UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

Uthukela District Municipality
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	The main business operations of the Municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water and sanitation services, as well as infrastructure development. Water is obtained from (DWS) Department of Water and Sanitation and distributed to the consumers by the Municipality.
Municipal Demarcation Code	DC23
Executive Committee	
Mayor	Cllr. N.B. Shabalala
	Cllr. M.H. Shange
	Cllr. A.S. Mazibuko
	Cllr. Ms. N.W. Mchunu
	Cllr. M.M. Khoza
	Cllr. F. Zuma
Councillors	Cllr. T.Y. Nqubuka
	Cllr. K.I. Hadebe
	Cllr. L. Qwabe
	Cllr. L.M. Mvelase
	Cllr. Ms. N.A. Hlongwane
	Cllr. Ms. S.V. Shabalala
	Cllr. Ms. P.G. Strydom
	Cllr N.C. Hadebe
	Cllr. Ms. T. P. Shabalala
	Cllr. S.B. Dlungwane
	Cllr. T.D. Janse Van Rensburg
	Cllr. S.M. Buthelezi
	Cllr. V.R. Mlotshwa
	Cllr. B. Coka
	Cllr. S.W. Khumalo
	Cllr L.P. Mnculwane
	Cllr. Z. Mdlolo
	Cllr. L.Volakazi
	Cllr. S. Mzimela
	Cllr. S. Ngwenya
	Cllr. Z. Madondo
	Cllr. X.F. Mhlongo
	Cllr. L. Kubheka
	Cllr. N. Mkhasibe
	Cllr. M.B. Mbhele
	Cllr N.E. Mthethwa
	Cllr. N.C. Mtshali
Councillors in office up to 9 November 2021	Cllr. A.S. Mazibuko (Mayor)
	Cllr. P.G. Strydom (Speaker)
	Cllr. N.W. Sibiya (Deputy Mayor)
	Cllr. T.P. Shabalala (Exco member)
	Cllr. S.A. Mvelase (Exco member)

General Information

	Cllr. S.V. Shabalala (Exco member) Cllr. S.B. Dlungwanr (Exco member) Cllr. M.V. Khumalo Cllr. G. Ndaba Cllr. G.S. Mdluli Cllr. Z. Msobomvu Cllr. N.M. Hadebe Cllr. N.K. P. Mbongwa Cllr. S.Z. Khumalo Cllr. B.S. Dladla Cllr. E.S. Ndumo Cllr. S.E. Mbongwa Cllr. S.W. Khumalo Cllr. G.E. Mbhele Cllr. K.L. Msibi Cllr. K.A. Vilakazi Cllr. M.N. Mlotshwa Cllr. M.B. Nbhele Cllr. N.L. Zikalala Cllr. S.Z.P. Msibi Cllr. T.B. Njapha Cllr. M. M. Khoza Cllr. T.P. Dlamini Cllr. X.F. Mhlongo Cllr. S.M. Buthelezi Cllr. P.A.M. Mfuphi Cllr. M.H. Msimanga Cllr. T.Y. Nqubuka
Grading of local authority	Grade 4 Medium Capacity
Accounting Officer (MM)	M.B. Mnguni Municpal Manager
Chief Financial Officer (CFO)	B. Sithole
Registered office	33 Forbes Street Ladysmith Tel: 036-6385100 Fax: 036-6385126 mbmnguni@uthukela.gov.za
Business address	33 Forbes Street Ladysmith Kwazulu Natal 3370
Postal address	PO Box 116 Ladysmith Kwazulu Natal 3370

General Information

Bankers	First National Bank
Auditors	Auditor General - South Africa
Attorneys	Ramkhelewan Incorporated Shepstone & Wylie

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
UEDA	Uthukela Econimic Development Agency
DWS	Department od Water And Sanitation
PPE	Property Plant & Equipment
IWA	International Water Association
DHDWS	Department of Human Settlement, Water and Sanitation
CoGTA	Cooperative Governance and Traditional Affairs
SARS	South African Revenue Services

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 2023 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 municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Reference is made to note 48 of the financial statement for futher details on going concern.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The Municipality is currently still under Section 139(1) (b) Constitutional intervention.

The annual financial statements set out on page 1 to 102, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2022 and were signed on its behalf by:

M.B. Mnguni
Accounting Officer

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	9	8,006,592	8,921,989
Receivables from exchange transactions	10	52,378,456	47,000,050
Receivables from non-exchange transactions	11	2,759,383	125,796
Consumer debtors	12	56,847,751	56,649,788
Bank reconcilliation clearing control account	8	-	6,673,137
Cash and cash equivalents	13	14,523,120	39,184,719
		134,515,302	**158,555,479**
Non-Current Assets			
Property, plant and equipment	4	3,178,949,171	3,020,175,506
Intangible assets	5	428,440	447,100
Receivables from exchange transactions	10	1,658,406	1,658,406
Receivables from non-exchange transactions	11	2,673,647	2,386,407
		3,183,709,664	**3,024,667,419**
Total Assets		**3,318,224,966**	**3,183,222,898**
Liabilities			
Current Liabilities			
Other liabilities - Sundry debtors with credit balances	15	58,225	53,143
Operating lease liability	6	1,092,120	406,412
Payables from exchange transactions	20	436,267,260	423,913,341
Consumer deposits	21	18,149,425	20,807,339
Employee benefit obligation	7	6,090,593	4,595,593
Unspent conditional grants and receipts	14	15,797,599	16,402,480
Provisions	16	45,240,652	39,128,898
VAT payable	17	20,076,276	51,290,638
Other liability - Consumer debtors with credit balances	18	15,704,740	18,347,584
Other liabilities - Salaries suspense account	19	355,299	378,161
		558,832,189	**575,323,589**
Non-Current Liabilities			
Employee benefit obligation	7	38,162,407	34,897,407
		38,162,407	**34,897,407**
Total Liabilities		**596,994,596**	**610,220,996**
Net Assets		**2,721,230,370**	**2,573,001,902**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	247,614,652	271,046,066
Interest received (trading)	22	35,856,242	66,652,774
Other income	25	1,869,884	7,131,801
Interest received - investment	26	4,554,014	7,568,402
Gain on disposal of assets and liabilities	4	318,900	-
Actuarial gains	7	1,361,000	-
Total revenue from exchange transactions		**291,574,692**	**352,399,043**
Revenue from non-exchange transactions			
Taxation revenue			
VAT refunds received	22	72,401,409	55,647,930
Transfer revenue			
Government grants & subsidies	28	784,096,971	829,304,026
Public contributions and donations	29	23,649,757	23,753
Total revenue from non-exchange transactions		**880,148,137**	**884,975,709**
Total revenue	22	**1,171,722,829**	**1,237,374,752**
Expenditure			
Employee related costs	30	(380,776,271)	(358,708,122)
Remuneration of councillors	31	(6,550,050)	(6,585,623)
Depreciation and amortisation	32	(81,275,890)	(71,827,283)
Impairment loss	33	(455,671)	(1,573,028)
Interest incurred	34	(6,844,729)	(21,022,293)
Lease rentals on operating lease	24	(3,366,774)	(4,427,016)
Debt Impairment provision	35	(169,468,982)	228,791,666
Incentive discounts	57	(2,625,630)	(7,857,924)
Bad debt written off	58	(886,330)	(637,572,396)
Bulk purchases	36	(9,970,542)	(141,629,489)
Contracted services	37	(144,292,218)	(129,754,691)
Transfers and Subsidies	27	(3,000,000)	(3,000,000)
Loss on disposal of assets and liabilities	4	-	(5,240,102)
Actuarial losses	7	-	(3,442,000)
General Expenses	38	(226,241,119)	(183,649,872)
Total expenditure		**(1,035,754,206)**	**(1,347,498,173)**
Surplus (deficit) for the year		**135,968,623**	**(110,123,421)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 1 July 2020	**2,757,925,268**	**2,757,925,268**
Changes in net assets		
Restated surplus for the year	(55,596,689)	(55,596,689)
Movement in accumulated surplus	(60,414,714)	(60,414,714)
Correction of error	(68,911,963)	(68,911,963)
Total changes	(184,923,366)	(184,923,366)
Opening balance restated	2,573,001,902	2,573,001,902
Restated* Balance at 1 July 2021 as restated*	**2,573,001,902**	**2,573,001,902**
Changes in net assets		
Surplus for the year	135,968,623	135,968,623
Movement in accumulated surplusses	12,259,845	12,259,845
Total changes	148,228,468	148,228,468
Balance at 30 June 2022	**2,721,230,370**	**2,721,230,370**

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
VAT refunds		72,401,409	55,647,930
Sale of goods and services		69,542,086	51,594,022
Interest raised - consumer debtors		35,856,242	66,652,774
Grants		784,096,971	829,202,151
Interest income		4,554,014	7,568,402
Other cash item		1,869,885	7,131,801
		968,320,607	1,017,797,080
Payments			
Employee costs		(387,326,321)	(365,293,745)
Suppliers		(378,494,931)	(383,848,378)
Interest incurred		(6,844,729)	(21,022,293)
Transfer payments		(3,000,000)	-
Rent paid		(2,681,066)	-
		(778,347,047)	(770,164,416)
Net cash flows from operating activities	41	**189,973,560**	**247,632,664**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(214,635,159)	(257,059,200)
Bank reconcilliation clearing account		-	(6,673,137)
Net cash flows from investing activities		**(214,635,159)**	**(263,732,337)**
Net increase/(decrease) in cash and cash equivalents		**(24,661,599)**	**(16,099,673)**
Cash and cash equivalents at the beginning of the year		39,184,719	55,284,392
Cash and cash equivalents at the end of the year	13	**14,523,120**	**39,184,719**

The cash flow statement, also known as statement of cash flows, is a financial statement that shows how changes in balance sheet accounts and income affects cash and cash equivalents, and breaks the analysis down to operating, investing and financing activities.

The cash flow statement, summaraizes the movement of cash and cash equivalents that come in and go out of the Municipality. It measures how well the Municipality manages its cash position, meaning how well the Municipality generates cash to pay its debt obligations and fund its operating expences.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	281,499,000	(15,861,000)	**265,638,000**	247,614,652	**(18,023,348)**	PER 1
Interest received	72,794,000	(35,647,000)	**37,147,000**	35,856,242	**(1,290,758)**	PER 2
Other income	42,790,000	(39,669,000)	**3,121,000**	1,869,884	**(1,251,116)**	PER 3
Government grants-Transfers recognised (operational)	528,165,000	-	**528,165,000**	490,835,235	**(37,329,765)**	PER 4
Interest received - investment	6,463,000	-	**6,463,000**	4,554,014	**(1,908,986)**	PER 5
Gains on disposal of assets	-	-	**-**	318,900	**318,900**	PER 6
Total revenue from exchange transactions	**931,711,000**	**(91,177,000)**	**840,534,000**	**781,048,927**	**(59,485,073)**	
Revenue from non-exchange transactions						
Taxation revenue						
VAT refunds received	-	-	**-**	72,401,409	**72,401,409**	PER 7
Transfer revenue						
Government grants-Transfers recognised (capital)	246,009,000	-	**246,009,000**	293,261,736	**47,252,736**	PER 8
Public contributions and donations	-	-	**-**	23,649,757	**23,649,757**	PER 9
Total revenue from non-exchange transactions	**246,009,000**	**-**	**246,009,000**	**389,312,902**	**143,303,902**	
Total revenue	**1,177,720,000**	**(91,177,000)**	**1,086,543,000**	**1,170,361,829**	**83,818,829**	
Expenditure						
Employee related costs	(369,333,000)	(16,996,000)	**(386,329,000)**	(380,776,271)	**5,552,729**	PER 10
Remuneration of councillors	(6,372,000)	-	**(6,372,000)**	(6,550,050)	**(178,050)**	PER 11
Depreciation and amortisation	(67,363,000)	4,927,000	**(62,436,000)**	(81,275,890)	**(18,839,890)**	PER 12
Reversal of impairments	-	-	**-**	(455,671)	**(455,671)**	PER 13
Interest incurred	-	-	**-**	(6,844,729)	**(6,844,729)**	PER 14
Lease rentals on operating leases	-	-	**-**	(3,366,774)	**(3,366,774)**	PER 15
Bad debt provision	(186,252,000)	-	**(186,252,000)**	(169,468,982)	**16,783,018**	PER 16
Incentive discounts	-	-	**-**	(2,625,630)	**(2,625,630)**	PER 17
Bad debt written off	-	-	**-**	(886,330)	**(886,330)**	PER 18
Bulk purchases	(62,800,000)	(61,400,000)	**(124,200,000)**	(9,970,542)	**114,229,458**	PER 19
Contracted Services	(119,573,000)	(21,306,000)	**(140,879,000)**	(144,292,218)	**(3,413,218)**	PER 20
Transfers and Subsidies	-	-	**-**	(3,000,000)	**(3,000,000)**	PER 21
General Expenses	(109,865,000)	(35,992,000)	**(145,857,000)**	(226,241,119)	**(80,384,119)**	PER 22
Total expenditure	**(921,558,000)**	**(130,767,000)**	**(1,052,325,000)**	**(1,035,754,206)**	**16,570,794**	
Operating surplus	**256,162,000**	**(221,944,000)**	**34,218,000**	**134,607,623**	**100,389,623**	
Actuarial gains/losses	-	-	**-**	1,361,000	**1,361,000**	PER 23
Surplus before taxation	**256,162,000**	**(221,944,000)**	**34,218,000**	**135,968,623**	**101,750,623**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**256,162,000**	**(221,944,000)**	**34,218,000**	**135,968,623**	**101,750,623**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	24,837,000	-	**24,837,000**	8,006,592	**(16,830,408)**	POS 1
Receivables from exchange transactions	-	-	**-**	52,378,456	**52,378,456**	POS 2
Receivables from non-exchange transactions	4,329,000	2,344,000	**6,673,000**	2,759,383	**(3,913,617)**	POS 3
Consumer debtors from exchange transactions	248,946,000	(92,048,000)	**156,898,000**	56,847,751	**(100,050,249)**	POS 4
Cash and cash equivalents	35,634,000	(35,307,000)	**327,000**	14,523,120	**14,196,120**	POS 5
	313,746,000	**(125,011,000)**	**188,735,000**	**134,515,302**	**(54,219,698)**	
Non-Current Assets						
Property, plant and equipment	3,059,098,000	6,572,000	**3,065,670,000**	3,178,949,171	**113,279,171**	POS 6
Intangible assets	996,000	455,000	**1,451,000**	428,440	**(1,022,560)**	POS 7
Receivables from exchange transactions	2,532,000	-	**2,532,000**	1,658,406	**(873,594)**	POS 8
Receivables from non-exchange transactions	-	-	**-**	2,673,647	**2,673,647**	POS 9
	3,062,626,000	**7,027,000**	**3,069,653,000**	**3,183,709,664**	**114,056,664**	
Total Assets	**3,376,372,000**	**(117,984,000)**	**3,258,388,000**	**3,318,224,966**	**59,836,966**	
Liabilities						
Current Liabilities						
Other liabilities - Sundry debtors with credit balances	-	-	**-**	58,225	**58,225**	POS 10
Operating lease liability	-	-	**-**	1,092,120	**1,092,120**	POS 11
Payables from exchange transactions	316,908,000	13,279,000	**330,187,000**	436,267,260	**106,080,260**	POS 12
Consumer deposits	20,735,000	-	**20,735,000**	18,149,425	**(2,585,575)**	POS 13
Employee benefit obligation	-	-	**-**	6,090,593	**6,090,593**	POS 14
Unspent conditional grants and receipts	-	-	**-**	15,797,599	**15,797,599**	POS 15
Provisions	127,751,000	(33,847,000)	**93,904,000**	45,240,652	**(48,663,348)**	POS 16
Other liabilities (VAT payable)	-	-	**-**	20,076,276	**20,076,276**	POS 17
Other liabilities - Consumer debtors	-	-	**-**	15,704,740	**15,704,740**	POS 18
Other liabilities - Salaries clearing control account	-	-	**-**	355,299	**355,299**	POS 19
	465,394,000	**(20,568,000)**	**444,826,000**	**558,832,189**	**114,006,189**	
Non-Current Liabilities						
Provisions (Retirement benefit obligation)	30,956,000	3,941,000	**34,897,000**	38,162,407	**3,265,407**	POS 20
Total Liabilities	**496,350,000**	**(16,627,000)**	**479,723,000**	**596,994,596**	**117,271,596**	
Net Assets	**2,880,022,000**	**(101,357,000)**	**2,778,665,000**	**2,721,230,370**	**(57,434,630)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Accumulated surplus	2,880,022,000	(101,357,000)	**2,778,665,000**	2,721,230,370	**(57,434,630)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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						
VAT refunds received	-	-	**-**	72,401,409	**72,401,409**	
Sale of goods and services	133,993,000	(28,004,000)	**105,989,000**	69,542,086	**(36,446,914)**	
Interest raised - consumer debtors	-	-	**-**	35,856,242	**35,856,242**	
Grants	774,174,000	-	**774,174,000**	784,096,971	**9,922,971**	
Other receipts	124,651,000	(26,940,000)	**97,711,000**	1,869,885	**(95,841,115)**	
Interest income	6,463,000	-	**6,463,000**	4,554,014	**(1,908,986)**	
	1,039,281,000	**(54,944,000)**	**984,337,000**	**968,320,607**	**(16,016,393)**	
Payments						
Employee costs	(375,705,000)	(16,996,000)	**(392,701,000)**	(387,326,321)	**5,374,679**	
Suppliers and other	(358,763,000)	(49,023,000)	**(407,786,000)**	(378,494,931)	**29,291,069**	
Interest Incurred	-	-	**-**	(6,844,729)	**(6,844,729)**	
Transfer payments	-	-	**-**	(3,000,000)	**(3,000,000)**	
Rent paid	-	-	**-**	(2,681,066)	**(2,681,066)**	
	(734,468,000)	**(66,019,000)**	**(800,487,000)**	**(778,347,047)**	**22,139,953**	
Net cash flows from operating activities	**304,813,000**	**(120,963,000)**	**183,850,000**	**189,973,560**	**6,123,560**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(251,809,000)	-	**(251,809,000)**	(214,635,159)	**37,173,841**	
Net increase/(decrease) in cash and cash equivalents	53,004,000	(120,963,000)	**(67,959,000)**	(24,661,599)	**43,297,401**	
Cash and cash equivalents at the beginning of the year	(17,371,000)	85,655,000	**68,284,000**	39,184,719	**(29,099,281)**	
Cash and cash equivalents at the end of the year	**35,633,000**	**(35,308,000)**	**325,000**	**14,523,120**	**14,198,120**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

References to statement of comparison of budget and actual amounts

Statement of financial performance.

PER 1 - Service charges - the decrease in service charges is as a result of smart meters installed where ther is no billing in respect of units used (consumption).

PER 2 - Interest received - interest on service charges has decreased due to prescribed debt which was written off during the 2020/2021 financial year reducing the outstanding debt therefore the reduction in interest charges.

PER 3 - Other income - consists of the issue of clearance certificates, copies of building plans, insurance claim income, tender documents and fines issued by the Health Services Department. The decrease is due to re-imbursements from Rand Water in respect of the drilling of boreholes in the District which Rand Water did not sponsor in the year under review.

PER 4 - Government grants (operational) - The Municipality received Equitable share, Finance Management, EPWP and LGSETA grants during the financial year. The variance between the budget and actual amount is due to R35m from the MIG grant and R2.5m from the Rural Road Asset management grant budgeted under operating grants in the budget document.

PER 5 - Interest on investments - the Muncipality earned less interest on external investments than was anticipated due to limited cash reserves to fund operations.

PER 6 - Gains on disposal of assets - represents assets taken by municipal insurers after a claim was submitted for flood damages.

PER 7 - VAT refunds received - represents VAT refunds received from SARS during the year based on VAT201 returns submitted. This was not budgeted for.

PER 8 - Government grants (capital) - the Municipality has achieved 100% expenditure on capital grants except for the WSIG grant. The variance between the budget and actual amounts is due to R35m from MIG and R2.5m from the Rural Road Asset Management grant budgeted under operating grants in the budget document.

PER 9 - Public contributions and donations - received during the year relates to donations received from COGTA with regards to a borehole project of which could not have been budgeted for.

PER 10 - Employee related costs - high overtime, standby and night shift claims remained a challenge however, Management has implemented controls to curb overtime and standby expenditure.

PER 11 - Remuneration of Councillors - provision was made in the budget for Councillors to receive an increase and backpay in terms of the Government Gazette for Councillors upper limits however this was not approved due to the audit opinion received in the previous financial years.

PER 12 - Depreciation and amortization - depreciation of PPE for the year was under estimated at budget preperation stage. The movement from WIP (work in progress) to capitlization of assets could not be accuratey determained at the time.

PER 13 - Impairment reversal - a conditional assessment was performed on Infrastructure assets and due to the condition of these assets an impairment reversal was done. The reversal of impairment on PPE was not budgeted for as the results of the conditional assessment could not be predetermined.

PER 14 - Interest incurred - this relates to interest charges with regards to post retirement medical aid and long service awards accrual at year end as well as interest paid to suppliers due to invoices that attracted interest.

PER 15 - Lease rentals on operating leases - This relates to rental paid in respect of the satelite offices that the Municipality occupies in Estcourt, Colenso and Weenen, Laboratory space and rental of office machines, however the budget for this line item is included in general expenditure in the budget document.

PER 16 - Bad debt provision - a provision for impairment was made for long outstanding debt as at year end. The budget was based on historical information and did not take into account bad debts which was written off in the 2020/2021 financial year. Therefore it was over budgeted for.

Statement of Comparison of Budget and Actual Amounts

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

PER 17 - Incentive discounts - the Municipality offered incentive discounts to consumers in an effort to collect outstanding debt and decrease the debtors book. The Municipality offered a 50% discount to consumers in order to encourage them to pay their outstanding debt.

PER 18 - Bad debt written off - the Municipality has implimented its indigent policy and indigent debt and irrecoverable debt has been written off. This was not provided for when the budget was compiled.

PER 19 - Bulk purchases - this represents the bulk water purchases from DWS (Department of Water and Sanitation) and Umgeni Water. The Umgeni Water contract informed the budget assumption. Subsequently the Umgeni Water contract was terminated resuling in a higher budget amount.

PER 20 - Contracted services - contracted services includes outsourced services such as security, consultants and professional services as well as maintenance and repairs of Municipal assets. The Municipality spent more on the ageing infrastructure and maintenance of the ageing fleet.

PER 21 - Transfers and subsidies - this relates to an transfer made by the Municipality to the Uthukela Economic Development Agency in the 2021/2022 financial year.

PER 22 - General expenditure - this relates to all other operational expenditure incurred by the Municipality. The significant contributing factors making up the variance between 2020/2021 and 2021/2022 is grant expenditure, electricity & water internal use, fuel & oil, chemical as well as bulk electricity in respect of the water purification plants and pump stations.

PER 23 - Actuarial gains/losses - Gains recognized during the valuation of long service awards and medical aid post retirement obligation In terms of GRAP 25 cannot be budgeted for as they are dependent on the actual actuarial valuation. Such calculations can only be done by an Actuary and not the Municipality.

Statement of financial position.

POS 1 - Inventories - Inventory items are kept at a centralized store, chemicals are stored at the water and sewerage treatment plants. Inventory also includes water stock in the reserviors and reticulation networks as at year end.

POS 2 - Receivables from exchange transactions - represents sundry debtors accounts held by the Municipality.

POS 3 - Receivables from non-exchange transactions - represents unpaid cheques issued to the Municipality and overpayment of contractors.

POS 4 - Consumer debtors from exchange transactions - when the budget was prepared the poor revenue collection rate and the provision for bad debts was not accurately taken into account.

POS 5 - Cash and cash equivelants - represents actual cash on hand and this was not accuratly budgeted for.

POS 6 - PPE (property, plant and equipment) - the variance between the budget and the actual amount is due to the capatalization and asset impairment which were not accurately budgeted for.

POS 7 - Intangable assets - the variance is due to impairment not accurately budgeted for.

POS 8 - Receivables from exchange transactions - represents deposits paid to third party vendors such as Eskom.

POS 9 - Receivables from non-exchange transactions - this was not accuratly budgeted for.

POS 10 - Other liabilities (Sundry debtors) - this represents Sundry debtors accounts with credit balances at year end.

POS 11 - Operating lease liability - the liability is in respect of operating leases the Municipality has entered into.

POS 12 - Payables from exchange transactions - represets trade payables, DWS accrual in respect of bulk raw water, Umgeni Water accrual in respect of bulk purified water, retentions, trust funds and other creditors at year end.

POS 13 - Consumer deposits - this represent deposits held by the Municipality in respect of consumer debtors accounts.

POS 14 - Employees benefit obligations - this relates to the long service awards and medical aid pos-retirement obligation as at year end.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

POS 15 - Unspent conditional grants - this represents the unspent portion of conditional grants at financial year end which remains a liability. Application has been made for the approval for roll over to the next financial year.

POS 16 - Provisions - relates to bonus and leave provision accrual as at year end.

POS 17 - VAT payables - the Municipality is registered with SARS on a payment basis and therefore VAT is only paid to SARS once it has been collected via consumer debtors accouns. The VAT201 returns are prepared and submitted to SARS monthly.

POS 18 - Other liabilites (consumer debtors) - this represents consumer debtors accounts with credit balances at year end.

POS 19 - Other liabilities - (salaries clearing suspence account) relates to the salary clearing suspence account at year end.

POS 20 - Provision for retirement benefit obligation - is the medical aid and long service award obligation at year end.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Vat refunds recieved	-	-	-	-		-	72,401,409		72,401,409	100 %	100 %
Service charges	281,499,000	(15,861,000)	265,638,000	-		265,638,000	247,614,652		(18,023,348)	93 %	88 %
Investment revenue	6,463,000	-	6,463,000	-		6,463,000	4,554,014		(1,908,986)	70 %	70 %
Transfers recognised - operational	528,165,000	-	528,165,000	-		528,165,000	490,835,235		(37,329,765)	93 %	93 %
Other own revenue	115,584,000	(75,316,000)	40,268,000	-		40,268,000	39,406,026		(861,974)	98 %	34 %
Total revenue (excluding capital transfers and contributions)	**931,711,000**	**(91,177,000)**	**840,534,000**	**-**		**840,534,000**	**854,811,336**		**14,277,336**	**102 %**	**92 %**
Employee costs	(369,333,000)	(16,996,000)	(386,329,000)	-	-	(386,329,000)	(380,776,271)	(5,552,729)	5,552,729	99 %	103 %
Remuneration of councillors	(6,372,000)	-	(6,372,000)	-	-	(6,372,000)	(6,550,050)	178,050	(178,050)	103 %	103 %
Debt impairment	(186,252,000)	-	(186,252,000)			(186,252,000)	(169,468,982)	(16,783,018)	16,783,018	91 %	91 %
Depreciation and asset impairment	(67,363,000)	4,927,000	(62,436,000)			(62,436,000)	(81,275,890)	18,839,890	(18,839,890)	130 %	121 %
Interest incurred	-	-	-	-	-	-	(6,844,729)	6,844,729	(6,844,729)	100 %	100 %
Materials and bulk purchases	(62,800,000)	(61,400,000)	(124,200,000)	-	-	(124,200,000)	(9,970,542)	(114,229,458)	114,229,458	8 %	16 %
Transfers and grants	-	-	-	-	-	-	(3,000,000)	-	(3,000,000)	100 %	100 %
Other expenditure	(229,437,000)	(57,298,000)	(286,735,000)	-	-	(286,735,000)	(377,867,742)	94,132,742	(91,132,742)	132 %	165 %
Total expenditure	**(921,557,000)**	**(130,767,000)**	**(1,052,324,000)**	**-**	**-**	**(1,052,324,000)**	**(1,035,754,206)**	**(16,569,794)**	**16,569,794**	**98 %**	**112 %**
Surplus/(Deficit)	**10,154,000**	**(221,944,000)**	**(211,790,000)**	**-**		**(211,790,000)**	**(180,942,870)**		**30,847,130**	**85 %**	**(1,782)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	246,009,000	-	246,009,000	-		246,009,000	293,261,736		47,252,736	119 %	119 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	23,649,757		23,649,757	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	**256,163,000**	**(221,944,000)**	**34,219,000**	**-**		**34,219,000**	**135,968,623**		**101,749,623**	**397 %**	**53 %**
Surplus/(Deficit) for the year	**256,163,000**	**(221,944,000)**	**34,219,000**	**-**		**34,219,000**	**135,968,623**		**101,749,623**	**397 %**	**53 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2021				
Financial Performance				
Service charges				271,046,066
Investment revenue				7,568,402
Transfers recognised - operational				528,727,343
Other own revenue				129,432,505
Total revenue (excluding capital transfers and contributions)				**936,774,316**
Employee costs	-	-	-	(358,708,122)
Remuneration of councillors	-	-	-	(6,585,623)
Debt impairment	-	-	-	228,791,666
Depreciation and asset impairment	-	-	-	(73,400,311)
Interest incurred	-	-	-	(21,022,293)
Materials and bulk purchases	-	-	-	(141,629,489)
Transfers and grants	-	-	-	(3,000,000)
Other expenditure	-	-	-	(971,944,001)
Total expenditure	**-**	**-**	**-**	**(1,347,498,173)**
Surplus/(Deficit)				**(410,723,857)**
Transfers recognised - capital				300,576,683
Contributions recognised - capital and contributed assets				23,753
Surplus (Deficit) after capital transfers and contributions				**(110,123,421)**
Surplus/(Deficit) for the year				**(110,123,421)**

Accounting Policies

Figures in Rand	Note(s)	2022	2021

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Transfer of functions between entities not under common control

1.4 Significant judgements and sources of estimation uncertainty

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

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

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.

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 waste water 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.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note .

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Dams	Straight-line	100 Years
Buildings	Straight-line	30 Years
Meters and other components	Straight-line	15 Years
Suppy/ reticulation	Straight-line	60 Years
Reservoirs and tanks	Straight-line	38 Years
Water and sewerage pumps	Straight-line	15 Years
Mains	Straight-line	60 Years
Land rights	Straight-line	60 Years
Purification works	Straight-line	30 Years
Boreholes	Straight-line	30 Years
Hand pumps	Straight-line	15 Years
Flood light	Straight-line	20 Years
Yoyo tanks	Straight-line	20 Years
Sewers	Straight-line	60 Years
Sludge machines	Straight-line	22 Years
Computer software	Straight-line	5 Years
Office buildings	Straight-line	30 Years

Accounting Policies

1.5 Property, plant and equipment (continued)

Motor vehicles	Straight-line	5 Years
Computer equipment	Straight-line	5 Years
Office machoines	Straight-line	3-5 Years
Air conditioners	Straight-line	7 Years
Furniture and fittings	Straight-line	5-7 Year
Emergency equipment	Straight-line	5-15 Years
Graders	Straight-line	15 Years
Tractors	Straight-line	15 Years
Mechanical equipment	Straight-line	15 Years
Lawnmowers	Straight-line	2 Years
Compressors	Straight-line	5 Years
Lboratory equipment	Straight-line	5 Years
Radio equipment	Straight-line	5 Years
Telecommunication equipment	Straight-line	5 Years
Irrigation equipment	Straight-line	15 Years
Lathes & machinery	Straight-line	15 Years
Tippers	Straight-line	15 Years
Tools	Straight-line	5 Years
General	Straight-line	5 Years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

Accounting Policies

1.6 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

Accounting Policies

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.

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

- equity instruments or similar forms of 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.

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

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

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

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

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

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

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
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at fair value
Consumer debtors	Financial asset measured at amortised cost
Cash and Cash Equevalents	Financial asset measured at fair value
Statutory receivables	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
Payables from exchange transactions	Financial liability measured at amortised cost
Other accruals	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost

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

1.8 Leases

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

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

Operating leases - lessee

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

1.9 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.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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.

1.9 Inventories (continued)

The cost of inventories is assigned using the 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.

1.10 Impairment of non-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.

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.

A cash-generating unit is the smallest identifiable group of assets managed 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 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.

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.12 Employee benefits

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

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

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

1.12 Employee benefits (continued)

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.

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

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

1.13 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 (deficit).

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

A constructive obligation to restructure arises only when the Municipality:

- 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.

1.13 Provisions and contingencies (continued)

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 the Municpality's 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 43.

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, an 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.

1.14 Commitments

Items are classified as commitments when the Municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the Municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 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.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.16 Revenue from non-exchange transactions

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

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

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

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

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

1.16 Revenue from non-exchange transactions (continued)

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

1.17 Investment income

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

1.18 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

1.18 Accounting by principals and agents (continued)

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

1.23 Segment information

A segment is an activity of an entity:

1.23 Segment information (continued)

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

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

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2021 to 6/30/2022.

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

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

1.25 Related parties

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

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

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

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

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

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

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

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

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

Accounting Policies

1.26 Events after reporting date

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

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

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

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

1.27 Water losses

Water loses is calculated based on the templet that has been adopted for use in South Africa, that was origionally produced by the Water Loss Task Force of the International Water Assiciation (IWA).

The Municipality has to provide a volumetric account of all water produced/purchased and distributed within its area of jurisdiction on an annual bases. The production of an annual water balance is therefore mandatory, and commences with the determination of bulk water purchased/production and consumer sales volumes.

The difference between the purchases/production and sales volumes is Non-revenue water (NRW) and is required as a primary KPI by the Department Of Water and Sanitation for reporting purposes.

Water losses can be determined by conducting a water balance, which is based on the measurement or estimation of water produced, imported, exported, consumed or lost. The water balance calculation provides a guide to how much is lost as leakage from the network (real losses), and how much is due to apparent or non-phisical losses.

A water balance should identify the priorities to address in a water loss strategy. Infrastructure improvement and program to address apparent losses will be dependency on longer term changes to metering, regulatory and legislative policies.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- Grap 1 - Presentation of financial statements.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 - Inventory	1 April 2021	The impact of the is not material.

3.2 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 1 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 - Presentation of financial statements	1 April 2022	Unable to reliably estimate the impact

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	4,770,772	-	4,770,772	4,770,772	-	4,770,772
Buildings	39,580,178	(8,141,613)	31,438,565	39,580,178	(6,855,133)	32,725,045
Infrastructure	4,027,225,226	(896,437,526)	3,130,787,700	3,787,668,536	(820,872,019)	2,966,796,517
Other property, plant and equipment (Movables)	84,973,872	(73,021,738)	11,952,134	85,666,797	(69,783,625)	15,883,172
Total	**4,156,550,048**	**(977,600,877)**	**3,178,949,171**	**3,917,686,283**	**(897,510,777)**	**3,020,175,506**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Write offs	Transfers out	Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	4,770,772	-	-	-	-	-	-	-	4,770,772
Buildings	32,725,045	-	-	-	-	-	(1,286,480)	-	31,438,565
Infrastructure	2,966,796,517	151,934,090	-	(128,349,491)	224,717,877	(8,745,787)	(73,311,613)	(2,253,894)	3,130,787,699
Other property, plant and equipment (movables)	15,883,172	1,107,069	(177,191)	-	-	-	(6,659,137)	1,798,222	11,952,135
	3,020,175,506	**153,041,159**	**(177,191)**	**(128,349,491)**	**224,717,877**	**(8,745,787)**	**(81,257,230)**	**(455,672)**	**3,178,949,171**

There was a gain on disposal of assets to the amount of R318,900 in the 2021/2022 financial year on assets taken by the Municipal Insurers.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Write offs	Transfers out	Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	4,770,772	-	-	-	-	-	-	-	4,770,772
Buildings	34,010,703	-	-	-	-	-	(1,285,658)	-	32,725,045
Infrastructure	2,808,171,226	319,522,817	(5,233,213)	(315,150,214)	253,345,573	(28,777,267)	(63,509,377)	(1,573,028)	2,966,796,517
Other property, plant and equipment (movables)	19,182,526	3,713,627	(6,887)	-	-	-	(7,006,094)	-	15,883,172
	2,866,135,227	**323,236,444**	**(5,240,100)**	**(315,150,214)**	**253,345,573**	**(28,777,267)**	**(71,801,129)**	**(1,573,028)**	**3,020,175,506**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Capital work in progress - infrastructure	804,514,988	719,146,284
Capital work in progress - buildings	1,961,337	1,961,337
	806,476,325	**721,107,621**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Infrastructure	264,454,695	245,494,859
These projects is taking a significant longer time to be completed due to various reasons such as, delayed on site due to non-payment in time of service providers, delays in approving of business plans by grant funders for contractors to start on site. New appoinment delays after termination of old contractors and delays due to finalisation of other phase to be anble to complete other phase. and awaiting businees plans for approval.		
	264,454,695	**245,494,859**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Buildings	1,961,337	1,961,337
The contract with the service provider was terminated and three buildings were not completed.		
Infrastructure	161,130,880	158,997,242
These project are halted due to various reasons, such as work suspended due to cash flow constraints, other phases are on hold until some phases are completed, and other project contractors terminated themselves.		
Impairment losses have been recognised for property, plant and equipment that has been halted as follows.		
Infrastructure	(11,086,615)	(8,832,721)
The impairment losses are as a result of floods which affected some drilled boreholes where the holes were closed by soil during the heavy rains. In addition to this some projects were not done as per the expected scope which resulted to no benefit that will flow to the Municipality and the contractor was terminated. A new contractor was appointed to fix the affected project. The newly appointed contractor laid a new pipeline since the existing lines were damaged during digging.		
	152,005,602	**152,125,858**

Reconciliation of Work-in-Progress 2022

	Included within Other PPE	**Total**
Opening balance	721,107,621	721,107,621
Additions/capital expenditure	224,717,876	224,717,876
Other movement (repairs and maintenance)	(8,745,787)	(8,745,787)
Impairment	(2,253,894)	(2,253,894)
Transferred to completed items	(128,349,491)	(128,349,491)
	806,476,325	**806,476,325**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Other PPE	Total
Opening balance	820,522,250	820,522,250
Additions/capital expenditure	253,345,573	253,345,573
Other movements	(28,777,267)	(28,777,267)
Impairment	(8,832,721)	(8,832,721)
Transferred to completed items	(315,150,214)	(315,150,214)
	721,107,621	**721,107,621**

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	44,091,043	46,576,811
Maintenance of buildings and offices	134,699	235,444
Maintenance of vehicles	42,538,015	37,890,823
Maintenance of pipelines and resevoirs	23,998,804	21,623,125
Blue drop green drop	828,319	254,041
Maintenance of pumps	35,231,849	33,109,719
Maintenance of specialized equipment	-	167,346
Maintenance of electrical components	-	106,725
	146,822,729	**139,964,034**

Employee related costs (overtime, Standby and nightshift allowances) to the amount of R44,091,043 (2021/2022) and R46,576,811 (2020/2021) is included in employee related costs in the statement of financial performance

Repairs and maintenance on property, plant and equipment to the amount of R102,731,686 (2021/2022) and R93,387,223 (2020/2021) is included in contracted services in the statement of financial performance.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2022

	Preventative Maintenance Total	Corrective Maintenance Emergency	Total	Total
Buildings	-	134,699	134,699	134,699
Motor vehicles	-	42,538,015	42,538,015	42,538,015
Infrastructure	-	59,230,653	59,230,653	59,230,653
Laboratory equipment	-	828,319	828,319	828,319
	-	**102,731,686**	**102,731,686**	**102,731,686**

Maintenance of property, plant and equipment by condition - 2021

	Preventative Maintenance Total	Corrective Maintenance Emergency	Total	Total
Buildings	-	235,444	235,444	235,444
Motor vehicles	-	37,890,823	37,890,823	37,890,823
Infrastructure	-	54,732,844	54,732,844	54,732,844
Specialized equipment	-	167,346	167,346	167,346
Electrical equipment	-	106,725	106,725	106,725
Laboratory equipment	-	254,041	254,041	254,041
	-	**93,387,223**	**93,387,223**	**93,387,223**

5. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	786,557	(358,117)	428,440	786,557	(339,457)	447,100

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Intangible assets (continued)

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	447,100	(18,660)	428,440

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	473,253	(26,153)	447,100

6. Operating lease asset (liability)

	2022	2021
Current liabilities	(1,092,120)	(406,412)

The Municipality currently occupies satelite offices in Estcourt, Bergville, Colenso and Weenen.

Operating leases are in place for the rental of these offices.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Employee benefit obligation

Medical aid post retirement benefits.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Medical aid post retirement obligation	(24,868,000)	(23,373,000)
Long service awards	(19,385,000)	(16,120,000)
	(44,253,000)	**(39,493,000)**
Non-current liabilities	(38,162,407)	(34,897,407)
Current liabilities	(6,090,593)	(4,595,593)
	(44,253,000)	**(39,493,000)**

Changes in the present value of the post retirement medical aid plan obligation are as follows:

Opening balance	29,161,000	23,373,000
Net expense recognised in the statement of financial performance	1,495,000	5,788,000
	30,656,000	**29,161,000**

Net expense recognised in the statement of financial performance

Current service cost	841,000	983,000
Interest cost	2,371,000	1,895,000
Actuarial (gains) losses	(1,717,000)	2,910,000
	1,495,000	**5,788,000**

Calculation of actuarial gains and losses

Increase in net discount rate	(716,000)	1,753,000
Increase in assumed in-service non-membershiptake up rate	-	2,233,000
Subsidy increase higher than assumed	(318,000)	(570,000)
Changes in memebership profile different from assumed	(683,000)	(506,000)
	(1,717,000)	**2,910,000**

Movement in the retirement medical aid obligation are as follows:

Opening balance	23,373,000	18,187,000
Current service costs	1,437,000	983,000
Interest costs	2,371,000	1,895,000
Expected contributions (benefits paid)	(596,000)	(602,000)
Actuarial Loss / Gain	(1,717,000)	2,910,000
	24,868,000	**23,373,000**

The municipality expects to contribute R624,000 in 2022/2023 financial year and R642,000 to its defined benefit plans in the 2023/2024 financial year.

Figures in Rand	2022	2021

7. Employee benefit obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

	2022	2021
Discount rates used	11.84 %	10.27 %
Healt care cost inflation rate	8.45 %	6.96 %
Net-of-health-care-cost-inflation discount rate	3.13 %	3.09 %
Maximum subsidy inflation rate	5.96 %	4.85 %
Net-of-maximum-subsidy-inflation discount rate	5.55 %	5.17 %

Retirement age and mortality.

Avarage retirement age	62 years	62 years
Continuation of memebership at retirement	75%	75%
Proportion assumed married at retirement age	60%	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	10%	
Mortality during employment	SA 85-90 light	SA 85-90
Mortality post-retirement	PA (90)-1	PA (90)-1

Members withdrawn from service: (avarage for males and females).

Avarage for males and females	Males	Females
Age 20	9%	9%
Age 25	8%	8%
Age 30	6%	6%
Age 35	5%	5%
Age 40	5%	5%
Age 45	4%	4%
Age 50	3%	3%
Age 55+	0%	0%

Long Service awards.

The Municipality offers employees long service awards for every 5 years of service completed, from 5 years of service to 45 years of service inclusive.

Changes in present value of long service awards are as follows		
Value at the beginning of the year	16,120,000	12,179,000
Increase of value of obligation	3,265,000	3,941,000
	19,385,000	**16,120,000**

Calculation of actuarial gains and losses		
Increase in net discount rate	(226,000)	(135,000)
Earnings higher/lower than assumed	(244,000)	291,000
Changes in employee profile different from assumed	826,000	376,000
	356,000	**532,000**

Independant valuars, ARCH Actuarial Consulting, carried out the valuations for the 2021/2022 financial year.

The principal actuarial assumptions were as follows.

Rates.	**2022**	**2021**
Discount rate	11.16%	7.51%
General salary inflation (long term)	7.33%	4.02%
Net discount rate	3.57%	3.36%

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Employee benefit obligation (continued)

The valuation was performed at the end of June 2022 and the next valuation will be at the end of June 2023.

Employee mortality rates	**2022**	**2021**
Avarage retirement age	62	62
Pre-retirement mortality	SA 85-90	SA 85-90

Members withdrawn from service: (average for males and females	**Males**	**Females**
Age 20	9%	9%
Age 25	8%	8%
Age 30	6%	6%
Age 35	5%	5%
Age 40	5%	5%
Age 45	4%	4%
Age 50	3%	3%
Age 55+	0%	0%

The amounts recognized in the statement of financial position were determined as follows.

Valuation of the liability in the statement of financial position		
Present value of funded obligation	19,385,000	16,120,000

Movement in the long service obligation		
Balance at the beginning of the year	16,120,000	12,179,000
Current service costs	1,721,000	4,510,000
Interest costs	1,478,000	843,000
Expected employee benefit payment	(1,245,000)	(1,944,000)
Addition of 5-year award	955,000	-
Actuarial loss / gain	356,000	532,000
	19,385,000	**16,120,000**

The amounts recognized in the statement of fionancial position and the statement of financial performance are as follows.

Statement of financial position		
Long service award liability	19,385,000	16,120,000

Statement of financial performance		
Long service award liability	356,000	532,000

Reasons for the movement in the liability is as follows.

The average liability has increased by 5% since the last valuation due to.

* the additiion of a 5-year LSA.

* an increase in the avarage earnings.

These impacts were partially ofset by.

* a decrease in avarage past service.

* an increase in the net discount rate.

The total liability increased by 20% or R3,265,000 due to the above, combined with nthe fact that there are 98 more eligible employees that the last valuation.

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

8. Bank reconcilliation clearing control account

Clearing control account balance			
Statement of financial position		-	6,673,137
Movement in the clearing control account			
Opening balance		6,673,137	6,673,137
Movement		(6,673,137)	-
		-	**6,673,137**

9. Inventories

Chemicals		1,014,517	516,351
Purified water stock		1,144,821	1,190,345
Stores		5,847,254	7,215,293
		8,006,592	**8,921,989**

The Municipality procured the services of an engineer from Joat Group to perform water stock and water loss calculations utelising the accepted International Water Association (IWA) water balance methodology.

This was done in conjuction with the guidelines stipulated by the Department of Human Settlement, Water and Sanitation (DHDWS).

The total water stock as at 30 June 2021 was calculated as 153,92 mega liters amounting to R1,190,345.

The total water stock as at 30 June 2022 was calculated as 133,291 mega liters amounting to R1,144,821.

Water for distribution

Opening balance		153,920	177,390
Volumes associated to decommissioned reservoirs and tanks		(20,629)	(23,470)
System input volume		41,052,210	41,687,013
Billed authorized consumption	36	(17,266,025)	(15,198,030)
Unbilled authorized consumption		(5,058,352)	(5,714,724)
Water losses		(18,727,833)	(20,774,259)
Closing balance		**133,291**	**153,920**

10. Receivables from exchange transactions

Trade debtors		532,184	584,522
Deposits		1,658,406	1,658,406
Insurance debtor		496,092	-
Sundry debtors		51,350,180	46,415,528
		54,036,862	**48,658,456**
Non-current assets		1,658,406	1,658,406
Current assets		52,378,456	47,000,050
		54,036,862	**48,658,456**

The amount of R532,184 is in respect of debtors refunds.

The amount of R1,658,406 is the total amount of deposits paid to third party vendors such as Eskom.

The amount of R496,092 is in respect of an outstanding insurance claim.

The amount of R51,350,180 is in respect of sundry debtors accounts.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Receivables from exchange transactions (continued)

Sundry debtors accounts include an amount of R47,836,280 due by Umgeni Water.

Receivables from exchange transactions		
Debtor refunds	532,184	584,522
Deposits paid to third party vendors	1,658,406	1,658,406
Sundry debtors accounts	51,350,180	46,415,528
Kunene Makhope - insurance claim - flood damage	496,092	-
	54,036,862	**48,658,456**

11. Receivables from non-exchange transactions

Receivebles from non exchange transactions	2,703,001	2,415,761
Other receivables from non exchange transaction	2,730,029	96,442
	5,433,030	**2,512,203**
Non-current assets	2,673,647	2,386,407
Current assets	2,759,383	125,796
	5,433,030	**2,512,203**

The amount of R2,673,647 (non-current assets) is in respect of R2,627,298 Netstar debit order deductions not cancelled, R28,064 ABSA card 4103740324271000 unauthosized debit order, R18,285 RASP - Viva Technologies - duplicate payment processed.

The amount of R2,759,383 (current assets) relates to the amount of R96,442 is in respect of overpayments made to creditors, R29,354 in repect of RD cheques issued to the Municipality and R2,633,587 in respect of unauthorized debit orders SB VISA against th Municipal bank account.

First National bank managed to recover the R2,633,587 unauthorized debit orders in full by the 18th of July 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Consumer debtors

Gross balances		
Water and sanitation	818,732,884	645,845,491
Consumer debtors agreements on arrears	6,255,738	4,530,188
	824,988,622	**650,375,679**
Less: Allowance for impairment		
Water and sanitation	(768,140,871)	(593,725,891)
Net balance		
Water and sanitation	56,358,848	56,380,787
Consumer debtors agreements on arrears	488,903	269,001
	56,847,751	**56,649,788**
Water and sanitation		
Current (0 -30 days)	32,699,060	-
31 - 60 days	23,659,788	5,833,011
61 - 90 days	-	4,492,759
91 - 120 days	-	4,087,803
121 - 365 days	-	41,967,214
	56,358,848	**56,380,787**
Consumer debtors agreements on arrears		
> 365 days	488,903	269,001

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Consumer debtors (continued)

Summary of debtors by customer classification

Residential/Individuals		
Current (0 -30 days)	20,759,806	2,051,156
31 - 60 days	18,803,407	25,528,876
61 - 90 days	18,833,568	21,271,451
91 - 120 days	17,856,982	19,836,249
121 - 365 days	645,394,451	485,195,664
> 365 days	6,255,738	4,009,740
	727,903,952	557,893,136
Less: Allowance for impairment	(692,101,357)	(516,906,145)
	35,802,595	**40,986,991**

Industrial/commercial		
Current (0 -30 days)	4,112,084	(998,883)
31 - 60 days	2,142,313	5,034,257
61 - 90 days	1,753,358	2,175,031
91 - 120 days	1,642,698	1,697,535
121 - 365 days	35,990,413	41,231,606
	45,640,866	49,139,546
Less: Allowance for impairment	(39,404,106)	(40,817,297)
	6,236,760	**8,322,249**

National and provincial government		
Current (0 -30 days)	9,148,386	(1,052,272)
31 - 60 days	4,634,725	3,878,464
61 - 90 days	1,698,135	3,081,463
91 - 120 days	1,413,478	2,603,057
121 - 365 days	34,549,080	34,832,285
	51,443,804	43,342,997
Less: Allowance for impairment	(36,635,408)	(36,002,449)
	14,808,396	**7,340,548**

Total		
31 - 60 days	34,020,276	34,441,597
61 - 90 days	25,580,445	26,527,945
91 - 120 days	22,285,062	24,136,842
121 - 365 days	736,847,101	561,259,555
> 365 days	6,255,738	4,009,740
	824,988,622	650,375,679
Less: Allowance for impairment	(768,140,871)	(593,725,891)
	56,847,751	**56,649,788**

Less: Allowance for impairment		
31 - 60 days	(16,006,661)	(31,636,672)
61 - 90 days	(21,639,429)	(24,367,509)
91 - 120 days	(20,170,477)	(22,171,137)
121 - 365 days	(710,324,304)	(515,550,573)
	(768,140,871)	**(593,725,891)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(593,725,891)	(833,641,774)
Contributions to allowance	(174,414,980)	-
Reversal of allowance	-	239,915,883
	(768,140,871)	**(593,725,891)**

Fair value of consumer debtors

Consumer debtors	56,847,751	56,649,788

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cashier float and petty cash	12,400	12,400
Bank balances	9,727,287	2,349,666
Short-term deposits	4,783,433	36,822,653
	14,523,120	**39,184,719**

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2022	Bank statement balances 30 June 2021	Bank statement balances 30 June 2020	Cash book balances 30 June 2022	Cash book balances 30 June 2021	Cash book balances 30 June 2020
FNB main account 62252306280	9,727,287	2,349,666	1,406,597	5,511,359	(39,885,496)	1,406,597
FNB Water account 62253072385	-	-	-	-	48,908,299	-
FNB business money account 62283176644	412,286	402,974	365,984	355,671	-	-
FNB short term deposit account 62600579679	24,721	8,212,490	2,545,799	313,982	-	-
FNB short term deposit account 62600812102	75,922	1,028,429	9,162,966	5,334,365	-	-
Nedbank call deposit account 7881006110	729,412	11,292	20,511,542	183,042	-	-
Investec call deposit account 1100433766501	367,805	6,125,342	21,147,448	20,784,392	-	-
ABSA 7 day notice account 9341705144	-	-	-	11,262,642	-	-
ABSA liquidity plus account 9349109796	139,955	135,875	132,256	148,762	-	-
ABSA call deposit account 9361819521	1,946,750	10,359,689	-	-	-	-
Absa call deposit account 932813409	-	-	-	-	-	-
Standard bank call deposit account 068455364001	1,086,582	10,546,562	-	-	-	-
FNB - main account (Development Agency) 62804453025	3,042,182	1,000,728	1,194,021	-	1,000,728	1,194,021
FNB short term deposit account (Development Agency) 62857029063	40,813	105,824	600,971	-	105,824	600,971
FNB short term deposit account (Development Agency) 62863354735	-	222,436	-	-	222,436	-
Standatd bank call deposit account (Development Agency) 068460767	730,090	-	-	-	-	-
Total	**18,323,805**	**40,501,307**	**57,067,584**	**43,894,215**	**10,351,791**	**3,201,589**

Investments were done in terms of the MFMA (Municipal Finance Management Act), Chapter 3, part 2, section 13 "Cash management and Investments".

Interest was earned at an avarage interest rate of 4,83% for the period ending 30 June 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (WSIG)	15,224,050	-
Regional Bulk Infrastructure Grant (RBIG)	-	16,023,650
LG Seta grant	391,625	-
Disaster Management Grant	28,636	28,636
NODAL Plan Grant	95,000	95,000
Rural Road asset Management Grant (RRAM)	-	137
Finance Management Grant (FMG)	58,288	255,057
	15,797,599	**16,402,480**

Movement during the year

Balance at the beginning of the year	16,402,480	5,722,624
Additions during the year	298,591,090	318,328,883
Income recognition during the year	(298,933,113)	(307,649,027)
Application for roll over declined (Finance Management Grant) recovered from Equity share	(255,057)	-
	15,805,400	**16,402,480**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

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

15. Sundry debtors with credit balances

Designated at fair value		
Sundry debtors	58,225	53,143

Current liabilities		
Liability at year end	58,225	53,143

Sundry debtors with credit balances		
Current (0 - 30 days)	5,719	6,900
31 - 60 days	55	507
61 - 90 days	-	259
91 - 120 days	3,183	354
120 - 365 days	49,268	45,123
	58,225	**53,143**

The table above represents sundry debtors accounts with credit balances at year end.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Bonus provision	9,029,202	1,041,955	10,071,157
Leave provision	30,099,696	5,069,799	35,169,495
	39,128,898	**6,111,754**	**45,240,652**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Bonus provision	8,609,006	420,196	9,029,202
Leave provision	26,343,911	3,755,785	30,099,696
	34,952,917	**4,175,981**	**39,128,898**

	2022	2021
Non-current liabilities	-	-
Current liabilities	45,240,652	39,128,898
	45,240,652	**39,128,898**

17. Vat Payable

The Municipality is registered on a payment bases for VAT purposes with SARS. The VAT payable is as a result of unpaid debt due by Municipal consumers. Payment is made to SARS on collection of VAT from the consumers.

Monthly VAT returns are up to date.

The Municipality has received VAT refunds from SARS to the amounts of R72,401,409 (2021/2022) and R55,647,930 (2020/2021).

	2022	2021
VAT		
Vat payable to SARS	20,076,276	51,290,638

18. Other liabilites - Consumer debtors with credit balances

The table below represents consumre debtors with credit balances as at year end.

	2022	2021
Consumer debtors with credit balances		
Current (0 - 30 days)	626,027	6,309,552
31 - 60 days	695,189	376,685
61 - 90 days	1,129,834	575,869
91 - 120 days	645,633	714,191
121 - 365 days	12,608,057	10,371,287
	15,704,740	**18,347,584**

19. Other liability - Salaries suspense account

	2022	2021
Other liabilities		
Salaries suspense account	355,299	378,161

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Payables from exchange transactions

Trade payables	30,735,269	33,350,340
Other trade payables	4,678,117	-
Accruals	63,636,375	22,604,235
Department of Water and Sanitation (DWS) accrual	56,973,416	44,853,318
Umgeni Water accrual	242,337,141	279,840,343
Trust funds - estate late accounts	5,881,819	6,289,715
Retentions	28,321,241	33,604,681
Bank reconcilliation clearing account	153,524	-
Unallocated deposits	3,550,358	3,370,709
	436,267,260	**423,913,341**

Accruals - other trade payables (an accrued expence, also known as an accrued liability, is an expense that is recognized on the books before it has been paid. The expence is recorded in the accounting period in which it incurred).

Fair value of Trust funds

Total value of funds	5,881,819	6,289,715

Council employees previously has life cover under a group life scheme which was cancelled, however employees now have accidental life cover under Councils insurance portfolio.

The trust fund represents monies which were received from the group life scheme or Councils insurers in respect of employees who passed away while in service of the Municipality.

Employees complete a beneficiary nomination form when they join the Municipality as an employee.

The trust funds represents monies held in trust by the Municipality which has not been claimed by the nominated beneficiaries.

The trust funds held by the Municipality earnes interest on an annual bases. Interest is calculated at the avarage interest rate the Municipality earnes on investments made.

21. Consumer deposits

Water	18,149,425	20,807,339

Consumer deposits represents refundable deposits held by the Municipality in respect of water debtors accounts.

22. Revenue

Service charges	247,614,652	271,046,066
Interest received - trading services	35,856,242	66,652,774
Other income	1,869,884	7,131,801
Interest received - investment	4,554,014	7,568,402
VAT refunds received	72,401,409	55,647,930
Government grants & subsidies	784,096,971	829,304,026
Public contributions and donations	23,649,757	23,753
	1,170,042,929	**1,237,374,752**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	247,614,652	271,046,066
Interest received - trading services	35,856,242	66,652,774
Other income	1,869,884	7,131,801
Interest received - investment	4,554,014	7,568,402
	289,894,792	**352,399,043**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
VAT refunds received	72,401,409	55,647,930
Transfer revenue		
Government grants & subsidies	784,096,971	829,304,026
Public contributions and donations	23,649,757	23,753
	880,148,137	**884,975,709**

23. Service charges

Sale of water	226,443,564	213,911,928
Sewerage and sanitation charges	18,462,752	26,483,399
Other service charges	2,708,336	30,650,739
	247,614,652	**271,046,066**

Other service charges R2,708,336 (2021/2022) consists of R25,139 Sewerage connections, R290,913 Trade effluent charges and R2,345,061 in respect of water connections, R38,115 in respect of pre-paid meters and R9,108 in respect of disconnection penalty fees.

Other service charges R30,650,739 (2020/2021) consists of R29,631,822 recovered from Umgeni Water(expenditure incurred by the Municipality), R5,517 in respect of disconnection penalty fees and R1,013,400 in respect of trade effluent charges.

24. Lease rentals on operating lease

Equipment		
Contractual amounts	735,103	39,199
Lease rentals on operating lease - Other		
Contractual amounts	2,631,671	4,387,817
	3,366,774	**4,427,016**

Lease rentals - equipment - is contracts in place for the rental of office machines (photo copiers and shreaders).

Lease rentals - operating leases - is lease agreements in place in respect of the rental of office space.

25. Other revenue

Other income	1,869,884	7,131,801

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Clearance certificates	383,305	403,139
Copies of building plans	119,201	156,262
Sundry income	298,131	454,526
Insurance claims received	744,232	81,750
Re-imbursements (Rand Water - drilling of boreholes)	-	5,872,654
Tender documents	317,868	154,173
Cashier surpluses	4,647	9,297
Fines issued (Health Department)	2,500	-
	1,869,884	**7,131,801**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Investment revenue

Interest revenue		
Interest earned on investment accounts	3,921,778	7,413,818
Interest earned other	632,236	154,584
	4,554,014	**7,568,402**

27. Transfer and subsidies

Grants paid to ME's		
Uthukela Economic Development Agency	3,000,000	3,000,000

The amount of R3,000,000 relates to funds transfered to the Uthukela Economic Development Agency.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Government grants & subsidies

Operating grants		
Equitable share	485,156,057	521,655,000
Finance Management Grant	1,891,712	1,544,943
EPWP Integrated Grant	3,516,000	3,730,000
LGSETA	271,466	1,186,525
NODAL Plan Grant	-	610,875
	490,835,235	**528,727,343**
Capital grants		
Regional Bulk Infrastructure Grant	16,023,649	23,379,237
Municipal Infrastructure Grant	194,919,000	180,406,000
Municipal Water Infrastructure grant	79,775,950	90,000,000
Disaster Management	-	1,971,364
Rural Transport Services Plan	2,543,137	2,507,862
Massification Grant	-	2,312,220
	293,261,736	**300,576,683**
	784,096,971	**829,304,026**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	298,940,914	307,649,026
Unconditional grants received	485,156,057	521,655,000
	784,096,971	**829,304,026**

Equitable Share

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

All registered indigents receive a monthly subsidy of 6 Kiloliters (R79.86), which is funded from the grant.

The 6 kiloliter free basic subsidy/rebate in respect of indigent consumers amounted to R3,505,975 (2021/2022) and R2,078,713 (2020/2021).

The cost of free basic services, water supplied by water tankers amounted to R14,882,511 (2021/2022) and R8,517,967 (2020/2021.

Municipal Infrastructure Grant

Current-year receipts	194,919,000	180,406,000
Conditions met - transferred to revenue	(194,919,000)	(180,406,000)
	-	-

The Minicipal Infrastructure grant program is aimed at providing all South Africans with at least the basic level of services through the provision of grant funding aimed at covering the capital costs of basic infrastructure to the poor. The MIG program is a key part of Governments overall drive to alleviate poverty in the Country, and, therefore, infrastructure is to be provided in such a way that employment is maximized and opportunities are created for enterprises to flourish.

The MIG grant is the major funding mechanism for all Municipal infrastructure for basic services to the poor such as roads, electricity, recreational facilities and water and sanitation infrastructure. MIG funding is provided to Municipalities with certain conditions attached.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Government grants & subsidies (continued)

Municipal Water Infrastructure

Current-year receipts	95,000,000	90,000,000
Conditions met - transferred to revenue	(79,775,950)	(90,000,000)
	15,224,050	**-**

Conditions still to be met - remain liabilities (see note 14).

The Municipal Water Infrastructure Grant is to assist WSA's (Water Services Authuorities) to provide water supply services to consumers currently without services, particular those in rural ares.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply.

Acces to to water supply enabled through the development of new infrastructure and/or refurbishment and/or upgrading of existing infrastructure to communities identified as not having a basic water supply.

It is also aimed at the reduction of water losses and non-revenue water.

Regional Bulk Infrastructure

Balance unspent at beginning of year	16,023,650	3,887
Current-year receipts	-	39,399,000
Conditions met - transferred to revenue	(16,023,650)	(23,379,237)
	-	**16,023,650**

Conditions still to be met - remain liabilities (see note 14).

RBIG (Regional Bulk Infrastructure Grant) is a specific purpose grant with the objective to supplement the financing of the social component of regional bulk water supply and sanitation infrastructure.

The application of these funds is specifically for water supply and sanitation regional bulk infrastructure, with the focus on "regional" charateristics and "infrastructure" elements.

This includes all aspects relating to the implementation of the infrastructure, design, procurement, construction as well as setting up institutional arrangements for sustainable operation and managment.

LGSETA Grant - Training

Balance unspent at beginning of year	-	700,642
Current-year receipts	663,091	485,883
Conditions met - transferred to revenue	(271,466)	(1,186,525)
	391,625	**-**

Conditions still to be met - remain liabilities (see note 14).

LGSETA is a discretionary grant which assists the Local Govenment Sector to adapt to changes in the economy and needs of the Country and ensuring that the skills levy is effectively targeted to meet the skills needs of employers and employees in the Local Government sector.

The strategic objective of LGSETA grant is for the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective Local Government system, through a range of learning programs that focuses on scarce and critical skills.

Massification Grant

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Government grants & subsidies (continued)

Balance unspent at beginning of year	-	2,312,220
Conditions met - transferred to revenue	-	(2,312,220)
	-	**-**

The Massification Grant is for the upgrade, maintenance and repairs of water services infrastructure.

Disaster Managment

Balance unspent at beginning of year	28,636	2,000,000
Conditions met - transferred to revenue	-	(1,971,364)
	28,636	**28,636**

Conditions still to be met - remain liabilities (see note 14).

The funding was provided for COVID-19 responce intervention measures.

NODAL PLan Grant

Balance unspent at beginning of year	95,000	705,875
Conditions met - transferred to revenue	-	(610,875)
	95,000	**95,000**

Conditions still to be met - remain liabilities (see note 14).

The National Development paln is a plan for the Country to eliminate poverty and reduce inequality by 2030 through uniting South Africans.

Rural Road Asset Management

Balance unspent at beginning of year	137	-
Current-year receipts	2,543,000	2,507,999
Conditions met - transferred to revenue	(2,543,137)	(2,507,862)
	-	**137**

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to assist rural district municipalities in setting up their road asset management system, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Finance Management Grant

Balance unspent at beginning of year	255,057	-
Current-year receipts	1,950,000	1,800,000
Conditions met - transferred to revenue	(1,891,712)	(1,544,943)
Application for roll over declined - recovered from equity share	(255,057)	-
	58,288	**255,057**

Conditions still to be met - remain liabilities (see note 14).

The purpose of the Finance Management Grant is to promote and support municipal finance management reforms and assist municipalities with the implimentation of the MFMA - Municipal Finance Management Act).

EPWP Integrated Grant

Current-year receipts	3,516,000	3,730,000

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Government grants & subsidies (continued)

Conditions met - transferred to revenue	(3,516,000)	(3,730,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The Expanded Public Works Programme is one of Governement's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. The EPWP is a Nationwide programme covering all spheres of Government..

29. Public contributions and donations

Public contributions and donations - COGTA	23,649,757	23,753

The public contribution of R23,649,757 in respect of boreholes donated by COGTA to the Municipality.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Employee related costs

Basic	234,776,931	222,905,072
Bonus	17,741,457	16,638,743
Medical aid - employers contribution	8,992,295	8,777,503
UIF	1,708,059	1,426,723
SDL	3,124,186	2,538,980
Bargaining Council	95,806	85,109
Leave pay	10,093,186	5,865,124
Standby allowances	21,232,204	20,432,790
Defined contribution plans	2,272,000	2,947,000
Travel, motor car, accommodation, subsistence and other allowances	5,374,989	5,377,152
Overtime payments	20,941,682	25,383,248
Acting allowances	1,741,872	1,598,122
Car allowance	13,325,199	13,179,697
Housing benefits and allowances	4,502,020	1,969,627
Disability insurance	25,477	-
Surcharge Pension Fund	32,900,865	28,822,459
Funeral cover	796	-
Cell phone and Group life	10,090	-
Night shift	1,917,157	760,773
	380,776,271	**358,708,122**

Umgeni Water recovered employee related costs from the Municipality for the months of July 2021 and August 2021 to the amount of R2,070,876 during the transition period when the contract was terminated at the end of June 2021 and staff transfered back to the Municipality.

These costs are included in employee related cost as disclosed above.

Remuneration of Municipal Manager

Annual Remuneration	1,178,312	949,833
Backpay	6,000	4,000
Contribution to UIF	2,125	1,516
SDL	16,291	12,198
Cell phone allowance	10,000	16,000
Leave paid out	234,837	-
Car allowance	250,000	312,500
	1,697,565	**1,296,047**

Remuneration of Chief Finance Officer

Annual Remuneration	1,382,386	681,275
Car Allowance	59,395	325,040
Subsistance and travelling	29,131	-
Leave paid out	242,486	-
Contribution to UIF	2,834	1,813
SDL	17,285	9,941
Housing subsidy	45,971	251,579
	1,779,488	**1,269,648**

Remuneration of Manager Technical Services

Annual Remuneration	-	233,214
Car Allowance	-	43,334
Contribution to UIF	-	446
SDL	-	3,433
Leave paid out	-	242,486

Figures in Rand	2022	2021
30. Employee related costs (continued)		
Housing subsidy	-	37,925
	-	**560,838**

The position of Manager Technical Services was not filled.

Remuneration of Manager Health, Environmental Services and WSA

Annual Remuneration	733,729	733,729
Car Allowance	260,007	260,007
Backpay	123,010	38,075
Subsistance and travelling	-	161,256
Contribustion to UIF	2,125	1,813
Housing subsidy	264,158	264,158
SDL	13,289	10,306
Acting allowance	-	23,409
	1,396,318	**1,492,753**

Remuneration of Manager Corporate Services

Annual Remuneration	890,862	971,849
Car Allowance	142,981	155,979
Leave paid out	132,702	-
Contribution to UIF	2,125	1,813
SDL	11,912	9,628
Housing subsidy	119,227	130,066
Subsistance and travelling	-	14,345
	1,299,809	**1,283,680**

The upper limits of the total remuneration pakage of Municipal Managers and Managers directly accountable to the Municipal Manager are regulated by the Government: Municipal Systems Act,2000 (Act No. 32 of 2000).

Remuneration of Manager Water Services

Annual Remuneration	405,270	-
Sunsistance and travelling	9,641	-
Leave paid out	39,062	-
Contribution to UIF	1,063	-
SDL	4,456	-
	459,492	**-**

31. Remuneration of councillors

Executive Major	637,127	870,815
Deputy Executive Mayor	123,055	209,682
Mayoral Committee Members	524,388	495,847
Speaker	284,171	705,529
Councillors	4,981,309	4,303,750
	6,550,050	**6,585,623**

Figures in Rand	2022	2021

31. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

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

32. Depreciation and amortisation

	2022	2021
Property, plant and equipment	81,257,230	71,801,129
Intangible assets	18,660	26,154
	81,275,890	**71,827,283**

33. Impairment loss

	2022	2021
Impairments		
Property, plant and equipment	455,671	1,573,028

The main classes of assets affected by impairment losses are:

Infrastructure assetst

Motor vehicles.

34. Interest incurred

	2022	2021
Other interest paid	6,844,729	21,022,293

The amount of R6,844,729 reperesents R195,990 which is interest paid on the late payment of creditors included in the disclosure note for fruitless and wastefull expenditure, R3,849,000 representing the accrual of interest on the accrued liability in respect of long service awards and medical aid post retirement obligations and R2,799,739 relating to interest charges by Department of Water and Sanitation on late payment of outstanding invoices also included in the didclosure note for fruitless and wastefull expemditure.

The amount of R21,022,293 includes interest raised by Umgeni Water to the amount of R17,142,327 which has not been written off by the Umgeni Board at year end and is included in the Umgeni Water liability disclosed in the Statement of Financial Position.

35. Debt impairment

	2022	2021
Debt impairment - Consumer debtors	174,414,980	(239,915,883)
Debts impairment - Sundry Debtors	(4,945,998)	11,124,217
	169,468,982	**(228,791,666)**

There was an impairment reversal of R239,915,883 in the 2020/2021 financial year with regards to consumed debtors due to the writing off of prescriptive debt.

The debt impairment - Sundry Debtors of (R4,945,998) is made up as follows (There was an impairment reversal of (R11,755,238) in the 2021/2022 financial year with regards to sundry debtors due to the Umgeni Water sundry debtors account balance being set off against the amount due to Umgeni Water as well as an impairment provision in respect of the balance of the other sundry debtors of R6,809,240).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Bulk purchases

Water	9,970,542	141,629,489

Bulk purchases represents raw water purchased from DWS (Department of Water and Sanitation) for purification and distribution through the reticulation network to consumers in the district.

A contract was entered into between the Municipality and Umgeni Water to take over and manage the bulk water function.

The increase in bulk purchases (2020/2021) was as a result of Umgeni Water billing the Municipality for bulk purified water.

The contact between the Municipality and Umgeni Water was terminated on the 30th of June 2021 and therefore the decrease in bulk purchases in the 2021/2022 financial year.

Water losses

Apparent losses: Unauthorised consumption	34,170,797	35,170,004
Apparent losses: Customer meter inaccuracies	4,433,418	3,390,343
Real losses: Leakage on transmission and distribution mains	85,572,676	85,475,440
Real losses: Leakage and overflows at storage tanks/ reservoirs	611,233	610,539
Real losses: Leakage on service connections up to the point of customer meter	36,062,771	36,021,793
Total	**160,850,895**	**160,668,119**

	June 2022	**June 2021**		
Units purchased	41,052,210	41,687,013	352,592,033	322,407,359
Units sold	(17,266,025)	(15,198,030)	(226,855,991)	(190,199,792)
Total	**23,786,185**	**26,488,983**	**125,736,042**	**132,207,567**
Comprising of:				
Technical losses	-	-	160,850,895	160,668,119
Non-technical losses	-	-	43,445,520	44,197,673
Total	**-**	**-**	**204,296,415**	**204,865,792**
Percentage Loss:				
Technical losses	- %	- %	46 %	50 %
Non-technical losses	- %	- %	12 %	14 %
Total	**- %**	**- %**	**58 %**	**64 %**

The use of the IWA (templet was introduced in June 2017 and therefore the calculation of water losses was based on the new templet.

The Municipality appointed an engineer from an independent company "Joat Consulting" to prepare the water loss calculations.

37. Contracted services

Outsourced Services		
Burial Services	27,500	34,500
Security Services	23,666,851	19,676,019
Water Takers	14,986,011	8,517,967
Consultants and Professional Services		
Legal Cost	2,880,170	8,138,982

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

37. Contracted services (continued)

Contractors		
Maintenance of Buildings and Facilities	134,699	342,169
Maintenance of Equipment	77,769,864	71,167,888
Maintenance of Unspecified Assets	24,827,123	21,877,166
	144,292,218	**129,754,691**

2021/2022	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	134,699	-	-	134,699
Vehicles	-	-	42,538,015	-	42,538,015
Pipelines and reservoirs	-	-	-	23,998,804	23,998,804
Pumps	-	-	35,231,849	-	35,231,849
Blue drop	-	-	-	828,319	828,319
Burial services	27,500	-	-	-	27,500
Security services	23,666,851	-	-	-	23,666,851
Water tankering	14,986,011	-	-	-	14,986,011
Legal costs	2,880,170	-	-	-	2,880,170
	41,560,532	**134,699**	**77,769,864**	**24,827,123**	**144,292,218**

2020/2021	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	235,444	-	-	235,444
Vehicles	-	-	37,890,823	-	37,890,823
Pipelines and reservoirs	-	-	-	21,623,125	21,623,125
Pumps	-	-	33,109,719	-	33,109,719
Blue drop	-	-	-	254,041	254,041
Electrical	-	106,725	-	-	106,725
Specialized equipment	-	-	167,346	-	167,346
Burial services	34,500	-	-	-	34,500
Security services	19,676,019	-	-	-	19,676,019
Water tankering	8,517,967	-	-	-	8,517,967
Legal costs	8,138,982	-	-	-	8,138,982
	36,367,468	**342,169**	**71,167,888**	**21,877,166**	**129,754,691**

Figures in Rand	2022	2021

38. General expenses

Advertising	1,077,754	324,426
Auditors remuneration	4,097,093	3,418,652
Bank charges	439,691	509,406
Cleaning	397,360	445,752
Commission paid	1,238,790	6,802,886
Computer expenses	9,649,518	4,625,475
Consulting and professional fees	25,000	627,709
Entertainment	7,800	-
Hire	5,762,621	9,271,346
Insurance	5,353,131	3,882,721
Conferences and seminars	296,557	1,172,141
Fleet	758,375	-
Medical expenses	68,621	43,110
Motor vehicle expenses	1,129,325	1,525,725
Fuel and oil	15,917,502	15,694,452
Printing and stationery	813,750	1,637,235
Protective clothing	1,580,857	176,895
Subscriptions and membership fees	3,254,924	3,052,780
Telephone and fax	2,746,234	3,452,886
Training	-	160,160
Assets expensed	26,059,463	11,643,880
Electricity - water purification and pump stations	61,354,036	48,600,258
Electricity and water - internal use (Municipal services)	38,520,429	37,822,876
Audit committee	270,789	359,921
Government grant expenditure	9,830,225	18,765,395
Covid-19 expenses	1,525,596	1,900,023
Chemicals	33,449,646	6,791,591
Other expenses	616,032	942,171
	226,241,119	**183,649,872**

Government grant expenditure represents project expenditure funded by grants which are not of a capital nature and not capitalized and is therefore not reflected a PPE (property, plant and equipment) in the fixed asset register.

Assets expenced relates to expenditure incurred against a capital budget however these items are not of a capital nature and have therefore not being capitalized and are not included in PPE in the fixed asset register.

Printing and stationery includes amounts paid to the service provider "Bidvest" for the printing of consumer debtor statements.

Hire represents amounts paid for the hire of plant such as TLB's, jetting machines and excavators.

Consulting and professional fees

Consultants - Uthukela District Municipality (job evaluation)	25,000	627,709

Consulting and professional fees are included in general expenditure above.

Grant expenditure

Nodal Development Plan	-	509,000
District wide VIP toilets	6,844,688	14,000,990
Project Management RRAM (Rural Road Asset Management)	2,597,937	2,180,749
MIG top slice (Municipal Infrastructure Grant) admin fees	198,100	2,074,656
FMG (Finance Management Grant)	189,500	-
	9,830,225	**18,765,395**

Grant expenditure is included in general expenditure above.

COVID-19 expenditure

Funded by the Municipality	1,525,596	1,900,023

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

38. General expenses (continued)

The Muncipality made a budget provision of R6,500,000 for the 2021/2022 financial year and spent R1,525,596 and a budget provision of R3,000,000 for the 2020/2021 financial year and spent R1,900,023.

COVID-19 expenditure is included in general expenditure above.

Service providers appointed for the procurement of Covid-19 goods and services		
Viva Accumed Trading	-	50,750
Tovani Trading	-	144,125
MSC Agencies	258	2,637
Madlanduna	193,933	178,500
Ntandokamusa Trading	-	18,400
Makhosi Oauline Projects	-	19,000
Bongisani Construction	-	16,000
Lanqoba	-	63,000
Thambayona Solutions	-	477,851
Shalom Laboratory	-	130,200
Dzabula Business Enterprises	-	157,160
DR. XPC Ntshangase	-	85,320
Xolwamfu Trading	-	125,000
Zungu Industries	-	29,036
Mshuluka Trading	-	103,700
Nonos and Nthoana Construction	-	188,500
Zezasbonga Trading	-	40,139
Sofies Trading	-	29,000
Mirage Enterprises	-	505
Nozaphi Trading	84,390	-
Elenyoni Trading	37,000	-
KFC Pipes and Fittings	86,125	-
XPM Investments	98,800	-
Bargain Uniforms	179,430	41,200
Dubhu Projects	175,000	-
SakhumuziMchunu Projects	100,000	-
Banabanzi Projects	430,000	-
Maxode Trading	137,020	-
Umgeni Water Expenditure	3,640	-
	1,525,596	**1,900,023**

39. Auditors' remuneration

Fees	4,097,093	3,418,652

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

40. Operating lease

Lease rentals on operating leases		
Afrirent - Vehicle tracking rental fees	34,612	119,080
Moon Magic Investments - Rental of satelite office in Estcourt	82,192	31,483
A. Good - Rental of satelite office in Colenso	36,056	12,803
Konika Minolta - Rental of office machines	43,184	39,200
Laytam Investments - Rental of workshop at 35 Pregress Road in Ladysmith	587,611	408,400
Shelsworth - rental for laboratory space for three months	62,748	192,950
TFS - Rental of storage space	-	584,547
EXTEC PMB (Pty) Ltd - rental of office machines	469,607	-
MAELEC (Mike Anderson Electric) - monthly rental of wireless internet equipment	222,314	-
The Rosco Family Trust - rental of laboratory space	1,828,450	-
Rental in respect of offices which were occupied by Umgeni Water in Murchison Street, Ladysmith	-	3,038,553
	3,366,774	**4,427,016**

The lease rental with Afrirent is for vehicle tracking with fleet managment services for a period of 36 months which ended on the 24th of December 2021.

The lease agreement with Moon Magic Investments is in respect of the satelite office at 123 Albert Street in Estcourt and ends on the 28th of February 2023.

The lease agreement with A. Good is in respect of the satelite office at 63/69 Sir George Street in Colenso for the period 1 September 2019 to 31 August 2021.

Additional office equipment (photo copiers) is leased from Konika Minolta.

Additional office equipment (photo copiers) is leased from EXTEC.

Wireless internet equipment is leased from MAELEC.

The lease agreement with Laytham Investments is in respect of the rental of a workshop at 35 Progress Road, Ladysmith and is for the period July 2019 to June 2022 and remains the same from 1 July 2022 to 31 December 2022.

The lease agreement with Shelsworth CC was in respect of the laboratory building for a period of three months.

The lease agreement with TFS was in respect of storage space and is on a month to month basis.

The lease agreement with The Rosco Family Trust is in respect of office space for the laboratory staff in Murchison Street, Ladysmith from September 2021 to August 2024.

Umgeni Water had a lease agreement in respect of the offices they occupying in Murchison Street, Ladysmith. When the contract between the Municipality and Umgeni Water was terminated on the 30th of June 2021, Umgeni Water recovered the rental in respect of the lease agreement which terminates in Novemebr 2023 from the Municipality with landlord.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Cash generated from operating activities

Surplus (deficit)	135,968,623	(110,123,421)
Adjustments for:		
Depreciation and amortisation	81,275,890	71,827,283
(Loss) gain on sale of assets	(318,900)	5,240,102
(Loss) gain on acturial valuations	(1,361,000)	3,442,000
Interest income	-	(66,652,774)
Impairment deficit	455,671	1,573,028
Debt impairment	169,468,982	(228,791,666)
Bad debt written off	3,511,960	637,572,396
Movements in operating lease assets and accruals	685,708	(220,085)
Other non-cash items (donations)	(23,649,757)	(23,753)
Changes in working capital:		
Decrease in Inventories	915,397	(1,031,806)
Decrease in receivables from exchange transactions (current assets)	(5,378,406)	(17,143,532)
Increase in receivables from exchange transactions (Consumer debtors)	(174,612,943)	178,204,469
Increase in other receivables from non-exchange transactions	(2,920,827)	-
Increase in emplyee benefit	-	5,186,000
Decrease in payables from exchange transactions	11,856,581	(274,503,916)
Increase in VAT	-	30,287,448
Decrease in unspent conditional grants and receipts	(604,881)	10,679,856
Decrease in other financial liabilities - sundry debtors	5,082	(5,445,668)
Decrease in consumer deposits	(2,657,914)	1,245,626
Decrease in other financial liabilities - consumer debtors	(2,642,844)	6,323,277
Decrease in other financial liabilities	(22,862)	(12,200)
	189,973,560	**247,632,664**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	134,268,182	130,768,457

Infrastructure grants - MIG, MWIG and WSIG		
Bhekuzulu phase 3 - water reticulation to Ephangweni / Ennersdale	-	3,400,146
Bhekuzulu phase 4 - water reticulation to Ephangweni / Ennersdale	-	2,154,635
Upgrade of Bergville water treatment works	43,356,747	-
Kwanobamba / Ezitendeni water project - Weenen reticulation	-	8,419,199
Kwanobamba / Ezitendeni sanitation project - sewer reticulation and pump station phase 1B	-	14,309,673
Weenen / Ezitendeni sewerage treatment works	6,056,829	10,181,251
Construction of Estcourt industrial area water network upgrade	1,205,780	1,691,398
Weenen / Ezitendeni sanitation project	129,071	2,367,568
Boreholes for Okhahlamba Local Municipality	437,674	4,116,348
Wembezi water conservation and demand management phase 1	20,293,386	22,470,939
Bergville sewer reticulation	-	2,078,307
Ekuvukeni refurbishment of the Oliphantskop water treatment works	2,530,349	603,582
Ekuvukeni bulk rising mains and booster pump station to Zandbult resrvoir	-	14,332,910
Bkekuzulu / Ephangweni community water supply scheme: completion of outstanding work	-	999,027
Construction of Loskop (Mqedanda) water reticulation ward 4 phase 1	24,625,445	28,951,481
Construction of Inkuzini bulk water feeder main stage 3A	3,183,311	14,691,993
Upgrade of langkloof package plant & bulk supply ward 10	32,449,590	-
	134,268,182	**130,768,457**

Total capital commitments		
Already contracted for but not provided for	134,268,182	130,768,457

Authorised operational expenditure

Already contracted for but not provided for		
• Vehicle fleet tracking system	-	1,103,905
• Accredited service provider to provide laboratory space	5,669,500	-
• Service provider for the management of the rural road asset management system	5,441,466	-
• Provision of insurance broker services	8,220,934	(2,947,469)
• Leasing of premises - satelite offices and workshop	1,104,081	517,827
• Provision for armed security services	33,798,668	27,917,142
• Leasing of photo copiers and fax machine	1,215,632	1,232,975
	55,450,281	**27,824,380**

Total operational commitments		
Already contracted for but not provided for	55,450,281	27,824,380

Total commitments

Total commitments		
Authorised capital expenditure	134,268,182	130,768,457
Authorised operational expenditure	55,450,281	27,824,380
	189,718,463	**158,592,837**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

42. Commitments (continued)

This committed expenditure relates to property, plant and equipment as well as operational committements with a contractual obligation at year end which will be financed by grant funding, retained surplusses, existing cash resources and funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2,214,238	607,216
- in second to fifth year inclusive	2,222,850	251,160
	4,437,088	**858,376**

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

43. Contingencies

Contingent liabilities		
Shepstone & Wylie (THUK3974.14)- Ubunsima Trading Enterprise CC	-	114,554
Shepstone & Wylie (THUK3974.13) - RASP Consultants CC	-	65,857
Shepstone & Wylie (THUK3974.25) - Ndlalabeyidida - (Pty) Ltd	90,000	90,000
	90,000	**270,411**

Shepstone & Wylie (THUK3974.25) - Ndlalabeyidida Trading 9Pty) Ttd - Claim amount R90,000 - summons were issued against the Municipality in respect of an alledged verbal agreement where the plaintiff alledged that she contracted with the Municipality to supply meals at the Uthukela Winter Disaster Awareness Campaign. The plaintiff aledged that she honoured the contract but the Municipality failed to pay her. Shepstone & Wylie are in the process of setting the matter down for finality. Shepstone & Wylie requested their agent to have this matter allocated a pre-trial date and finally a trial date for purposes of finality. Whilst they were awaiting futher advice from agents whether a date has been allocated for pre-trial, they had to pend their file in January 2020. Their agent attended a pre-trial conference in June 2021. The defendant sought an adjourment of the pre-trial, same was adjourned with the plaintiff to pay the wasted costs. The matter has been pending since last year.

44. Related parties

Relationships

Controlling entity	UthukelaDistrict Municipality

Related party balances

	2022	2021
Uthukela Econimic Development Agency		
Total expenditure incurred	5,478,097	4,030,601

The transactions below relates to payments made by the Municipality on behalf of the Uthukela Economic Development Agency in respect of employee related costs during the financial year.

A service level agreement was signed on the 20th of March 2019 between the Municipality and the Uthukela Economic Development Agency (UEDA).

The UEDA has been appointed to provide and support the Municipality with the implimentation of the RASET program (Radical Agrarian Social Econimic Transformation Program).

Related party transactions

	2022	2021
Revenue		
Interest received	34,173	70,735
Other revenue	146,206	-
Employee related costs		
D.C.P. Mazibuko (CEO)	1,490,454	1,316,848
Other employee costs	1,186,963	216,345
Subsistance and travelling	83,640	29,156
Board members	254,586	282,961
Office rent		
Dedekind Real Estate (Sarosma Trust IT - Heron House - 131 Murchison Street, Ladysmith)	442,103	401,092
General expenditure		
Advertising	131,275	79,246
Electricity & water	12,445	17,045
Depreciation	423,165	195,094
Bank charges	9,535	7,378
Audit fees	322,371	84,990
Licence & registration	84,429	500
Printing & stationery	3,000	70,922
Training & workshops	91,350	75,000
Bursaries	-	98,290
Refunds	-	1,290
Catering	25,361	1,359
Consumables	-	112,984
Material purchased	-	273,428
Consultancy	218,515	-
Cleaning material	40,261	-
Fuel & oil	10,130	-
Raset programs - auctions	67,761	-
Raset programs - vege market	52,450	-
Events	166,750	-
Beans - seeeds	333,625	-
Loss on write offs	27,928	-
Contracted services		
Repairs & maintenance buildings	-	766,673

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Related parties (continued)

Compensation to Accounting Officer and other key management		
Basic salary	1,035,327	930,401
Car allowance	229,157	221,280
Subsistance and travelling	69,487	11,556
Housing subsidy	126,029	121,696
Backpay	13,592	19,231
UIF	3,125	2,128
SDL	13,737	10,556
	1,490,454	**1,316,848**

Key management information

Board members	**Executive Committee**	**8**
D.C.P. Mazibuko	Accounting Officer	1
S. Shabalala	Chairperson	1
P.A. Stockhill	Non-executive board member	1
M. Asmal	Non-executive board member	1
O.D. Amla	Non-executive board member	1
K.D. Mduli	Non-executive board member	1

45. Prior period errors

Prior period errors is corrections done in the current financial year which relates to the previous financial year.

The correction of the error(s) results in adjustments to the previous financial year as follows:

Statement of financial position		
Payables from exchange transactions	-	(54,382,785)
Property, plant and equipment	-	(14,631,053)
Unspent grants	-	101,875

Statement of financial performance		
Interest incurred	-	(17,142,327)
Lease rentals on operating leases	-	(3,120,536)
Bulk purchases	-	(14,415,735)
Contracted services	-	(10,329,012)
General Expenditure	-	(8,838,653)
Depreciation	-	(782,346)
Government grants and subsidies	-	101,875

46. 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:

46. Prior-year adjustments (continued)

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Inventories	9	8,921,989	-	8,921,989
Receivables from exchange transactions	10	47,000,050	-	47,000,050
Receivables from non-exchange transactions	11	125,796	-	125,796
Consumer debtors	12	56,649,788	-	56,649,788
Bank reconcilliation clearing account	8	6,673,137	-	6,673,137
Cash and cash equivalents	13	39,184,719	-	39,184,719
Property, plant and equipment	4	3,034,806,559	(14,631,053)	3,020,175,506
Intangable assets	5	447,100	-	447,100
Receivables from exchange transactions	10	4,044,813	-	4,044,813
Other liablities - sundry debtors with credit balances	15	(53,143)	-	(53,143)
Operating lease liability	6	(406,412)	-	(406,412)
Payables from exchange transactions	20	(369,530,556)	(54,382,785)	(423,913,341)
Consumer deposits	21	(20,807,339)	-	(20,807,339)
Employee benefit obligation	7	(4,595,593)	-	(4,595,593)
Unspent conditional grants	14	(16,504,355)	101,875	(16,402,480)
Provisions	16	(39,128,898)	-	(39,128,898)
VAT payable	17	(51,290,638)	-	(51,290,638)
Other liabilities - consumer debtors with credit balances	18	(18,347,584)	-	(18,347,584)
Other liabilities - salaries clearing control account	19	(378,161)	-	(378,161)
Employee benefit obligation	7	(34,897,407)	-	(34,897,407)
		2,641,913,865	**(68,911,963)**	**2,573,001,902**

46. Prior-year adjustments (continued)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	23	271,046,066	-	-	271,046,066
VAT refunds received	22	55,647,930	-	-	55,647,930
Interest received (trading services)	22	66,652,774	-	-	66,652,774
Other income	25	7,131,801	-	-	7,131,801
Interest received on investments	26	7,568,402	-	-	7,568,402
Government grants and subsidies	28	829,202,151	101,875	-	829,304,026
Public contributions and donations	29	23,753	-	-	23,753
Employee related costs	30	(358,708,122)	-	-	(358,708,122)
Remuneration of Councillors	31	(6,585,623)	-	-	(6,585,623)
Depreciation and amortization	32	(71,044,937)	(782,346)	-	(71,827,283)
Impairment loss	33	(1,573,028)	-	-	(1,573,028)
Interest Incurred	34	(3,879,966)	(17,142,327)	-	(21,022,293)
Lease rentals on operating leases	40	(1,306,480)	(3,120,536)	-	(4,427,016)
Debt impairment provision	35	228,791,666	-	-	228,791,666
Incentive discounts	57	(7,857,924)	-	-	(7,857,924)
Bad debt written off	58	(637,572,396)	-	-	(637,572,396)
Bulk purchases	36	(127,213,754)	(14,415,735)	-	(141,629,489)
Contracted services	37	(119,391,179)	(10,329,012)	(34,500)	(129,754,691)
Transfers and subsidies	27	(3,000,000)	-	-	(3,000,000)
Loss on disposal of assets and liabilities	4	(5,240,102)	-	-	(5,240,102)
Actaurial losses	7	(3,442,000)	-	-	(3,442,000)
General expenditure	38	(174,845,719)	(8,838,653)	34,500	(183,649,872)
Surplus for the year		**(55,596,687)**	**(54,526,734)**	**-**	**(110,123,421)**

Cash flow statement

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
VAT refunds	22	55,647,930	-	55,647,930
Service charges	23	118,246,796	-	118,246,796
Grants	28	829,202,151	-	829,202,151
Interest income	26	7,568,402	-	7,568,402
Other cash items	25	7,131,801	-	7,131,801
Employee and Councillors costs	31&30	(365,293,745)	-	(365,293,745)
Suppliers and other		(383,848,378)	-	(383,848,378)
Interest incurred	34	(21,022,293)	-	(21,022,293)
		247,632,664	**-**	**247,632,664**
Cash flow from investing activities				
Purchase of propperty, plant & equipment	4	(257,059,200)	-	(257,059,200)
Bank reconcilliation clearing account	8	(6,673,137)	-	(6,673,137)
		(263,732,337)	**-**	**(263,732,337)**

46. Prior-year adjustments (continued)

Reclassifications

Due to 2013 amendments to GRAP1 and GRAP 3 - Presentation of Financial Statements, operational grants has been disclosed by nature of expence and therefore has been reclassified in the statement of financial performance.

Due to GRAP 17 - Presentation of Financial Statements, repairs and maintenance has to be disclosed by nature of expence and has been disclosed in note 4 under PPE (property, plant and equipment) and note 38 (contracted services).

The following reclassifications adjustment occurred:

Reclassification 1

Burial services has been reclassified as contracted services - from general expenditure - other.

Artist and performers has been reclassified as contracted services - from general expenditure - other.

Employee wellnes has been reclassified as contracted services - from general expenditure - other.

Maintenance and repairs has been reclassified as contracted services - from general expenditure.

Legal costs has been reclassified as contracted serices - from general expenditure - consulting and professional fees.

Reclassification 2

Plant and equipment hire has been reclassified as general expenditure - from contracted services.

Insurance has been reclassified as general expenditure - from contracted services.

Chemicals has been reclassified as general expenditure - from contracted services.

47. Risk management

Liquidity risk

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

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

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

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

Financial instrument	**2022**	**2021**
Bank balance and cash	14,523,120	39,184,719
Consumer debtors from exchange transactions	56,847,751	56,649,788
Receivables from exchange transactions	54,036,862	48,658,456
Receivebles from non-exchange transactions	5,433,030	2,512,203

48. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an operating surplus (deficit) of R135,968,623 and that the municipality's total assets exceed its liabilities by R 2,721,230,370.

Futhermore it must be noted that the current liabilities (R558,,832,189) exceeds the current assets (R131,881,715) by an amount of R 426,950,474.

The annual financial statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality. This bases presumes that funds will be available to finance future operations from various sources of Government as well as its own resources to fund operations. Thus the realisation of assets and settelment of liabilities, contingent obligations and comittements wil occcure in the ordinary cource of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The Municipality still has power to levy water and sanitation charges and it will continue to receive funding from Government as evident from the equity share allocation received in terms of the Division of Revenue Act.

The Municipality started experiencing cash flow difficulties from the 2016/2017 financial year. An Interim Finance Committee was established during the 2018/2019 financial year to manage cash flow and monitor the implementation of cost containment measures. It must be noted that the drought related expenditure incurred during previous financial years had the most significant impact on the Municipality's cash reserves. Covid-19 pandemic also impacted negatively in the implementation of the credit control and debt collection policies.

The financial situation of the Municipality is however improving. We also draw attention to that although the Municipality has had legacy issues in terms of net defecit running from year to year, the Municipality has, in the year under reporting been able to cut its liabilities by R67,5 million and suggest to continue decreasing it's liabilities and improving revenue collection in the forth-comming financial years.

Management acknowleges the decrease in the cost coverage ratio with great concern and a budget funding plan was developed during the 2019/2020 financial year to address the situation. All high cost drivers has been identified and a strategy to address each cost driver has been developed, implemented and is being monitored.

Management has developed a revenue enhancement strategy and is implementing the reveue enhancement plan in and effort to improve the cash position and reduce water losses.

Management has, in addition, also implemented MFMA Circular 82 (Cost containment measures) in an effort to cut down on operational expenditure. This is evident in the reduction of it's liabilities in the year under reporting when compared to the comparative figure from the 2020/2021 financial year.

Ageing infrastructure and water purification plants operating beyond their design capacity also contributes to high maintenance costs; as did the floods and vandalism experienced during the 2021/2022 financial year contributing to a significant increase in maintenance and repair costs.

The Municipality entered into an agreement with Umgeni Water to perform the bulk water function on behalf of the Municipality. Umgeni Water took over three water purification plants as from 1 January 2019: Oliphantskop, Tugela Estate and the Ezakheni plant.

This has put further strain on the budget of the Municipality and on the 26th of March 2020 Council resolved to terminate the contract due to unsustainability in the long run. A termination letter was issued to Umgeni Water on the 16th of July 2020.

The matter was resolved out of Court and Uthukela has taken over the operations of the three plants as from 1 July 2021.

The two parties (Uthukela DM and Umgeni Water) are in the process of finalizing a payments plant in order to pay the debt due to Umgeni Water.

It must be noted that the Municipality is still under Section 139(1) (b) Consitution intervention.

As from the 1ts of July 2022 forensic investigators has been appointed to investigate absorbent expenditure incurred with the use of the Wesbank fleet cards and as part of their scope of work, the same forensic investigators are investigating excessive overtime and standby claims submitted by employees.

Figures in Rand	2022	2021

48. Going concern (continued)

The Municipality appointed a service provider to install smart pre-paid meters and to manage revenue collection from the sales through these meters, however due to some complications the service providers contract was terminated and the Municipality has not received any of the revenue collected by the service provider.

The Municipality was unable to determine the amount collected through the sales of the pre-paid meter and the commission due to the service provider. There is therefore a strong possability of a potentisl financial loss.

Legal action has been instituted and the matter is sub judice.

49. Events after the reporting date

The Municipal bank account was fraudulantly accessed, whereby unauthorized debit orders, were affected against the account over the period August 2021 to June 2022.

The Municipal bankers "FNB - First National Bank" managed to recover all the monies which were drawn from the Municipal bank account through these unauthorized debit orders identified, amounting to R4,399,039, with the description "SB VISA SB AUTOPAY" of which the last amount was recovered on the 18th of July 2022.

50. Unauthorised expenditure

Opening balance as previously reported	121,151,583	58,807,738
Add: Expenditure identified - current	16,569,794	62,343,845
Closing balance	**137,721,377**	**121,151,583**

Unauthorized expenditure is the result of overspending of the total amount appropriated in the Municipalities budget for the financial year excluding non-cash items.

Overall the Municipality spent R1,035,754,206 against the budget of R1,052,325,000 which resulted in a saving of R16,569,794 for the financial year (2021/2022), however when comparing the expenditure per Municipal vote Economic and Social Services exceeded the budget by R11,314,979 and Trading Services exceeded the budget by R5,522,474 which resulted in total unautorized expenditure of R16,837,453.

Refer to the tables below.

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

Non-cash	(6,024,503)	261,181,721
Cash	22,594,297	62,343,845
	16,569,794	**323,525,566**

Analysed as follows: non-cash

Depreciation and amortization	18,839,890	9,996,937
Impairment loss	455,671	1,573,028
Debt impairment provision	(16,783,018)	(404,500,666)
Incentive discounts	2,625,630	7,857,924
Bad debt written off	886,330	637,572,396
Loss on disposal of assets	-	5,240,102
Actuarial losses	-	3,442,000
	6,024,503	**261,181,721**

In respect of the 2021/2022 financial year the Municipality realized a saving in respect of non-cash items agains the budget allocation for the financila year.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Unauthorised expenditure (continued)

Analysed as follows: cash

Employee related costs	(5,552,729)	29,499,122
Remuneration of Councillors	178,050	213,623
Interest incurred	6,844,729	3,879,966
Lease rental on operating leases	3,366,774	1,306,481
Bulk purchases	(114,229,458)	7,269,754
Contracted services	3,413,218	-
General Expenditure	83,385,119	20,174,899
	(22,594,297)	**62,343,845**

In respect of the 2021/2022 financial year the Municipality realized a saving in respect of cash items agains the budget allocation for the year.

Amounts diclosed As (XXXX) represents a saving against the budget.

Unauthorised expenditure: Budget overspending – per municipal department:

Council and Municipal manager	(5,451,361)	414,221
Corporate Services	-	43,449,304
Finance and Administration	(10,480,342)	(200,761,317)
Planning, Economic Development and Social Services	(1,262,021)	1,266,687
WSA and Health Services	(4,898,544)	(1,373,918)
Water, Sanitation and Technical Services	5,522,474	480,530,589
	(16,569,794)	**323,525,566**

Municipal Governance and Administration		
Executive and Council	(5,451,361)	414,221
Finance ans Administration	(10,479,342)	(157,312,013)
	(15,930,703)	**(156,897,792)**

Community and Public Safety		
Community and Social Services	(12,578,000)	-
Municipal Health	(4,898,544)	(1,373,918)
	(17,476,544)	**(1,373,918)**

Economic and Environmental Services		
Planning and Development	11,314,979	1,266,687

Trading Services		
Water and Waste Water Management	5,522,474	480,530,589

Disciplinary steps taken/criminal proceedings

No diciplinary steps has been taken and no criminal proceedings instituted.

Amounts disclosed as (XXXX) represents a saving against the budget.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Fruitless and wasteful expenditure

Opening balance as previously reported	13,706,914	11,465,075
Add: Fruitless and wasteful expenditure identified - current	3,854,551	2,241,839
Less: Amount written off - prior periods	(3,375,069)	-
Closing balance	**14,186,396**	**13,706,914**

Fruitless and wasteful expenditure is presented inclusive of VAT

Expenditure identified in the current year		
Eskom	32,530	39,545
Alfred Duma Local Municipality	73,296	53,052
Auditor General	10,503	5,496
J.A. Botha Attorneys	-	68,057
Christopher Waltons & Tatham	-	1,000,000
Keshav and Associates	-	1,050,577
Sherwood pumps	-	25,112
Marotodi Metsi	53,260	-
Munsoft	4,691	-
G J Vonkeman Attourneys	31,401	-
Zanamanzi	275,000	-
Sinethemba Construction	574,131	-
DWS (Department of Water and Sanitation)	2,799,739	-
	3,854,551	**2,241,839**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

51. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Fruitless and wastefull expenditure - 2020/2021	No diciplinary step staken and no criminal proceedings	-	2,241,839
Fruitless and wastefull expenditure - 2021/2022	No diciplinary steps taken and no criminal proceedings	3,854,551	-
		3,854,551	**2,241,839**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Fruitless and wasteful expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R3,375,069 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

	Written off by Council through resolution		
Inkosi Langalibalele Local Municipality	Council resolution No. 12.3 dated 23 September 2021	1,777,521	-
SARS	Council resolution No. 12.3 dated 23 September 2021	483,579	-
Keshav and Associates	Council resolution No. 12.3 dated 23 September 2021	1,026,660	-
Alfred Duma Local Municipality	Council resolution No. 12.3 dated 23 September 2021	52,440	-
Escom	Council resolution No. 12.3 dated 23 September 2021	30,553	-
Auditor general	Council resolution No, 12.3 dated 23 September 2021	4,316	-
		3,375,069	**-**

Recoverability steps taken/criminal proceedings

No criminal proceedings has been instituted.

Disciplinary steps taken/criminal proceedings

No disiplinary steps has been taken and no criminal proceedings instituted.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

52. Irregular expenditure

Opening balance as previously reported	142,477,915	59,651,704
Add: Irregular expenditure - current - UTDM	304,311,431	82,826,211
Add: Irregular expenditure - Prior year adjustment	3,059,505	-
Less: Amount written off - prior period	(60,309,086)	-
Closing balance	**389,539,765**	**142,477,915**

Nature of contravention		
Section 32 deviations	61,074,528	8,158,907
Section 36 deviations	96,255,584	3,021,767
Non-compliance with SCM regulations	137,476,215	61,285,703
Expired contracts	5,673	5,792,958
Order splitting	654,796	2,966,216
Irregular expenditure adjustments	11,904,140	1,600,660
	307,370,936	**82,826,211**

Management went as far back as possable to identify irregular expenditure for the disclosure in the financial statements.

Amounts disclosed are exclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

52. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Irregular expenditure incurred 2020/2021	No diciplinary steps and no criminal proceedings instituted	-	82,826,211
Irregular expenditure incurred 2021/2022	No diciplinary steps and no criminal proceedings instituted	307,370,936	-
		307,370,936	**82,826,211**

Cases under investigation

Payments made to service providers in respect of water tankeringservices rendered during the 2017/2018 financial year.	-	74,624,935
Payments made to Mayibuye Consulting in respect of services rendered during the 2018/2019 financial year.	-	7,392,113
Payments made to service providers in respect of water tankering services rendered during the 2019/2020 financial year	-	7,004,166
Payments made to Mayibuye Consulting in respect of services rendered during the 2019/2020 financial year	-	1,752,773
	-	**90,773,987**

The amounts above was put on hold until the investigations has been finalized.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R60,309,086 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Amounts written off as per Council resolution number 12.3 dated 23 September 2021	60,309,086	-

Disciplinary steps taken/criminal proceedings

No disiplinary steps taken and no criminal proceedings instituted.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Current year subscription / fee	3,999,996	3,027,080
Amount paid - current year	(3,999,996)	(3,027,080)
	-	-

The above contributions is in respect of the annual SALGA memebership fees.

Audit fees

	2022	2021
Current year subscription / fee	4,097,093	3,418,652
Amount paid - current year	(4,097,093)	(3,418,652)
	-	-

The above is payments made to the Auditor General.

PAYE, UIF and SDL

	2022	2021
Current year subscription / fee	64,161,869	62,294,779
Amount paid - current year	(64,161,869)	(62,294,779)
	-	-

PAYE, UIF and SDL deductions from the payroll paid to SARS.

Pension and Medical Aid Deductions

	2022	2021
Current year subscription / fee	63,963,300	57,774,012
Amount paid - current year	(63,963,300)	(57,774,012)
	-	-

Pension and medical aid contributions paid to pension funds and medical aid schemes.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June 2022.

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Shabalala N.B.	1,652	-	1,652

54. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

55. 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 accounting officer and includes a note to the annual financial statements.

Supply chain deviations		
Deviations supported by approval memo's - UTDM	2,445,801	7,941,666
Less than three quotations	-	209,338
	2,445,801	**8,151,004**

56. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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 Municipalities operations are in the Kwazulu Natal Province.

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Municipal governance and administration	Community and public safety	Trading services	Total
Revenue				
VAT refunds received	72,401,409	-	-	72,401,409
Service charges	-	-	247,614,652	247,614,652
Interest received trading services	-	-	35,856,242	35,856,242
Other income	1,484,080	2,500	383,305	1,869,885
Interest received on investments	4,554,014	-	-	4,554,014
Grants and subsidies	490,580,178	2,060,624	291,456,168	784,096,970
Public contributions and donations	23,649,757	-	-	23,649,757
Actuarial gain	1,361,000	-	-	1,361,000
Gain on disposal of assets and liabilities	318,900	-	-	318,900
Total segment revenue	**594,349,338**	**2,063,124**	**575,310,367**	**1,171,722,829**
Entity's revenue				**1,171,722,829**

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

	Municipal governance and administration	Community and public safety	Trading services	Total
Expenditure				
Employee related costs	145,041,528	54,389,596	181,345,147	380,776,271
Remuneration of Councillors	6,550,050	-	-	6,550,050
Depreciation and amortization	18,660	-	81,257,230	81,275,890
Impairment loss	-	-	455,671	455,671
Interest incurred	6,844,729	-	-	6,844,729
Lease rentals on operating leases	3,366,774	-	-	3,366,774
Debt impairment	(4,945,998)	-	174,414,980	169,468,982
Incentive discounts	-	-	2,625,630	2,625,630
Bad debt written off	-	-	886,330	886,330
Bulk purchases	-	-	9,970,542	9,970,542
Transfers and subsidies	-	3,000,000	-	3,000,000
Contracted services	26,709,220	828,319	116,754,679	144,292,218
General expenditure	69,453,762	3,175,074	153,612,283	226,241,119
Total segment expenditure	**253,038,725**	**61,392,989**	**721,322,492**	**1,035,754,206**
Total segmental surplus/(deficit)				**135,968,623**
Assets				
Current assets	67,027,372	-	64,854,343	131,881,715
Non-current assets	43,603,417	-	3,142,739,834	3,186,343,251
Total segment assets	**110,630,789**	**-**	**3,207,594,177**	**3,318,224,966**
Total assets as per Statement of financial Position				**3,318,224,966**
Liabilities				
Current liabilities	142,260,347	3,918,705	412,653,137	558,832,189
Non-current liabilities	38,162,407	-	-	38,162,407
Total segment liabilities	**180,422,754**	**3,918,705**	**412,653,137**	**596,994,596**

	Municipal governance and administration	Community and public safety	Trading services	Total
56. Segment information (continued)				
Total liabilities as per Statement of financial Position				**596,994,596**

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

2021

	Municipal governance and administration	Community and public safety	Trading services	Total
Revenue				
VAT refunds received	55,647,930	-	-	55,647,930
Service charges	-	-	271,046,066	271,046,066
Interest received trading services	-	-	66,652,774	66,652,774
Other income	856,008	-	6,275,793	7,131,801
Interest received on investments	7,568,402	-	-	7,568,402
Grants and subdidies	528,116,468	3,118,737	298,068,821	829,304,026
Public contributions and donations	23,753	-	-	23,753
Total segment revenue	**592,212,561**	**3,118,737**	**642,043,454**	**1,237,374,752**
Entity's revenue				**1,237,374,752**

56. Segment information (continued)

Expenditure				
Emplyee related costs	134,659,522	52,567,123	171,481,477	358,708,122
Remuneration of Councillors	6,585,623	-	-	6,585,623
Depreciation and amortization	26,154	-	71,801,129	71,827,283
Reversal of impairments	-	-	1,573,028	1,573,028
Interest incurred	3,879,966	-	17,142,327	21,022,293
Lease rentals on operating leases	4,427,016	-	-	4,427,016
Debt impairment	11,124,217	-	(239,915,883)	(228,791,666)
Incentive discounts	-	-	7,857,924	7,857,924
Bad debt written off	-	-	637,572,396	637,572,396
Bulk purchases	-	-	141,629,489	141,629,489
Transfers and subsidies	-	3,000,000	-	3,000,000
Contracted services	28,050,445	288,541	101,415,705	129,754,691
Loss on disposal of assets and liabilites	-	-	5,240,102	5,240,102
Actuarial losses	3,442,000	-	-	3,442,000
General expenditure	63,960,036	2,120,028	117,569,808	183,649,872
Total segment expenditure	**256,154,979**	**57,975,692**	**1,033,367,502**	**1,347,498,173**
Total segmental surplus/(deficit)				**(110,123,421)**
Assets				
Carrent assets	92,983,702	-	65,571,777	158,555,479
Non-current assets	41,987,730	-	2,991,512,410	3,033,500,140
Total segment assets	**134,971,432**	**-**	**3,057,084,187**	**3,192,055,619**
Total assets as per Statement of financial Position				**3,192,055,619**
Liabilities				
Current liabilities	172,723,347	225,648	402,476,469	575,425,464
Non-current liabilities	34,897,407	-	-	34,897,407
Total segment liabilities	**207,620,754**	**225,648**	**402,476,469**	**610,322,871**
Total liabilities as per Statement of financial Position				**610,322,871**

Notes to the Annual Financial Statements

56. Segment information (continued)

Directive 3 - transitional provisions of GRAP 18 (Segmental reporting) allows figures not to be disclosed in the first year of adoption. The Municipality has elected to take advantage of the provisions of Directive 3 and introduced segmental reporting for the first time in the 2020/2021 financial year.

57. Incentive discounts

Incentive discounts (consumer debtors)		
50% incentive discounts	-	7,857,924
One third incentive discounts	2,625,630	-
	2,625,630	**7,857,924**

The Municipality offered incentive discounts to consumers in order to encourage consumers to pay their accounts and reduce outstanding debt.

58. Bad debt written off

Irrecoverable debt written off		
Indigent monthly rebates (consumer debtors)	886,330	753,484
Prescribed debt	-	637,033,046
Other bad debt written off (consumer debtors)	-	(214,134)
	886,330	**637,572,396**

Indigent monthly rebates relates to the 6 kiloliters free basic services in respect of indigent consumers.

59. Fraudulant activities

Fraudulant activities identified		
KZN Transport - vehicle licences - fleet related	14,775	14,775
Various service providers - fuel & oil - fleet related	6,000,000	6,000,000
Unauthirized debit orders against the Municipal bank account with the description "SB VISA SB AUTOPAY"	4,399,039	-
	10,413,814	**6,014,775**

The above relates to the ongoing investigation on fleet related matters (2017/2018).

59. Fraudulant activities (continued)

Unauthorized debit orders with the description "SB VISA SB AUTOPAY" to the amount of R4,399,039 were fraudulantly deducted over the period August 2021 to June 2022 against the Municpality's.

A financial investigation report was compile and submitted to the Commercial Crime and Fraud Divisiont at the SAPS offices in Ladysmith.

FNB (First National Bank) however managed to recover the full amount by the 18th of July 2022.

Uthukela District Municipality
Uthukela District Municipality
Appendix B
June 2022

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an errer Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Impairment opening balance Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4,770,772	-	-	-	-	-	**4,770,772**	-	-	-	-	-	**-**	4,770,772
Buildings (Separate for AFS purposes)	37,618,841	-	-	-	-	-	**37,618,841**	(6,855,133)	-	-	(1,286,479)	-	**(8,141,612)**	29,477,229
	42,389,613	**-**	**-**	**-**	**-**	**-**	**42,389,613**	**(6,855,133)**	**-**	**-**	**(1,286,479)**	**-**	**(8,141,612)**	**34,248,001**
Infrastructure														
Water and wastewater infrastructure	3,015,447,971	151,934,091	-	-	44,241,549	-	**3,211,623,611**	(807,263,674)	-	-	(73,311,613)	(4,776,339)	**(885,351,626)**	2,326,271,985
	3,015,447,971	**151,934,091**	**-**	**-**	**44,241,549**	**-**	**3,211,623,611**	**(807,263,674)**	**-**	**-**	**(73,311,613)**	**(4,776,339)**	**(885,351,626)**	**2,326,271,985**
Community Assets														

Uthukela District Municipality

Uthukela District Municipality

Appendix B
June 2022

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an errer Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Impairment opening balance Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	70,360,606	528,260	(780,618)	-	2,621,990	**-**	**72,730,238**	(59,003,771)	771,005	(1,831,987)	(5,648,005)	1,798,222	**(63,914,536)**	8,815,702
Computer Equipment	5,124,504	464,242	(546,435)	-	114,784	**-**	**5,157,095**	(3,629,295)	467,350	-	(465,524)	-	**(3,627,469)**	1,529,626
Office Equipment	7,294,130	114,568	(472,942)	-	151,044	**-**	**7,086,800**	(5,318,316)	384,448	-	(545,609)	-	**(5,479,477)**	1,607,323
Work in progress	779,665,246	224,717,877	-	(137,095,279)	(49,724,905)	**-**	**817,562,939**	-	-	(8,832,721)	-	(2,253,894)	**(11,086,615)**	806,476,324
	862,444,486	**225,824,947**	**(1,799,995)**	**(137,095,279)**	**(46,837,087)**	**-**	**902,537,072**	**(67,951,382)**	**1,622,803**	**(10,664,708)**	**(6,659,138)**	**(455,672)**	**(84,108,097)**	**818,428,975**

Uthukela District Municipality
Uthukela District Municipality
Appendix B
June 2022

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an errer Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Impairment opening balance Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	42,389,613	-	-	-	-	-	**42,389,613**	(6,855,133)	-	-	(1,286,479)	-	**(8,141,612)**	34,248,001
Infrastructure	3,015,447,971	151,934,091	-	-	44,241,549	-	**3,211,623,611**	(807,263,674)	-	-	(73,311,613)	(4,776,339)	**(885,351,626)**	2,326,271,985
Other assets	862,444,486	225,824,947	(1,799,995)	(137,095,279)	(46,837,087)	-	**902,537,072**	(67,951,382)	1,622,803	(10,664,708)	(6,659,138)	(455,672)	**(84,108,097)**	818,428,975
	3,920,282,070	**377,759,038**	**(1,799,995)**	**(137,095,279)**	**(2,595,538)**	**-**	**4,156,550,296**	**(882,070,189)**	**1,622,803**	**(10,664,708)**	**(81,257,230)**	**(5,232,011)**	**(977,601,335)**	**3,178,948,961**

Agricultural/Biological assets

Intangible assets

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an errer Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Impairment opening balance Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Computers - software & programming	786,557	-	-	-	-	-	**786,557**	(339,458)	-	-	(18,660)	-	**(358,118)**	428,439
	786,557	**-**	**-**	**-**	**-**	**-**	**786,557**	**(339,458)**	**-**	**-**	**(18,660)**	**-**	**(358,118)**	**428,439**

Investment properties

Total

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an errer Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Impairment opening balance Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	42,389,613	-	-	-	-	-	**42,389,613**	(6,855,133)	-	-	(1,286,479)	-	**(8,141,612)**	34,248,001
Infrastructure	3,015,447,971	151,934,091	-	-	44,241,549	-	**3,211,623,611**	(807,263,674)	-	-	(73,311,613)	(4,776,339)	**(885,351,626)**	2,326,271,985
Other assets	862,444,486	225,824,947	(1,799,995)	(137,095,279)	(46,837,087)	-	**902,537,072**	(67,951,382)	1,622,803	(10,664,708)	(6,659,138)	(455,672)	**(84,108,097)**	818,428,975
Intangible assets	786,557	-	-	-	-	-	**786,557**	(339,458)	-	-	(18,660)	-	**(358,118)**	428,439
	3,921,068,627	**377,759,038**	**(1,799,995)**	**(137,095,279)**	**(2,595,538)**	**-**	**4,157,336,853**	**(882,409,647)**	**1,622,803**	**(10,664,708)**	**(81,275,890)**	**(5,232,011)**	**(977,959,453)**	**3,179,377,400**

Uthukela District Municipality
Uthukela District Municipality
Appendix B
June 2022

Analysis of property, plant and equipment as at 30 June 2021

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of ans error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4,770,772	-	-	-	-	**-**	**4,770,772**	-	-	-	-	-	**-**	4,770,772
Buildings (Separate for AFS purposes)	37,618,841	-	-	-	-	**-**	**37,618,841**	(5,569,475)	-	-	(1,285,658)	-	**(6,855,133)**	30,763,708
	42,389,613	**-**	**-**	**-**	**-**	**-**	**42,389,613**	**(5,569,475)**	**-**	**-**	**(1,285,658)**	**-**	**(6,855,133)**	**35,534,480**
Infrastructure														
Water and wastewater infrastructure	2,757,978,605	319,522,817	(17,811,902)	-	-	**-**	**3,059,689,520**	(756,332,986)	12,578,688	-	(63,509,376)	(4,776,339)	**(812,040,013)**	2,247,649,507
	2,757,978,605	**319,522,817**	**(17,811,902)**	**-**	**-**	**-**	**3,059,689,520**	**(756,332,986)**	**12,578,688**	**-**	**(63,509,376)**	**(4,776,339)**	**(812,040,013)**	**2,247,649,507**
Community Assets														

Uthukela District Municipality
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Appendix B
June 2022

Analysis of property, plant and equipment as at 30 June 2021

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of ans error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	68,440,157	2,232,113	(277,165)	-	2,621,990	**-**	**73,017,095**	(52,685,989)	276,951	(682,799)	(5,945,313)	(1,831,987)	**(60,869,137)**	12,147,958
Computer Equipment	4,369,712	866,389	(31,313)	-	-	**-**	**5,204,788**	(3,173,591)	26,913	-	(449,238)	-	**(3,595,916)**	1,608,872
Office Equipment	6,856,347	615,125	(26,298)	-	-	**-**	**7,445,174**	(4,791,369)	24,024	-	(550,971)	-	**(5,318,316)**	2,126,858
Work in progress	820,522,248	253,345,574	-	(315,150,214)	-	**(28,777,266)**	**729,940,342**	-	-	(8,832,721)	-	-	**(8,832,721)**	721,107,621
	900,188,464	**257,059,201**	**(334,776)**	**(315,150,214)**	**2,621,990**	**(28,777,266)**	**815,607,399**	**(60,650,949)**	**327,888**	**(9,515,520)**	**(6,945,522)**	**(1,831,987)**	**(78,616,090)**	**736,991,309**

Uthukela District Municipality

Appendix B
June 2022

Analysis of property, plant and equipment as at 30 June 2021

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of ans error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	42,389,613	-	-	-	-	**-**	**42,389,613**	(5,569,475)	-	-	(1,285,658)	-	**(6,855,133)**	35,534,480
Infrastructure	2,757,978,605	319,522,817	(17,811,902)	-	-	**-**	**3,059,689,520**	(756,332,986)	12,578,688	-	(63,509,376)	(4,776,339)	**(812,040,013)**	2,247,649,507
Other assets	900,188,464	257,059,201	(334,776)	(315,150,214)	2,621,990	**(28,777,266)**	**815,607,399**	(60,650,949)	327,888	(9,515,520)	(6,945,522)	(1,831,987)	**(78,616,090)**	736,991,309
	3,700,556,682	**576,582,018**	**(18,146,678)**	**(315,150,214)**	**2,621,990**	**(28,777,266)**	**3,917,686,532**	**(822,553,410)**	**12,906,576**	**(9,515,520)**	**(71,740,556)**	**(6,608,326)**	**(897,511,236)**	**3,020,175,296**
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	786,558	-	-	-	-	**-**	**786,558**	(313,304)	-	-	(26,154)	-	**(339,458)**	447,100
	786,558	**-**	**-**	**-**	**-**	**-**	**786,558**	**(313,304)**	**-**	**-**	**(26,154)**	**-**	**(339,458)**	**447,100**
Investment properties														
Total														
Land and buildings	42,389,613	-	-	-	-	**-**	**42,389,613**	(5,569,475)	-	-	(1,285,658)	-	**(6,855,133)**	35,534,480
Infrastructure	2,757,978,605	319,522,817	(17,811,902)	-	-	**-**	**3,059,689,520**	(756,332,986)	12,578,688	-	(63,509,376)	(4,776,339)	**(812,040,013)**	2,247,649,507
Other assets	900,188,464	257,059,201	(334,776)	(315,150,214)	2,621,990	**(28,777,266)**	**815,607,399**	(60,650,949)	327,888	(9,515,520)	(6,945,522)	(1,831,987)	**(78,616,090)**	736,991,309
Intangible assets	786,558	-	-	-	-	**-**	**786,558**	(313,304)	-	-	(26,154)	-	**(339,458)**	447,100
	3,701,343,240	**576,582,018**	**(18,146,678)**	**(315,150,214)**	**2,621,990**	**(28,777,266)**	**3,918,473,090**	**(822,866,714)**	**12,906,576**	**(9,515,520)**	**(71,766,710)**	**(6,608,326)**	**(897,850,694)**	**3,020,622,396**

Uthukela District Municipality
Appendix D
June 2022

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	62,749,460	(62,749,460)	Executive & Council/Mayor and Council	318,900	61,889,639	(61,570,739)
594,198,953	218,177,837	376,021,116	Finance & Admin/Finance	590,390,154	384,367,657	206,022,497
2,636,626	30,395,687	(27,759,061)	Planning and Development/Economic Development/Plan	-	30,424,979	(30,424,979)
-	36,721,311	(36,721,311)	Health/Clinics	2,500	36,508,456	(36,505,956)
640,437,298	999,453,878	(359,016,580)	Water/Water Distribution	581,011,274	522,563,474	58,447,800
,237,272,877	**,347,498,173**	**(110,225,296)**		**,171,722,828**	**,035,754,205**	**135,968,623**
			Municipal Owned Entities			
			Other charges			
,237,272,877	,347,498,173	(110,225,296)	Municipality	,171,722,828	,035,754,205	135,968,623
,237,272,877	**,347,498,173**	**(110,225,296)**	**Total**	**,171,722,828**	**,035,754,205**	**135,968,623**

Uthukela District Municipality
Appendix E(1)
June 2022

Yearly

	Forecast # 1 2022 Bud. Amt Rand	Forecast # 1 2022 Act. Bal. Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	281,499,000	247,614,652	33,884,348	13.7	
VAT refunds	-	72,401,409	(72,401,409)	(100.0)	This was not budgeted for
Interest received (trading)	72,794,000	35,856,242	36,937,758	103.0	The budget was based on assumption of a low collection rate
Government grants - operating	528,165,000	490,835,235	37,329,765	7.6	
Government grants - capital	246,009,000	293,261,736	(47,252,736)	(16.1)	An addistional amount in respect of the MSIG, Municipal Water Infrastructure Grant was received
Other income	42,790,000	1,869,884	40,920,116	,188.4	Other income was not accurately budgeted for
Actuarial gains	-	1,361,000	(1,361,000)	(100.0)	Were not budgeted for.
Gain on disposal of assets and liabilities	-	318,900	(318,900)	(100.0)	Were not budgeted for.
Interest received - investment	6,463,000	4,554,014	1,908,986	41.9	The budget was based on expected surplus cash
Public contributions and donations	-	23,649,757	(23,649,757)	(100.0)	This was not budgeted for
	,177,720,000	,171,722,829	5,997,171	0.5	
Expenses					
Personnel	(386,329,000)	(380,776,271)	(5,552,729)	1.5	
Remuneration of councillors	(6,372,000)	(6,550,050)	178,050	(2.7)	
Depreciation	(62,436,000)	(81,275,890)	18,839,890	(23.2)	Depreciation was not accurately budgeted for.
Impairments	-	(455,671)	455,671	(100.0)	Impairment of PPE was not budgeted for
Interest incurred	-	(6,844,729)	6,844,729	(100.0)	Interes incurred was not budgeted for.
Debt Impairment	(186,252,000)	(169,468,982)	(16,783,018)	9.9	Debt impairment were not realistically budgeted for as as there was a reversal of impairment due to Umgeni Water debt being offset.
Incentive discounts	-	(2,625,630)	2,625,630	(100.0)	
Bad debt write off	-	(886,330)	886,330	(100.0)	This was not budgeted for
Lease rentals on operating leases	-	(3,366,774)	3,366,774	(100.0)	This is budgeted for under general expenditure
Bulk purchases	(124,200,000)	(9,970,542)	(114,229,458)	,145.7	The Umgeni Water contract was terminated on the 30th of June 2021and the budget was therefore overstated..
Contracted Services	(140,879,000)	(144,292,218)	3,413,218	(2.4)	Not accurately budgeted for.
Transfers and Subsidies	(3,000,000)	(3,000,000)	-	-	
General Expenses	(142,857,000)	(226,241,119)	83,384,119	(36.9)	Was not accurately budgeted for.
	,052,325,000)	,035,754,206)	(16,570,794)	1.6	
Other revenue and costs					
Net surplus/ (deficit) for the year	125,395,000	135,968,623	(10,573,623)	(7.8)	