trustfeeds	uMshwathi	Water	22-Mar-22	TBC	Contactor terminated due to poor performance - procurement process to appoint new contractor in progress	47 930 103	47 545 001

9. Property, plant and equipment (continued)

Wartburg AC Pipes Replacement	uMshwathi	Water	Planning only	TBC	Limited availability of funds on MTREF - Engineering consultant appointed in 2023/24 to revise business plans and to seek external sources of funding	653 594	653 594
					Total	**101 040 628**	**135 307 963**

Impairment Recognised

2024: The municipality recognised an impairment loss of R35 423 368 relating to the work in progress for the Impendle Bulk Water Works Project at R13 949 423; the Mpofana Waste Water Treatment Works Project at R8 549 988; the Mpophomeni Sanitation Plant Project at R8 172 038 and the Richmond Waste Water Treatment Works Project at R4 751 919 due to the projects being handed over to Umngeni-Uthukela Water for review and implementation.

2023: 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 R4 280 440 and the Nkanyezini Project at R5 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.

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 983 019	(6 947 736)	35 283	6 983 019	(6 947 101)	35 918

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	35 918	(635)	35 283

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	36 553	(635)	35 918

Pledged as security

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

Notes to the Annual Financial Statements

11. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other - Mayoral Chain	4 000	-	4 000	4 000	-	4 000

Reconciliation of heritage assets 2023

	Opening balance	Total
Other - Mayoral Chain	4 000	4 000

Reconciliation of heritage assets 2023

	Opening balance	Total
Other - Mayoral Chain	4 000	4 000

Pledged as security

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Transfers and Subsidies Unspent & Grants received in advance

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Rural Roads Asset Management Grant	88	90
Geospatial Grant	34	34
Water Services Infrastructure Grant	208	208
Camperdown WWTP Grant	4 000 095	4 000 095
ORIO Grant	11 550 860	11 550 860
RASSET & DGDS Grant	126 989	126 989
Municipal Infrastructure Grant - Operational	4 999 999	-
Public Transport Plan Grant	308 817	308 817
Spatial Planning Grant	15 255	15 255
IDP Spatial Development Grant	335 275	335 275
Accelerated Water Intervention Grant - Capital	3	3
Disaster Recovery Grant	179	4 180 179
Accelerated Water Intervention Grant - Operational	12 336	12 336
South African National Biodiversity Grant	150 000	-
	21 500 138	**20 530 141**

Movement during the year

Balance at the beginning of the year	20 530 141	16 822 427
Receipts during the year	216 546 000	344 735 000
Repayments during the year	(4 180 000)	-
Income recognition during the year	(211 396 003)	(341 027 286)
	21 500 138	**20 530 141**

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attached to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

13. Payables from exchange transactions

Trade Payables	52 016 115	235 205 516
Payments Received in Advance (Consumers)	8 712 135	9 361 390
Employee Related Accruals	4 247 866	13 156 731
Leave Pay Provision	22 748 304	20 957 817
Accrued Bonus	8 022 656	7 190 350
Accrued Interest - DBSA Loan	6 736 513	7 303 980
Unallocated Deposits	7 446 610	7 193 216
Retentions	20 347 836	28 594 525
	130 278 035	**328 963 525**

14. Consumer deposits

Water	7 533 347	7 232 738

15. Other financial liabilities

At amortised cost		
DBSA Loan	149 541 874	163 219 832

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Other financial liabilities (continued)

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

	2024	2023
Non-current liabilities		
At amortised cost	134 381 043	149 541 874
Current liabilities		
At amortised cost	15 160 831	13 677 958

16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Paid during year	Transfer to current portion	Total
Legal proceedings	4 446 241	224 822	-	(4 446 241)	-	224 822
Post-employment Benefits - short term	1 133 000	1 615 000	(1 133 000)	-	-	1 615 000
Long Service Awards - short term	2 453 000	2 882 000	(2 453 000)	-	-	2 882 000
Post-employment Benefits - long term	37 389 000	7 495 000	-	-	(1 615 000)	43 269 000
Long Service awards - long term	16 645 000	3 615 000	-	-	(2 882 000)	17 378 000
	62 066 241	**15 831 822**	**(3 586 000)**	**(4 446 241)**	**(4 497 000)**	**65 368 822**

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Transferred 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**

	2024	2023
Non-current liabilities	60 647 000	54 034 000
Current liabilities	4 721 822	8 032 241
	65 368 822	**62 066 241**

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

On 19 August 2024 a settlement agreement was entered into with DMS Cabling for an amount of R224 822 following an instruction given by the municipality to the relevant attorneys to draft a such settlement agreement. A provision has been recognised.

17. VAT payable

	2024	2023
Tax payable	55 992 795	15 980 917

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. VAT payable (continued)

The municipality submits monthly VAT submissions to SARS and files on a cash basis.

18. Service charges

	2024	2023
Other service charges	346 926	504 591
Sale of water	433 705 342	403 547 563
Sewerage and sanitation service charges	53 329 783	42 939 073
	487 382 051	**446 991 227**

19. Debt waived

	2024	2023
Umngeni-Uthukela Water	17 382 096	-

The municipality was awarded a debt waiver by Umgeni-Uthukela Water for interest charged on outstanding amounts relating to sewerage services rendered to the municipality. This debt waiver was granted following the settlement of all amounts that were in arrears.

20. Other income from exchange transactions

	2024	2023
Tender Documents	1 391	-
Licences and Permits	332 227	120 239
Insurance Refunds	134 686	89 345
Staff Recoveries	-	59 298
Management Fees	-	200 000
	468 304	**468 882**

21. Interest Received - Investments and Bank Accounts

	2024	2023
Interest revenue		
Investments and Bank Accounts	34 566 256	18 634 801

22. Interest from Outstanding Debtors

	2024	2023
Interest - Receivables	89 199 707	62 865 574

23. Government grants and subsidies

	2024	2023
Operating grants		
Equitable share	364 715 000	335 614 000
RSC Levy	353 805 000	334 241 000
Accelerated Water Intervention Grant	-	9 987 664
Sector Education and Training Authorities Grant	608 357	709 314
Expanded Public Works Programme Grant	2 794 000	2 287 000
Local Government Financial Management Grant	1 200 000	1 200 000
South African National Biodiversity Institute Grant	2 918 022	6 883 574
Spatial Planning Grant	-	197 570
Rural Roads Asset Management Grant	2 718 002	2 706 939
IDP Spatial Development Grant	-	287 500
Municipal Infrastructure Grant	7 788 529	12 220 837
	736 546 910	**706 335 398**

	2024	2023
Capital grants		
Municipal Infrastructure Grant	106 245 471	173 620 163
Water Services Infrastructure Grant	90 650 000	122 599 792
Accelerated Water Intervention Grant	-	10 000 000

Figures in Rand	2024	2023

23. Government grants and subsidies (continued)

Disaster Recovery Grant	-	5 919 821
	196 895 471	**312 139 776**
	933 442 381	**1 018 475 174**

Conditional and Unconditional

Included in above are the following grants and subsidies realised:

Conditional grants	214 922 381	348 620 174
Unconditional grants	718 520 000	669 855 000
	933 442 381	**1 018 475 174**

A total of R216 456 000 (**2023**: R352 327 888) was transferred / paid to the municipality 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 municipality 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	90	29
Current-year receipts	2 718 090	2 707 000
Conditions met - transferred to revenue	(2 718 092)	(2 706 939)
	88	**90**

This grant was spent on the conditional assessment of roads and road structures in line with the conditions of the grant.

Geospatial Grant

Balance unspent at beginning of year	34	34

Water Services Infrastructure Grant

Balance unspent at beginning of year	208	-
Current-year receipts	90 650 000	122 600 000
Conditions met - transferred to revenue	(90 650 000)	(122 599 792)
	208	**208**

This grant was spent on the construction of water infrastructure in line with the conditions of the grant.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

23. Government grants and subsidies (continued)

Camperdown WWTP Grant

Balance unspent at beginning of year	4 000 095	4 000 095

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

Expanded Public Works Programme Grant

Current-year receipts	2 794 000	2 287 000
Conditions met - transferred to revenue	(2 794 000)	(2 287 000)
	-	-

This grant was spent on the upskill of the unemployed through various programmes in line with the conditions of the grant.

Municipal Infrastructure Grant - Capital

Current-year receipts	106 245 471	185 841 000
Conditions met - transferred to revenue	(106 245 471)	(185 841 000)
	-	-

This grant was spent on the construction of water infrastructure in line with the conditions of the grant.

ORIO Grant

Balance unspent at beginning of year	11 550 860	11 550 860

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

Sector Education and Training Authority Grant

Current-year receipts	608 357	709 314
Conditions met - transferred to revenue	(608 357)	(709 314)
	-	-

RASET & DGDS Grant

Balance unspent at beginning of year	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	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	-	-

This grant was spent on activities and services to assist the municipality to achieve sound financial management in line with the conditions of the grant.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

23. Government grants and subsidies (continued)

SANBI Grant

Current-year receipts	-	6 883 574
Conditions met - transferred to revenue	-	(6 883 574)
	-	**-**

Municipal Infrastructure Grant - Operational

Current-year receipts	12 788 528	12 220 837
Conditions met - transferred to revenue	(7 788 529)	(12 220 837)
	4 999 999	**-**

This grant was spent on the construction of VIP toilets in line with the conditions of the grant.

An advance of R5 million of the 2024/25 DoRA allocation was received in May 2024 to allow for the prioritisation of repairs and maintenance of infrastructure assets.

Public Transport Plan Grant

Balance unspent at beginning of year	308 817	308 817

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

Spatial Planning Grant

Balance unspent at beginning of year	15 255	212 825
Conditions met - transferred to revenue	-	(197 570)
	15 255	**15 255**

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

IDP Spatial Development Grant

Balance unspent at beginning of year	335 275	622 775
Conditions met - transferred to revenue	-	(287 500)
	335 275	**335 275**

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
Conditions met - transferred to revenue	-	(10 000 000)
	3	**3**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

23. Government grants and subsidies (continued)

Disaster Recovery Grant

Balance unspent at beginning of year	4 180 179	-
Current-year receipts	-	10 100 000
Conditions met - transferred to revenue	-	(5 919 821)
Repayments	(4 180 000)	-
	179	**4 180 179**

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

Accelerated Water Intervention Grant - Operational

Balance unspent at beginning of year	12 336	-
Current-year receipts	-	10 000 000
Conditions met - transferred to revenue	-	(9 987 664)
	12 336	**12 336**

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

24. Public contributions and donations

Santam	545 511	368 783
Development Bank of South Africa	2 793 220	-
	3 338 731	**368 783**

25. Employee related costs

Basic	178 465 371	160 991 597
Bonus	13 763 616	13 487 829
Medical aid - company contributions	15 139 253	14 383 557
UIF	1 205 866	1 085 333
WCA	2 010 161	1 508 939
SDL	2 391 344	2 111 972
Other - Bargaining Council	91 667	67 964
Leave pay provision charge	4 282 121	3 855 566
Cell phone Allowances	228 052	68 500
Group Life Contributions	4 693 303	3 892 343
Standby Allowances	9 253 625	5 639 372
Other - Tool Allowances	1 277 309	1 250 305
Defined contribution plans	36 804 933	31 708 476
Travel, motor car, accommodation, subsistence and other allowances	13 860 717	13 391 065
Overtime payments	8 267 450	5 524 749
Long-service awards	3 916 472	4 784 462
Acting allowances	1 935 214	1 160 207
Car allowance	59 400	77 400
Housing benefits and allowances	1 258 842	1 387 278
Uniforms & Clothing Allowances	23 703	55 612
Shift Allowance	12 909 124	9 712 583
Termination benefits - Curtailment and Settlements	5 340 091	5 180 738
	317 177 634	**281 325 847**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Employee related costs (continued)

Remuneration of Municipal Manager

	2024	2023
Annual Remuneration	-	484 680
Back-pay	19 746	-
Tools of Trade	-	7 200
Statutory Contributions	375	7 756
Leave Pay-out	-	193 314
Non-pensionable cash gratuity	-	6 780
	20 121	**699 730**

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 municipality.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Employee related costs (continued)

Remuneration of the Chief Financial Officer - S Ndabandaba

	2024	2023
Annual Remuneration	-	580 694
Travel Allowance	-	186 388
Tools of Trade	-	18 000
Housing Subsidy	-	167 946
Statutory Contributions	-	10 792
Non-pensionable cash gratuity	-	37 290
	-	**1 001 110**

The contract of S Ndabandaba as Chief Financial Officer terminated on 30 April 2023.

The remuneration of the Chief Financial Officer is included in the employee related costs of the municipality.

Remuneration of the Chief Financial Officer - V Kunene

	2024	2023
Annual Remuneration	699 909	-
Travel Allowance	213 644	-
Tools of Trade	16 200	-
Statutory Contributions	10 744	-
	940 497	**-**

Council appointed V Kunene as Acting Chief Financial Officer from 01 October 2023.

The remuneration of the Chief Financial Officer is included in the employee related costs of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Employee related costs (continued)

Remuneration of Senior Executive Manager: Corporate Services - N Mkhize

	2024	2023
Annual Remuneration	693 355	934 126
Acting Allowance	2 042	69 780
Bonus	80 639	-
Travel Allowance	132 295	184 734
Leave Pay-out	212 633	-
Tools of Trade	14 400	21 600
Statutory Contributions	12 453	13 643
Non-pensionable cash gratuity	-	41 015
	1 147 817	**1 264 898**

The contract of N Mkhize as Senior Executive Manager: Corporate Services terminated on 29 February 2024.

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

Remuneration of Senior Executive Manager: Community Services - EX Muthwa

	2024	2023
Annual Remuneration	1 085 241	260 439
Acting Allowance	134 714	24 618
Bonus	56 566	5 400
Tools of Trade	21 600	5 400
Statutory Contributions	15 027	3 085
Non-pensionable Cash Gratuity	-	11 865
	1 313 148	**310 807**

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

Dr E.X. Muthwa acted in the capacity of Municipal Manager for the year under review.

The remuneration of the Senior Executive Manager: Community Services is included in the employee related costs of the municipality.

Remuneration of Senior Executive Manager: Economic Development and Planning - M Sithole

	2024	2023
Annual Remuneration	983 142	534 212
Acting Allowance	12 072	-
Bonus	44 356	-
Travel Allowance	207 236	115 819
Tools of Trade	21 600	12 600
Statutory Contributions	13 872	7 335
Non-pensionable gratuity	-	20 340
	1 282 278	**690 306**

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

The remuneration of the Senior Executive Manager: Economic Development and Planning is included in the employee related costs of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Employee related costs (continued)

Remuneration of Senior Executive Manager: Technical Services

Annual Remuneration	189 846	659 710
Travel Allowance	42 800	164 927
Tools of Trade	3 600	14 400
Statutory Contributions	2 530	9 023
Non-pensionable gratuity	-	17 893
	238 776	**865 953**

Mr Z Ndlovu resigned as Senior Executive Manager: Technical Services in August 2023.

The remuneration of the Senior Executive Manager: Technical Services is included in the employee related costs of the municipality.

26. Remuneration of councillors

Mayor	1 404 224	1 311 910
Deputy Mayor	981 416	938 357
Executive Committee Members	5 898 535	5 442 906
Speaker	983 635	962 085
Councillors	6 007 513	5 775 236
Chief Whip	1 102 130	968 942
Skills Development Levy	140 397	126 082
	16 517 850	**15 525 518**

In-kind benefits

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

The Chief Whip and Executive Committee Members of the current Council who assumed office in November 2021 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.

27. Depreciation and amortisation

Property, plant and equipment	55 275 898	51 676 848
Intangible assets	635	635
	55 276 533	**51 677 483**

The depreciation expense of property, plant and equipment (infrastructure assets) to the value of R330 023 (2023: R329 923) has been accounted for as part of the cost for Own Source Water (inventory).

28. Finance costs

Trade and other payables	23 057	2 482 092
Non-current borrowings	16 836 267	18 220 392
	16 859 324	**20 702 484**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Lease rentals on operating lease

Premises		
Contractual amounts	1 102 323	1 461 579
Motor vehicles		
Contractual amounts	12 523 021	16 453 478
Equipment		
Contractual amounts	7 320 796	6 038 601
	20 946 140	**23 953 658**

30. Debt impairment

Debt impairment	363 797 166	293 317 745

31. Bad Debts Written Off

Write-off of irrecoverable debt	8 290 617	-

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. These debts written off as irrecoverable related to closed accounts and were at a total of R359 643.

On 30 July 2024 a resolution was taken to approve the signing of a settlement agreement with Tai Yuen Textile at a total of R 3 500 000. The debt written off as irrecoverable was at a total of R7 930 974.

32. Inventory Consumed

VIP Toilets	14 088 218	20 926 016
Water	178 015 862	163 778 539
Materials	3 927 655	3 335 828
Consumables	490 524	567 624
Community Programmes	7 213 627	1 960 442
	203 735 886	**190 568 449**

Reconciliation of Water for Distribution

Opening Balance	320 539	380 912
Water Purchased and Produced	278 441 964	233 908 968
Revenue Water: Authorised - Billed	(91 672 468)	(84 228 963)
Non-revenue Water: Authorised - Unbilled	(86 324 797)	(79 549 576)
Subtotal	**100 765 238**	**70 511 341**
Water losses	(100 305 766)	(70 190 802)
Closing Balance	**459 472**	**320 539**

33. Contracted services

Outsourced Services		
ICT Support Services	599 028	1 884 274
Catering Services	1 956 960	368 905
Hygiene Services	40 000	49 016
Security Services	18 139 172	13 590 127
Sewerage Services	93 092 487	88 055 326
Water Tankers	69 462 669	65 880 259

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

33. Contracted services (continued)

Consultants and Professional Services		
Business and Advisory	24 552 828	14 670 998
Geoinformatic Services	540 320	376 875
Laboratory Services	1 404 181	753 134
Legal Cost	10 374 455	12 608 450
Contractors		
Employee Wellness	42 750	95 709
Event Coordinators	6 695 197	695 324
Maintenance of Buildings and Facilities	1 363 061	2 345 807
Maintenance of Equipment	1 849 180	91 246
Maintenance of Infrastructure Assets	21 238 161	17 570 875
Management of Informal Settlements	12 428	-
Medical Services	872 400	566 432
	252 235 277	**219 602 757**

34. Transfers and Subsidies

Other subsidies		
UMEDA Transfer	11 500 000	9 500 000
Arbitration Awards	303 403	50 000
Allocation-in-kind: equipment	233 642	-
	12 037 045	**9 550 000**

35. General expenses

Achievements and awards	108 889	-
Advertising	346 130	135 954
Assets expensed	297 554	168 459
Auditors remuneration	4 028 553	3 780 207
Bank charges	1 484 761	1 709 687
Bursaries	138 229	-
Communications	1 171 158	26 023
Conferences and Training	1 103 745	489 417
Electricity - Infrastructure	9 851 594	8 235 018
Entertainment	23 080	-
Fuel and oil	8 354 362	7 502 698
Gifts and promotional items	1 529 862	183 904
Guarantees and warranties	-	24 745
Hire	4 823 118	386 804
Insurance	1 599 517	1 499 717
Motor vehicle expenses	319 607	234 132
Placement fees	141 800	240 845
Postage and courier	583	259
Printing	136 163	45 997
Signage	191 095	243 890
Software expenses	8 313 540	6 110 871
Subscriptions and membership fees	3 477 488	2 964 692
Telecommunications	1 489 261	1 800 662
Travel - local	3 772 501	1 263 848
Uniforms	3 295 340	3 009 058
Utilities - municipal services	2 574 909	2 536 328
	58 572 839	**42 593 215**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Loss on Disposal of Assets

Loss on disposal of assets	(54 328)	(31 235)

The loss on disposal of assets relates to assets written off due to theft and/or major breakages in compliance with Chapter 3, Section 14 of the Municipal Finance Management Act and the Fixed Assets Policy of the municipality. Cases have been opened with the South African Police Services in instances of theft.

37. 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	57 620 000	57 552 000
Benefits paid	(3 586 000)	(2 624 903)
Net expense recognised in the statement of financial performance	11 110 000	2 692 903
	65 144 000	**57 620 000**

Net expense recognised in the statement of financial performance

Current service cost	3 173 000	3 588 000
Interest cost	6 774 000	6 168 000
Actuarial (gains) losses	1 163 000	(7 063 097)
	11 110 000	**2 692 903**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Plan assets	1 163 000	(7 063 097)

Changes in the fair value of plan obligations are as follows:

Opening balance	57 620 000	57 552 000
Actuarial gains (losses)	1 163 000	(7 063 097)
Contributions by employer	6 774 000	6 168 000
Contributions by plan participants	3 173 000	3 588 000
Benefits paid	(3 586 000)	(2 624 903)
	65 144 000	**57 620 000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used - Long Service Awards	10,97 %	11,20 %
Expected rate of return on assets - Long Services Awards	6,14 %	6,52 %
Net effective discount rate - Long Service Awards	4,55 %	4,39 %
Discount rate used - Post Employment Medical	12,32 %	12,50 %
Health care cost inflation	7,79 %	8,16 %
Net of health care cost inflation discount rate	4,20 %	4,07 %
Maximum subsidy inflation rate	5,47 %	5,75 %
Net maximum subsidy inflation discount rate	6,50 %	6,44 %

Defined contribution plan

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

The municipality is under no obligation to cover any unfunded benefits.

38. Auditors' remuneration

Fees	4 028 553	3 780 207

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

39. Cash generated from operations

	2024	2023
Surplus	155 807 796	313 301 585
Adjustments for:		
Depreciation and amortisation	55 276 533	51 677 483
Loss on disposal of assets	54 328	31 235
Depreciation capitalised to cost of inventory	330 024	330 024
Donations received	(3 338 731)	(368 783)
Actuarial gains and losses	1 163 000	(7 063 097)
Finance costs	16 836 267	18 220 392
Movement in payables relating to acquisition of assets - Retentions	8 246 689	(3 035 236)
Impairment of assets	35 423 368	13 909 036
Debt impairment	363 797 166	293 317 745
Bad debts written off	8 290 617	-
Debt waived	(17 382 096)	-
Water losses	100 305 766	70 190 803
Litigations provision/settlements	(4 221 419)	(91 007 965)
Inventories losses/adjustments	(52 421 043)	9 750 824
Leave pay accrual	1 790 487	2 207 622
Accrued bonus	832 306	772 503
Defined employee benefits, Long service award and Other employee related provisions	6 361 000	7 131 097
Changes in working capital:		
Inventories	(3 655 828)	(1 146 517)
Inventory adjustments and Water losses	(47 884 723)	(79 941 627)
Receivables from Exchange transactions - Gross	(334 538 366)	(252 600 408)
Bad debts written off	(8 290 617)	-
Debt waived	17 382 096	-
Payables from exchange transactions	(198 688 575)	195 364 770
VAT	40 011 878	4 769 501
Transfers and Subsidies Unspent & Grants received in advance	969 997	3 707 714
Consumer deposits	300 609	(338 433)
Leave pay accrual	(1 790 487)	(2 207 622)
Accrued bonus	(832 306)	(772 503)
Finance costs	567 467	550 882
	140 703 203	**546 751 025**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Commitments

Authorised capital expenditure

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	30 891 039	93 721 255
Total capital commitments		
Already contracted for but not provided for	30 891 039	93 721 255

Authorised operational expenditure

	2024	2023
Already contracted for but not provided for		
• Office rentals	625 340	393 003
• Other general commitments	27 513 015	25 592 382
	28 138 355	**25 985 385**
Total operational commitments		
Already contracted for but not provided for	28 138 355	25 985 385

Total commitments

	2024	2023
Total commitments		
Authorised capital expenditure	30 891 039	93 721 255
Authorised operational expenditure	28 138 355	25 985 385
	59 029 394	**119 706 640**

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

Operating leases - as lessee (expense)

	2024	2023
Minimum lease payments due		
- within one year	19 138 377	14 800 066
- in second to fifth year inclusive	8 999 977	11 185 320
	28 138 354	**25 985 386**

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

Notes to the Annual Financial Statements

41. Contingencies

41.1 Contingent Liabilities

A matter between the municipality and ORIO Funding. The matter is in relation to work done and damages relating to ORIO Funded Projects to the value of R91 769 621.

A motor vehicle claim against the municipality by T Sheshoka for R346 640.

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

A matter between the municipality and JJ Construction to the value of R7 490 512.

A matter between the municipality and Ms N Moodley where she is seeking reinstatement to her previous role as well as back pay to the value of R500 000.

A matter between the municipality and M Bhengu & 23 Others for Travel Allowance to the value of R5 000 000.

A claim by M Bhengu for unfair dismissal to the value of R700 000.

A claim by M Bhengu for pension funds to the value of R450 000.

A claim by M Khumalo for unfair dismissal to the value of R1 500 000.

A matter between UMDM and Magma Risk Solutions for non-payment of invoices to the value of R2 044 056.

A motor vehicle claim against the municipality by DM Garlicke to the value of R1 500 000.

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

41.2 Contingent Assets

A matter between the municipality and ORIO Funding. The matter is in relation to amounts owing to the municipality to the value of R7 131 763.

A matter between the municipality and M Bhengu to the value of R988 966 where the municipality is instituting civil recovery for overpayment on travel allowances.

A matter between UMDM and Magma Risk Solutions for damages to the value of R800 000.

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Related parties

Relationships	
Accounting Officer	Refer to note 25
Municipal entity	uMgungundlovu Economic Development Agency
Councillors	Refer to note 48; 26
Senior Executive Management	Refer to note 25

Related party balances

	2024	2023
Amounts included in Trade Payables regarding related parties		
uMgungundlovu Development Agency	32 962	449 481

The above related party balance relates to allocations owing to the agency that were not paid at year end but were due and payable to UMEDA.

Related party transactions

	2024	2023
Allocated to entity		
uMgungundlovu Development Agency - Operational Cost Allocation	11 500 000	7 500 000
uMgungundlovu Development Agency - Rapid Economic Recovery Allocation	-	2 000 000

43. Events after the reporting date

The following key permanent appointments were effected on 01 August 2024:
- Chief Financial Officer
- Senior Executive Manager: Technical Services
- Senior Executive Manager: Corporate Services.

On 30 July 2024 a resolution was taken to approve the signing of a settlement agreement with Tai Yuen Textile at a total of R 3 500 000. This was deemed an adjusting event.

On 19 August 2024 a settlement agreement was entered into with DMS Cabling for an amount of R224 822 following an instruction given by the municipality to the relevant attorneys to draft a such settlement agreement. This was deemed an adjusting event.

44. Inventories losses/adjustments

	2024	2023
Inventory adjustments	(52 421 042)	9 750 824
Water losses	100 305 766	70 190 803
	47 884 724	**79 941 627**

The total amount of water available for distribution was 30 339 002 kL of which 9 977 135 kL was sold and 9 395 124 kL related to non-revenue water, resulting in water losses of 10 916 737 kL (36%) for 2023/24 compared to 8 405 702 kL (30%) for 2022/23.

The volume of water losses has increased as a result of water leakages not reported timeously; illegal connections (especially in the rural 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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Fruitless and wasteful expenditure

Opening balance as previously reported	20 081 061	535
Opening balance as restated	**20 081 061**	**535**
Add: Fruitless and Wasteful Expenditure	13 945	20 095 188
Less: Amounts recoverable - current	(3 460)	-
Less: Amount written off by Council	(19 798 188)	(14 662)
Closing balance	**293 358**	**20 081 061**

Cases Under Investigation

There are no cases currently under investigation.

Prior year fruitless and wasteful expenditures pertaining to infrastructure projects have been written off by council resolution on 22 August 2024 following an investigation.

Amounts Recoverable

Following investigations by the Municipal Public Accounts Committee (MPAC), the council adopted recommendations to recover amounts up to R3 460 which were incurred due to late payments of invoices.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Fruitless and wasteful expenditure (continued)

Amounts written-off

At Full Council meetings which took place on 27 July 2023 and 10 May 2024, fruitless and wasteful expenditure to the value of R7 725 and R 9 518, respectively, was written off by Council in accordance with section 32(2)(b) of the MFMA.

At a Full Council meeting which took place on 22 August 2024, fruitless and wasteful expenditure to the value of R20 078 568, was written off by Council in accordance with section 32(2)(b) of the MFMA.

Fruitless and Wasteful Expenditure Incurred During the Year		
Interest Expense	13 495	318 671
Variation orders	-	19 776 517
	13 495	**20 095 188**

Fruitless and Wasteful Expenditure written off by Council		
Cost incurred on infrastructure projects	19 776 517	-
Interest Expense	21 671	14 662
	19 798 188	**14 662**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Irregular expenditure

Opening balance as previously reported	589 768	547 125
Correction of prior period error	6 995 674	-
Opening balance as restated	**7 585 442**	**547 125**
Add: Irregular Expenditure - prior period	-	238 428 075
Add: Irregular Expenditure - current	169 427 440	107 499 025
Less: Amount written off by Council	(164 611 015)	(345 884 457)
Closing balance	**12 401 867**	**589 768**

Irregular Expenditure Written off by Council

Cases Under Investigation

There are no cases currently under investigation.

On 10 May 2024 and 22 August 2024, following the outcomes of the Council Committee investigations, Council adopted the Council Committee recommendations to write-off amounts of R90 202 and R48 935, respectively. The consequence management process was implemented and these amounts were concluded to be amounts not incurred in vain (i.e. there was value for money). Amounts of R164 471 878 pertaining to the operation and maintenance of wastewater treatment plants were recognised as irregular expenditure. This contract was investigated by MPAC and expenditures were written off per council resolution on 27 August 2024.

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

Failure to follow Section 116(3) of the MFMA	44 329	8 277 764
Failure to follow SCM Processes	40 824	3 591 845
Non-compliance with Section 33(1) of the MFMA	164 471 878	333 938 148
Non-compliance with SCM Regulation 18(a)	53 983	76 700
	164 611 014	**345 884 457**

Irregular Expenditure Incurred During the Year		
Non-compliance with Section 33(1) of the MFMA	164 471 878	107 415 459
Non-compliance with SCM Regulation 18(a)	-	53 983
Failure to follow SCM Processes	11 242	29 583
Failure to follow Section 116(3) of the MFMA	44 329	-
Non-compliance with SCM Regulation 17(c)	4 899 991	-
	169 427 440	**107 499 025**

Irregular Expenditure Incurred During the Prior Year		
Non-compliance with Section 33(1) of the MFMA	-	226 522 688
Failure to follow Section 116(3) of the MFMA	-	8 277 764
Failure to follow SCM Processes	-	3 627 622
	-	**238 428 074**

47. Unauthorised expenditure

Opening balance as previously reported	270 839 407	65 629 790
Correction of prior period error	-	14 002 216
Opening balance as restated	**270 839 407**	**79 632 006**
Add: Unauthorised Expenditure - current	186 531 936	256 836 921
Less: Amount written off - prior period	(270 833 631)	(65 629 520)
Closing balance	**186 537 712**	**270 839 407**

47. Unauthorised expenditure (continued)

An amount of R186 531 936 unauthorised expenditure was incurred in the current financial year (2023: R256 836 921). 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 10 May 2024, following the outcomes of the Council Committee investigations, Council adopted the Council Committee recommendations to write-off an amount of R13 996 711 relating to the year ended 20 June 2022 and R256 836 920 relating to the year ended 30 June 2023. 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	244 750 376	183 753 856
Cash	(58 218 440)	73 083 065
	186 531 936	**256 836 921**

Analysed as follows: non-cash

Depreciation and amortisation	(2 760 775)	(1 874 924)
Loss on disposal of property, plant and equipment	-	31 235
Debt impairment	239 220 534	178 751 607
Bad debts written off	8 290 617	-
Actuarial (gains) / losses	-	(7 063 098)
Asset impairment	-	13 909 036
	244 750 376	**183 753 856**

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47. Unauthorised expenditure (continued)

Analysed as follows: cash

Inventory consumed	(19 654 688)	(59 465 258)
Inventories losses / adjustments	(28 534 315)	67 919 538
Contracted services	(10 003 586)	52 324 443
Finance costs	-	(520 793)
Employee related costs	3 679 551	10 381 012
Lease rentals on operating lease	(1 836 076)	4 075 188
Transfers and subsidies	-	50 000
Operational costs	(1 869 326)	(2 384 498)
Remuneration of Councillors	-	703 433
	(58 218 440)	**73 083 065**

Savings were realised in the following items:
- Inventory consumed
- Contracted services
- Lease rentals on operating lease
- Operational costs
- Inventories loss / adjustments
- Depreciation.

Employee related costs were higher than anticipated due to leave payouts resulting from terminations of employment contracts for various reasons and movements in the leave provision. Furthermore, the movement in post-retirement benefits (non-cash), which were not known, at the time of the budget further contributed to the over-expenditure.

Write offs of irrecoverable debt were not anticipated for the year under review therefore no budget was allocated for this item. The incurrence of this expenditure was mainly due to the settlement arrangement with Tai Yuen Textiles.

Debt impairment was incurred in excess of the budget allocation resulting from lower than anticipated collections from customers due to a number of factors including low economic growth and high unemployment within the district. Strategies such as the roll-out of a meter and connection audit as well as the use of debt collectors have been put in place to reduce such expenditure in future.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 457 032	2 964 692
Amount paid - current year	(3 457 032)	(2 964 692)
	-	**-**

Audit fees

Opening balance	3 542	-
Current year subscription / fee	4 631 669	3 780 207
Amount paid - current year	(4 635 211)	(3 776 665)
	-	**3 542**

PAYE, SDL and UIF

Current year subscription / fee	52 693 170	41 880 941
Amount paid - current year	(52 693 170)	(41 880 941)
	-	**-**

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

Pension and Medical Aid

Current year subscription / fee	76 470 506	68 926 151
Amount paid - current year	(76 694 676)	(68 926 151)
	(224 170)	**-**

VAT

VAT payable	55 992 795	15 980 917

VAT payable is made up VAT receivable from SARS based on VAT returns submitted as well as VAT output and VAT input accruals.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dladla ME (Mr)	1 704	4 054	5 758
Dlamini MP (Mr)	154 152	318 028	472 180
Lake H (Ms)	356	-	356
	156 212	**322 082**	**478 294**

30 June 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 SB (Mr)	3 841	26 718	30 559
Mabhida N (Ms)	1 858	18 628	20 486
Rangavaloo A (Mr)	1 767	19 831	21 598
Zondi DP (Mr)	14 292	160 387	174 679
	31 362	**278 290**	**309 652**

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49. 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 Full Council and includes a note to the annual financial statements.

The municipality recorded deviations totalling Rnil (**2023**: Rnil) in the current financial year.

A total of Rnil (**2023:** Rnil) deviations related to cases where there was an emergency.

A total of Rnil (**2023:** Rnil) deviations related to cases where the goods/services were produced or available from a single provider only.

A total of Rnil (**2023:** Rnil) deviations related to exceptional cases where it was impractical or impossible to follow the official procurement process.

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50. Budget differences

Material differences between budget and actual amounts

Income

50.1 The municipality has generated revenue on service charges below target due lower than anticipated consumption of water. This income is directly linked to the pattern of consumption of households, businesses and government institutions within the district.

50.2 The municipality was awarded a debt waiver by Umgeni-Uthukela Water for interest charged on outstanding amounts relating to sewerage services rendered to the municipality. This debt waiver was granted following the settlement of all amounts that were in arrears.

50.3 The interest earned on investments was in excess of the budget estimate due to efforts directed toward cash management; short-term investments were made in the current year and further interest was earned on positive bank balances which were maintained throughout the financial year.

50.4 The variance in the interest charged on overdue debtors accounts is an indication of the challenges experienced in the collection of outstanding amounts due to the municipality. Factors such as low economic growth and high unemployment within the district are major contributors to this outcome. The roll-out of the district-wide meter and connection audit as well as the use of debt collectors are strategies put in place to improve collection.

50.5 The municipality received re-imbursive grant funding from SETA and SANBI.

50.6 The municipality received allocations in kind from Santam and the Development Bank of South Africa.

Expenditure

50.7 All employee allowances, overtime and standby are pre-approved and controlled by line managers. Employee related costs were higher than anticipated due to leave payouts resulting from terminations of employment contracts for various reasons and movements in the leave provision. Furthermore, the movement in post-retirement benefits (non-cash), which were not known, at the time of the budget further contributed to the over-expenditure.

50.8 Savings were realised in the following items:
- Inventory consumed
- Contracted services
- Lease rentals on operating lease
- Operational costs
- Inventories losses / adjustments
- Depreciation.
-

The municipality is committed to monitoring and controlling operational expenditure through the implementation of the Cost Containment Policy. Internal departments continuously monitor and review the contracts and service level agreements in an effort to ensure that value for money is realised.

Contracted services are closely monitored and reviewed to ensure costs are not exorbitant. Demand Analyses are continuously performed by internal departments to assess the demand for services with a focus on the delivery of basic services and the minimisation of service delivery interruption.

50.9 The impairment of non-current assets relates to Work-in-Progress projects that have been handed over to Umngeni-Uthukela for implementation.

50.10 Debt impairment was incurred in excess of the budget allocation resulting from lower than anticipated collections from customers due to a number of factors including low economic growth and high unemployment within the district. Strategies such as the roll-out of a meter and connection audit as well as the use of debt collectors have been put in place to reduce such expenditure in future.

50.11 Write-offs of irrecoverable debt were not anticipated for the year under review therefore no budget was allocated for this item. The incurrence of this expenditure was mainly resulted from the settlement arrangement with Tai Yuen Textiles.

50. Budget differences (continued)

50.12 Savings were realised for capital expenditure due to unforeseen delays experienced during the procurement process.

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	149 541 874	163 219 832
Used to finance property, plant and equipment	(142 805 437)	(155 915 844)
	6 736 437	**7 303 988**

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.

52. Operating surplus

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

Operating lease charges		
Premises		
• Contractual amounts	1 102 323	1 461 579
Motor vehicles		
• Contractual amounts	12 523 021	16 453 478
Equipment		
• Contractual amounts	7 320 796	6 038 601
	20 946 140	**23 953 658**

Loss on disposal of assets	(54 328)	(31 235)
Impairment on property, plant and equipment	35 423 368	13 909 037
Amortisation on intangible assets	635	635
Depreciation on property, plant and equipment	55 275 898	51 676 848
Employee costs and Councillors' remuneration	333 695 484	296 851 365

53. Revaluation reserve

Opening balance	51 703 936	52 895 700
Change during the year	(1 191 764)	(1 191 764)
	50 512 172	**51 703 936**

54. Accumulated surplus

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

	Housing development fund	Total
Opening balance	8 127	8 127

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

	Housing development fund	Total
Opening balance	8 127	8 127

Notes to the Annual Financial Statements

55. Impairment of Non-current Assets

Impairments		
Property, plant and equipment	35 423 368	13 909 037

The planning and design work was done for projects, however, due to limitations on funding the implementation has delayed. The municipality recognised an impairment loss of R35 423 368 relating to the work in progress for the Impendle Bulk Water Works Project at R13 949 423; the Mpofana Waste Water Treatment Works Project at R8 549 988; the Mpophomeni Sanitation Plant Project at R8 172 038 and the Richmond Waste Water Treatment Works Project at R4 751 919 due to the projects being handed over to Umngeni-Uthukela Water for review and implementation.

56. 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

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Consumer debtors		58 984 141	14 609 553	395	73 594 089
Receivables from exchange transactions		3 881 687	-	(395)	3 881 292
Inventories		3 995 741	665 160	-	4 660 901
Property, plant and equipment		2 544 113 289	6 153 815	-	2 550 267 104
Intangible assets		70 741	(34 823)	-	35 918
Payables from exchange transactions		(286 672 891)	(42 290 634)	-	(328 963 525)
VAT payable		(27 771 214)	11 790 297	-	(15 980 917)
Accumulated surplus		(2 320 512 611)	9 106 632	-	(2 311 405 979)
		(23 911 117)	**-**	**-**	**(23 911 117)**

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		447 235 423	(244 196)	-	446 991 227
Rental of facilities and equipment		504 621	(348 101)	-	156 520
Fines, penalties and forfeits		-	976 581	-	976 581
Debt impairment		(309 751 607)	16 433 862	-	(293 317 745)
Depreciation and amortisation		(51 675 654)	(1 829)	-	(51 677 483)
Finance costs		(18 250 481)	-	(2 452 003)	(20 702 484)
Lease rentals on operating lease		(23 968 100)	14 442	-	(23 953 658)
Inventory consumed		(191 819 705)	1 251 256	-	(190 568 449)
Contracted services		(209 970 079)	(12 084 681)	2 452 003	(219 602 757)
General expenses		(42 200 699)	(392 516)	-	(42 593 215)
Inventories losses / adjustments		(67 919 537)	(12 022 090)	-	(79 941 627)
Employee related costs		(281 451 930)	-	126 083	(281 325 847)
Remuneration of Councillors		(15 399 437)	-	(126 083)	(15 525 518)
Surplus for the year		**(764 667 185)**	**(6 417 272)**	**-**	**(771 084 455)**

Notes to the Annual Financial Statements

56. 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 Machinery and Equipment, Furniture and fixtures, IT Equipment and Work-in-Progress where invoices were accounted for in the incorrect period.

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

Trade and Other Receivables from Exchange Transactions

The prior period correction relates to adjustments made for purposes of customer account query resolutions as well as the correction of refunds that were processed incorrectly.

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

Trade and Other Payables from Exchange Transactions

The prior period correction relating to trade payables is as a result of invoices and returns to supplier accounted for in the incorrect period as well as a retention forfeiture that was erroneously not accounted for.

The corrections affected the trade payables, inventories, VAT payable, contracted services, lease rentals on operating lease, general expenditure and revenue: fines, penalties and forfeits.

Irregular expenditure

Opening balance	589 768	-
Adjustments made	6 995 674	-
Restated opening balance	**7 585 442**	**-**

The adjustments made to irregular expenditure are as a result of additional amounts totaling R 6 995 674 identified as a prior period error due to non-compliance with SCM Regulation 17(1(c).

Reclassifications

The interest charged on outstanding amounts for sewerage services was erroneously classified to contracted services and has been reclassified to finance costs.

The Skills Development Levy relating to Councillors was erroneously classified to employee related costs and has been reclassified to remuneration of Councillors.

57. Risk management

Financial risk management

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

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

57. 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, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

At 30 June 2024	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	31 081 691
Trade and other payables	212 492 790	-	-	-

At 30 June 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	93 245 073	62 163 382
Trade and other payables	373 506 824	-	-	-

Credit risk

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

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

Financial instrument	2024	2023
Cash and Cash Equivalents	228 224 840	328 660 005
Trade Receivables	48 216 581	77 475 381

Market risk

Interest rate risk

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

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

58. Going concern

The current ratio for the current financial year is 1.21:1; the collection rate is 47% and the cash coverage ratio is 2.62. This indicates that the municipality has sufficient cash resources to meet its obligations. Furthermore, when considering the overall picture, the total assets exceed the total liabilities which indicates that the municipality is solvent. The municipality receives grants to fund operating activities as well as capital commitments.

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 2 468 402 455 and that the municipality's total assets exceed its liabilities by R 2 518 914 627.

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

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59. Segment information

General information

Identification of segments

The municipality 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, three reportable segments were identified by management. Information reported about these segments is used by management as a basis for evaluating the segments’ performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

The identified reportable segments are as follows:

Community Services

Planning and Economic Development

Trading Services

Aggregated segments

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

Types of goods and/or services by segment

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

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59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community Services	Planning and Economic Development	Trading Services	Total
Revenue				
Revenue from non-exchange transactions	122 003 089	29 122 026	204 987 444	356 112 559
Revenue from exchange transactions	332 227	-	574 001 008	574 333 235
Total segment revenue	**122 335 316**	**29 122 026**	**778 988 452**	**930 445 794**
Interest revenue				34 566 256
Other Income				1 391
Debt waived				17 382 096
Insurance refund				134 686
Revenue from non-exchange transactions				583 249 304
Total revenue reconciling items				**635 333 733**
Municipality's revenue	**122 335 316**	**29 122 026**	**778 988 452**	**1 565 779 527**
Expenditure				
Salaries and wages	(104 645 870)	(10 768 456)	(89 552 671)	(204 966 997)
Other operational expenses	(17 689 446)	(18 353 570)	(398 026 215)	(434 069 231)
Finance Costs	-	-	(16 836 267)	(16 836 267)
Depreciation and amortisation	-	-	(51 440 163)	(51 440 163)
Debt Impairment	-	-	(363 797 166)	(363 797 166)
Bad debts written off	-	-	(8 290 617)	(8 290 617)
Inventories losses/ adjustments	-	-	(47 884 724)	(47 884 724)
Asset Impairment	-	-	(35 423 368)	(35 423 368)
Total segment expenditure	**(122 335 316)**	**(29 122 026)**	**(1 011 251 191)**	**(1 162 708 533)**

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59. Segment information (continued)

	Community Services	Planning and Economic Development	Trading Services	Total
Salaries and wages				(128 728 481)
Finance costs				(23 057)
Other operational expenses				(113 457 947)
Depreciation and amortisation				(3 836 371)
Loss on disposal of assets				(54 328)
Actuarial gains / (losses)				(1 163 000)
Total expenditure reconciling items				**(247 263 184)**
Municipality's expenditure				(1 409 971 717)
Municipality's surplus (deficit) for the period	-	-	(232 262 739)	155 807 810
Assets				
Current Assets	-	-	33 354 962	33 354 962
Non-current Assets	982 841	-	2 376 144 095	2 377 126 936
Additions to non-current assets	-	-	193 590 596	193 590 596
Total segment assets	**982 841**	**-**	**2 603 089 653**	**2 604 072 494**
Current Assets				251 403 191
Non-current Assets				85 434 564
Additions to non-current assets				8 219 391
Total assets as per Statement of financial Position	982 841	-	2 603 089 653	**2 949 129 640**
Liabilities				
Current Liabilities	-	350 565	79 350 735	79 701 300
Non-current Liabilities	-	-	134 381 043	134 381 043
Total segment liabilities	**-**	**350 565**	**213 731 778**	**214 082 343**
Current Liabilities				155 485 675
Non-current Liabilities				60 647 000
Total liabilities as per Statement of financial Position	**-**	**350 565**	**213 731 778**	**430 215 018**

Notes to the Annual Financial Statements

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59. Segment information (continued)

2023

	Community Services	Planning and Economic Development	Trading Services	Total
Revenue				
Revenue from non-exchange transactions	97 222 705	22 700 994	325 031 949	444 955 648
Revenue from exchange transactions	320 239	-	510 833 381	511 153 620
Total segment revenue	**97 542 944**	**22 700 994**	**835 865 330**	**956 109 268**
Interest revenue				18 634 800
Other income				215 818
Insurance refund				89 345
Revenue from non-exchange transactions				573 888 309
Total revenue reconciling items				**592 828 272**
Municipality's revenue				**1 548 937 540**
Expenditure				
Salaries and wages	(89 474 102)	(11 958 402)	(80 899 396)	(182 331 900)
Other operating expenses	(8 068 842)	(10 742 592)	(371 149 643)	(389 961 077)
Finance costs	-	-	(18 220 392)	(18 220 392)
Debt impairment	-	-	(272 147 377)	(272 147 377)
Depreciation and amortisation	-	-	(48 512 323)	(48 512 323)
Inventories losses/ adjustments	-	-	(79 941 626)	(79 941 626)
Asset impairment	-	-	(13 909 037)	(13 909 037)
Total segment expenditure	**(97 542 944)**	**(22 700 994)**	**(884 779 794)**	**(1 005 023 732)**
Total segmental surplus/(deficit)				**543 913 808**

Notes to the Annual Financial Statements

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	Community Services	Planning and Economic Development	Trading Services	Total
59. Segment information (continued)				
Total expenditure reconciling items				(230 612 232)
Salaries and wages				(114 519 470)
Other operating expenses				(96 307 004)
Finance costs				(2 482 092)
Debt impairment				(21 170 368)
Depreciation and amortisation				(3 165 160)
Loss on disposal of assets				(31 235)
Actuarial gains and / (losses)				7 063 097
Municipality's surplus (deficit) for the period				**3 133 301 576**
Assets				
Current assets	-	-	58 849 970	58 849 970
Non-current assets	574 568	-	2 195 379 726	2 195 954 294
Additions to non-current assets	-	-	268 846 760	268 846 760
Total segment assets	**574 568**	**-**	**2 523 076 456**	**2 523 651 024**
Current assets				351 946 314
Non-current assets				82 256 301
Additions to non-current assets				3 249 668
Total assets as per Statement of financial Position				**2 961 103 307**
Liabilities				
Current liabilities	-	350 564	82 043 001	82 393 565
Non-current liabilities	-	-	149 541 874	149 541 874
Total segment liabilities	**-**	**350 564**	**231 584 875**	**231 935 439**
Current liabilities				312 023 954
Non-current liabilities				54 034 000
Total liabilities as per Statement of financial Position				**597 993 393**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

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Figures in Rand	2024	2023

59. 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 municipality 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.