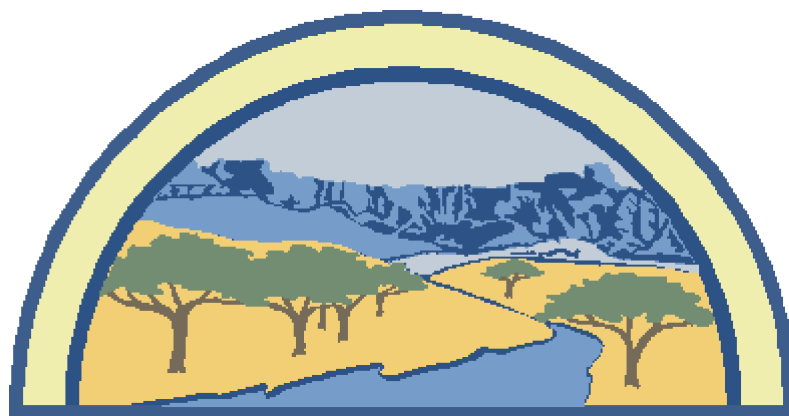




UTHUKELA

**UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY**

uThukela District Municipality
Audited Annual Financial Statements
for the year ended 30 June 2023

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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. T.D. Janse Van Rensburg

Councillors

Cllr. A.S. Mazibuko
Cllr. Ms. N.W. Mchunu
Cllr. M.M. Khoza
Cllr. F. Zuma
Cllr. M.H. Shange
Cllr. K.I. Hadebe
Cllr. T.Y. Nqubuka
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. M.M. Nkala
Cllr. S.M. Buthelezi
Cllr. S.P. Sehlako
Cllr. B. Coka
Cllr. S.W. Khumalo
Cllr. L.P. Mnculwane
Cllr. Z. Mdlolo
Cllr. L. Vilakazi
Cllr. S. Mzimela
Cllr. S. Ngwenya
Cllr. Z. Madondo
Cllr. X.F. Mhlongo
Cllr. L. Kubeka
Cllr. N. Mkhasibe
Cllr. M.B. Mbhele
Cllr. N.E. Mthethwa
Cllr. N.C. Mtshali

Uthukela Economic Development Agency

Ms. D.C.P. Mazobuko (CEO)
Rev. K.D. Nduli (Chairperson)
Mrs. M. Asmal (Deputy Chairperson)
Mr. M. Msomi (Board member)

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

General Information

	Miss. N.F. Zikalala (Board member) Mr. M.S. Sithole (Board Member) Mr. W.Z. Kunene (Board member) Mr. B.W. Kubheka (Board Member)
Grading of local authority	Grade 4 Medium Capacity
Accounting Officer (MM)	M.B. Mnguni Municipal 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
Bankers	First National Bank
Auditors	Auditor General - South Africa
Attorneys	Ramkhelewan Incorporated Shepstone & Wylie

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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

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Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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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 Economic Development Agency
DWS	Department of 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

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited 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 audited 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 audited 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 2024 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 audited 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 further 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 audited annual financial statements.

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

The audited annual financial statements set out on page 1 to 110, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2023 and were signed on its behalf by:



M.B. Mnguni
Accounting Officer

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	10	19,693,454	8,006,592
Receivables from exchange transactions	11	5,093,825	52,378,456
Receivables from non-exchange transactions	12	125,796	2,759,383
Other statutory receivables	13	14,590,176	3,404,408
Consumer debtors	14	47,984,452	56,341,804
Bank reconciliation clearing control account	9	190,966	-
Cash and cash equivalents	15	13,497,715	14,523,120
		101,176,384	137,413,763
Non-Current Assets			
Property, plant and equipment	4	3,253,375,608	3,181,230,619
Intangible assets	5	410,322	428,440
Receivables from exchange transactions	11	1,658,406	1,658,406
Receivables from non-exchange transactions	12	178,827	2,673,647
		3,255,623,163	3,185,991,112
Total Assets		3,356,799,547	3,323,404,875
Liabilities			
Current Liabilities			
Other liabilities - Sundry debtors with credit balances	17	99,996	58,225
Operating lease liability	6	948,813	1,092,120
Payables from exchange transactions	22	491,007,608	469,165,895
Consumer deposits	23	19,293,725	18,149,425
Employee benefit obligation	7	8,335,593	6,090,593
Unspent conditional grants and receipts	16	13,665,302	15,797,599
Provisions	18	41,781,164	35,169,495
VAT payable	19	47,590,028	95,816,880
Other liability - Consumer debtors with credit balances	20	16,386,326	15,704,740
Other liabilities - Salaries suspense account	21	409,783	355,299
		639,518,338	657,400,271
Non-Current Liabilities			
Employee benefit obligation	7	39,722,407	38,162,407
		39,722,407	38,162,407
Total Liabilities		679,240,745	695,562,678
Net Assets		2,677,558,802	2,627,842,197

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	222,771,043	255,787,632
Interest received (trading)	24	49,201,177	35,856,242
Other income	28	2,354,248	1,867,384
Interest received - investment	29	7,328,864	4,554,014
Gain on disposal of assets and liabilities	4	-	318,900
Actuarial gains	7	2,336,000	1,361,000
Total revenue from exchange transactions		283,991,332	299,745,172
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	31	790,419,908	784,096,971
Public contributions and donations	32	-	23,649,757
Fines, Penalties and Forfeits	26	31,200	2,500
Total revenue from non-exchange transactions		790,451,108	807,749,228
Total revenue	24	1,074,442,440	1,107,494,400
Expenditure			
Employee related costs	33	(363,293,785)	(380,776,271)
Remuneration of councilors	34	(6,607,372)	(6,550,050)
Depreciation and amortisation	35	(83,923,113)	(83,656,012)
Impairment loss	4&36	(3,428,622)	(14,435,671)
Interest incurred	37	(8,614,049)	(6,844,729)
Lease rentals on operating lease	27	(20,836,365)	(9,128,338)
Debt Impairment	38	(159,793,197)	(169,468,982)
Incentive discounts	60	(3,302,525)	(2,625,630)
Bad debt written off	61	(17,143,861)	(886,330)
Bulk purchases	39	(15,209,991)	(11,640,324)
Contracted services	40	(175,255,373)	(153,376,089)
Transfers and Subsidies	30	(3,120,000)	(3,000,000)
Loss on disposal of assets and liabilities	4	(1,519,164)	-
General Expenses	41	(234,823,654)	(232,553,380)
Total expenditure		(1,096,871,071)	(1,074,941,806)
(Deficit) surplus for the year		(22,428,631)	32,552,594

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 1 July 2021	2,573,001,902	2,573,001,902
Changes in net assets		
Restated surplus / (loss) for the year	32,552,594	32,552,594
Movement in accumulated surpluses	22,287,701	22,287,701
Total changes	54,840,295	54,840,295
Opening balance restated	2,627,842,197	2,627,842,197
Restated* Balance at 1 July 2022 as restated*	2,627,842,197	2,627,842,197
Changes in net assets		
Surplus / (loss) for the year	(22,428,631)	(22,428,631)
Movement in accumulated surplus	72,145,236	72,145,236
Total changes	49,716,605	49,716,605
Balance at 30 June 2023	2,677,558,802	2,677,558,802

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services (water and sanitation)		72,939,840	80,846,644
Interest raised on sale of goods and services (water and sanitation)		49,201,177	35,856,242
Grants		790,419,908	784,096,971
Interest income		7,328,864	4,554,014
Other cash item		2,385,448	1,869,884
		<u>922,275,237</u>	<u>907,223,755</u>
Payments			
Employee costs		(369,901,157)	(387,326,321)
Suppliers		(354,718,151)	(294,179,168)
Interest incurred		(8,614,049)	(6,844,729)
Transfer payments		(3,120,000)	(3,000,000)
Rent paid		(20,979,672)	(8,442,630)
		<u>(757,333,029)</u>	<u>(699,792,848)</u>
Net cash flows from operating activities	44	<u>164,942,208</u>	<u>207,430,907</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	<u>(165,967,613)</u>	<u>(232,092,506)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1,025,405)</u>	<u>(24,661,599)</u>
Cash and cash equivalents at the beginning of the year		<u>14,523,120</u>	<u>39,184,719</u>
Cash and cash equivalents at the end of the year	15	<u>13,497,715</u>	<u>14,523,120</u>

The accounting policies on pages 21 to 40 and the notes on pages 41 to 103 form an integral part of the audited annual financial statements.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	281,576,000	(30,806,000)	250,770,000	222,771,043	(27,998,957)	PER 1
Interest received	39,376,000	9,158,000	48,534,000	49,201,177	667,177	PER 2
Other income	1,306,000	31,838,000	33,144,000	2,354,248	(30,789,752)	PER 3
Government grants-Transfers recognised (operational)	576,150,000	10,515,000	586,665,000	545,551,576	(41,113,424)	PER 4
Interest received - investment	6,463,000	(491,000)	5,972,000	7,328,864	1,356,864	PER 5
Total revenue from exchange transactions	904,871,000	20,214,000	925,085,000	827,206,908	(97,878,092)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants-Transfers recognised (capital)	263,689,000	(22,515,000)	241,174,000	244,868,332	3,694,332	PER 6
Fines, Penalties and Forfeits	-	36,000	36,000	31,200	(4,800)	PER 7
Total revenue from non-exchange transactions	263,689,000	(22,479,000)	241,210,000	244,899,532	3,689,532	
Total revenue	1,168,560,000	(2,265,000)	1,166,295,000	1,072,106,440	(94,188,560)	
Expenditure						
Employee related costs	(361,120,000)	7,363,000	(353,757,000)	(363,293,785)	(9,536,785)	PER 8
Remuneration of councilors	(6,371,000)	-	(6,371,000)	(6,607,372)	(236,372)	PER 9
Depreciation and amortisation	(77,983,000)	(3,317,000)	(81,300,000)	(83,923,113)	(2,623,113)	PER 10
Reversal of impairments	-	-	-	(3,428,622)	(3,428,622)	PER 11
Interest incurred	(1,085,000)	1,082,000	(3,000)	(8,614,049)	(8,611,049)	PER 12
Lease rentals on operating leases	-	-	-	(20,836,365)	(20,836,365)	PER 13
Bad debt provision	(100,088,000)	(48,978,000)	(149,066,000)	(159,793,197)	(10,727,197)	PER 14
Incentive discounts	-	-	-	(3,302,525)	(3,302,525)	PER 15
Bad debt written off	-	-	-	(17,143,861)	(17,143,861)	PER 16
Bulk purchases	(130,162,000)	96,085,000	(34,077,000)	(15,209,991)	18,867,009	PER 17
Contracted Services	(147,641,000)	(11,540,000)	(159,181,000)	(175,255,373)	(16,074,373)	PER 18
Transfers and Subsidies	(3,120,000)	-	(3,120,000)	(3,120,000)	-	PER 19
General Expenses	(152,858,000)	(1,689,000)	(154,547,000)	(234,823,654)	(80,276,654)	PER 20
Total expenditure	(980,428,000)	39,006,000	(941,422,000)	(1,095,351,907)	(153,929,907)	
Operating deficit	188,132,000	36,741,000	224,873,000	(23,245,467)	(248,118,467)	
Loss on disposal of assets and liabilities	-	-	-	(1,519,164)	(1,519,164)	Per 21
Actuarial gains/losses	-	-	-	2,336,000	2,336,000	PER 22
	-	-	-	816,836	816,836	
Deficit before taxation	188,132,000	36,741,000	224,873,000	(22,428,631)	(247,301,631)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	188,132,000	36,741,000	224,873,000	(22,428,631)	(247,301,631)	

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	10,324,000	9,676,000	20,000,000	19,693,454	(306,546)	POS 1
Receivables from exchange transactions	199,731,000	(193,531,000)	6,200,000	5,093,825	(1,106,175)	POS 2
Receivables from non-exchange transactions	3,514,000	(3,514,000)	-	125,796	125,796	POS 3
Statutory receivables	-	-	-	14,590,176	14,590,176	POS 4
Consumer debtors from exchange transactions	214,174,000	(26,974,000)	187,200,000	47,984,452	(139,215,548)	POS 5
Bank reconciliation clearing control account	-	-	-	190,966	190,966	POS 6
Cash and cash equivalents	(191,261,000)	211,616,000	20,355,000	13,497,715	(6,857,285)	POS 7
	236,482,000	(2,727,000)	233,755,000	101,176,384	(132,578,616)	

Non-Current Assets

Property, plant and equipment	3,153,549,000	117,524,000	3,271,073,000	3,253,375,608	(17,697,392)	POS 8
Intangible assets	5,201,000	(5,201,000)	-	410,322	410,322	POS 9
Receivables from exchange transactions	-	-	-	1,658,406	1,658,406	POS 10
Receivables from non-exchange transactions	-	2,532,000	2,532,000	178,827	(2,353,173)	POS 11
	3,158,750,000	114,855,000	3,273,605,000	3,255,623,163	(17,981,837)	
Total Assets	3,395,232,000	112,128,000	3,507,360,000	3,356,799,547	(150,560,453)	

Liabilities

Current Liabilities

Other liabilities - Sundry debtors with credit balances	-	-	-	99,996	99,996	POS 12
Operating lease liability	-	-	-	948,813	948,813	POS 13
Payables from exchange transactions	441,996,000	(66,778,000)	375,218,000	491,007,608	115,789,608	POS 14
Consumer deposits	18,501,000	2,234,000	20,735,000	19,293,725	(1,441,275)	POS 15
Employee benefit obligation	-	-	-	8,335,593	8,335,593	POS 16
Unspent conditional grants and receipts	-	-	-	13,665,302	13,665,302	POS 17
Provisions	43,724,000	7,607,000	51,331,000	41,781,164	(9,549,836)	POS 18
Other liabilities (VAT payable)	-	-	-	47,590,028	47,590,028	POS 19
Other liabilities - Consumer debtors	-	-	-	16,386,326	16,386,326	POS 20
Other liabilities - Salaries clearing control account	-	-	-	409,783	409,783	POS 21
	504,221,000	(56,937,000)	447,284,000	639,518,338	192,234,338	

Non-Current Liabilities

Provisions (Retirement benefit obligation)	29,012,000	7,978,000	36,990,000	39,722,407	2,732,407	POS 22
Total Liabilities	533,233,000	(48,959,000)	484,274,000	679,240,745	194,966,745	
Net Assets	2,861,999,000	161,087,000	3,023,086,000	2,677,558,802	(345,527,198)	

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Accumulated surplus	2,861,999,000	161,087,000	3,023,086,000	2,677,558,802	(345,527,198)	

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services (water and sanitation)	131,590,000	(11,221,000)	120,369,000	72,939,840	(47,429,160)	
Interest raised - consumer debtors	-	-	-	49,201,177	49,201,177	
Grants	839,839,000	(12,000,000)	827,839,000	790,419,908	(37,419,092)	
Other receipts	1,306,000	31,874,000	33,180,000	2,385,448	(30,794,552)	
Interest income	6,463,000	(491,000)	5,972,000	7,328,864	1,356,864	
	979,198,000	8,162,000	987,360,000	922,275,237	(65,084,763)	

Payments

Employee costs	(367,491,000)	7,363,000	(360,128,000)	(369,901,157)	(9,773,157)	
Suppliers and other	(575,033,000)	196,063,000	(378,970,000)	(354,718,151)	24,251,849	
Interest Incurred	(1,085,000)	1,085,000	-	(8,614,049)	(8,614,049)	
Transfer payments	(3,120,000)	-	(3,120,000)	(3,120,000)	-	
Rent paid	-	-	-	(20,979,672)	(20,979,672)	
	(946,729,000)	204,511,000	(742,218,000)	(757,333,029)	(15,115,029)	

Net cash flows from operating activities	32,469,000	212,673,000	245,142,000	164,942,208	(80,199,792)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(264,840,000)	21,716,000	(243,124,000)	(165,967,613)	77,156,387	
Proceeds from sale of property, plant and equipment	15,707,000	(15,707,000)	-	-	-	

Net cash flows from investing activities	(249,133,000)	6,009,000	(243,124,000)	(165,967,613)	77,156,387	
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Net increase/(decrease) in cash and cash equivalents	(216,664,000)	218,682,000	2,018,000	(1,025,405)	(3,043,405)	
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Cash and cash equivalents at the beginning of the year	25,403,000	(7,067,000)	18,336,000	14,523,120	(3,812,880)	
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Cash and cash equivalents at the end of the year	(191,261,000)	211,615,000	20,354,000	13,497,715	(6,856,285)	
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Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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 there 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.

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

PER 6 - Government grants (capital) - the Municipality has received MIG (Municipal Infrastructure Grant) and WSIG (Water Services Infrastructure Grant) in the current financial year.

PER 7 - Fines, penalties & forfeits - these are fines issued by the Health Department in terms of the general hygiene for the premises and transport of food in terms of Government Notice No. 638 dated 22 June 2018.

PER 8 - 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 9 - Remuneration of Councilors - provision was made in the budget for Councilors to receive an increase and backpay in terms of the Government Gazette for Councilors upper limits however this was not approved due to the audit opinion received in the previous financial years.

PER 10 - Depreciation and amortization - depreciation of PPE for the year was under estimated at budget preparation stage. The movement from WIP (work in progress) to capitalization of assets could not be accurately determined at the time.

PER 11 - 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 12 - 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 13 - Lease rentals on operating leases - This relates to rental paid in respect of the satellite 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 14 - Bad debt provision - due to government departments not included in the provision for bad debt there was an impairment reversal on sundry debtors and consumer debtors.

PER 15 - 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 16 - Bad debt written off - the Municipality has implemented its indigent policy and indigent debt and irrecoverable debt has been written off. This was not provided for when the budget was compiled.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

PER 17 - 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 resulting in a higher budget amount.

PER 18 - 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 19 - Transfers and subsidies - this relates to transfers made by the Municipality to the Uthukela Economic Development Agency for the financial year.

PER 20 - General expenditure - this relates to all other operational expenditure incurred by the Municipality. The significant contributing factors making up the variance between 2021/2022 and 2022/2023 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 21 - Loss on disposal of assets ad liabilities - Loss on disposal of PPE which was not budgeted for.

PER 22 - 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 reservoirs and reticulation networks as at year end.

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

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

POS 4 - Statutory receivables - VAT returns submitted in respect of which the refunds has not been received from SARS.

POS 5 - 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 6 - Bank reconciliation clearing control account - unreconciled items on the cashbook.

POS 7 - Cash and cash equivalents - represents actual cash on hand (current account balance, investments on hand , petty cash and cashier floats) and this was not accurately budgeted for.

POS 8 - PPE (property, plant and equipment) - the variance between the budget and the actual amount is due to the capitalization and asset impairment which were not accurately budgeted for.

POS 9 - Intangible assets - the variance is due to impairment not accurately budgeted for.

POS 10 - Receivables from exchange transactions (non-current assets) - represents deposits paid to third party vendors such as Eskom.

POS 11 - Receivables from non-exchange transactions (non-current assets) - this was not accurately budgeted for.

POS 12 - Other liabilities (Sundry debtors) - this represents Sundry debtors accounts with credit balances at year end.

POS 13 - Operating lease liability - the liability is in respect of operating leases the Municipality has entered into.

POS 14 - Payables from exchange transactions - represents 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 15 - Consumer deposits - this represents deposits held by the Municipality in respect of consumer debtors accounts.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

POS 16 - Employees benefit obligations - this relates to the long service awards and medical aid pos-retirement obligation as at year end.

POS 17 - 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 18 - Provisions - relates to bonus and leave provision accrual as at year end.

POS 19 - 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 accounts. The VAT201 returns are prepared and submitted to SARS monthly.

POS 20 - Other liabilities (consumer debtors) - this represents consumer debtors accounts with credit balances at year end.

POS 21 - Other liabilities - (salaries clearing suspense account) relates to the salary clearing suspense account at year end.

POS 22 - Provision for retirement benefit obligation - is the medical aid and long service award obligation at year end.

POS 23 - Prepayments - in respect of pre-paid expences.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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
2023											
Financial Performance											
VAT refunds received	-	-	-	-		-	-		-	100 %	100 %
Service charges	320,952,000	(21,648,000)	299,304,000	-		299,304,000	222,771,043		(76,532,957)	74 %	69 %
Investment revenue	6,463,000	(491,000)	5,972,000	-		5,972,000	7,328,864		1,356,864	123 %	113 %
Transfers recognised - operational	576,150,000	10,515,000	586,665,000	-		586,665,000	545,551,576		(41,113,424)	93 %	95 %
Other own revenue	1,306,000	31,874,000	33,180,000	-		33,180,000	53,922,625		20,742,625	163 %	4,129 %
Total revenue (excluding capital transfers and contributions)	904,871,000	20,250,000	925,121,000	-		925,121,000	829,574,108		(95,546,892)	90 %	92 %
Employee costs	(361,120,000)	7,364,000	(353,756,000)	-	-	(353,756,000)	(363,293,785)	(9,537,785)	(9,537,785)	103 %	101 %
Remuneration of councillors	(6,371,000)	-	(6,371,000)	-	-	(6,371,000)	(6,607,372)	(236,372)	(236,372)	104 %	104 %
Debt impairment	(100,088,000)	(48,978,000)	(149,066,000)			(149,066,000)	(159,793,197)	(10,727,197)	(10,727,197)	107 %	160 %
Depreciation and asset impairment	(77,983,000)	(3,317,000)	(81,300,000)			(81,300,000)	(83,923,113)	(2,623,113)	(2,623,113)	103 %	108 %
Interest incurred	(1,085,000)	1,082,000	(3,000)	-	-	(3,000)	(8,614,049)	(8,611,049)	(8,611,049)	100 %	100 %
Materials and bulk purchases	(130,162,000)	96,085,000	(34,077,000)	-	-	(34,077,000)	(15,209,991)	18,866,009	18,867,009	45 %	12 %
Transfers and grants	(3,120,000)	-	(3,120,000)	-	-	(3,120,000)	(3,120,000)	-	-	100 %	100 %
Other expenditure	(300,499,000)	(13,229,000)	(313,728,000)	-	-	(313,728,000)	(456,309,564)	(142,580,564)	(142,581,564)	145 %	152 %
Total expenditure	(980,428,000)	39,007,000	(941,421,000)	-	-	(941,421,000)	(1,096,871,071)	(155,450,071)	(155,450,071)	117 %	112 %
Surplus/(Deficit)	(75,557,000)	59,257,000	(16,300,000)	-		(16,300,000)	(267,296,963)		(250,996,963)	1,640 %	354 %

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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	263,689,000	(22,515,000)	241,174,000	-		241,174,000	244,868,332		3,694,332	102 %	93 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	-		-	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	188,132,000	36,742,000	224,874,000	-		224,874,000	(22,428,631)		(247,302,631)	(10)%	(12)%
Surplus/(Deficit) for the year	188,132,000	36,742,000	224,874,000	-		224,874,000	(22,428,631)		(247,302,631)	(10)%	(12)%

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2022				
Financial Performance				
Service charges				255,787,632
Investment revenue				4,554,014
Transfers recognised - operational				490,835,235
Other own revenue				39,406,026
Total revenue (excluding capital transfers and contributions)				790,582,907
Employee costs	-	-	-	(380,776,271)
Remuneration of councillors	-	-	-	(6,550,050)
Debt impairment	-	-	-	(169,468,982)
Depreciation and asset impairment	-	-	-	(83,656,012)
Finance charges	-	-	-	(6,844,729)
Materials and bulk purchases	-	-	-	(11,640,324)
Transfers and grants	-	-	-	(3,000,000)
Other expenditure	-	-	-	(413,005,438)
Total expenditure	-	-	-	-(1,074,941,806)
Surplus/(Deficit)				(284,358,899)
Transfers recognised - capital				293,261,736
Contributions recognised - capital and contributed assets				23,649,757
Surplus (Deficit) after capital transfers and contributions				32,552,594
Surplus/(Deficit) for the year				32,552,594

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				207,430,907
Net cash from (used) investing				(232,092,506)
Net increase/(decrease) in cash and cash equivalents				(24,661,599)
Cash and cash equivalents at the beginning of the year				39,184,719
Cash and cash equivalents at year end				14,523,120

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Audited Annual Financial Statements

The audited 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 audited 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 audited annual financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Going concern assumption

These audited 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

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

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

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 function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

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:

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Transfer of functions between entities not under common control (continued)

- 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.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited 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 18 - 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 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 .

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

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.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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
Supply/ 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
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
Motor vehicles	Straight-line	5 Years
Computer equipment	Straight-line	5 Years
Office machines	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
Laboratory equipment	Straight-line	5 Years

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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).

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.

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1.6 Intangible assets (continued)

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).

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.

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1.7 Financial instruments (continued)

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.

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.

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1.7 Financial instruments (continued)

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.

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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 equivalents	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 - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

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

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;

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1.9 Inventories (continued)

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

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

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

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

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

The cost of inventories is assigned using the 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 cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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1.10 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

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1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 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.

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

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.

1.12 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.

1.13 Employee benefits

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

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

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

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

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

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

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.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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1.14 Provisions and contingencies (continued)

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 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.

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 the initial recognition contingent liabilities recognised in the Municipality'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 46.

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.

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1.14 Provisions and contingencies (continued)

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

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

1.15 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.

1.16 Revenue from exchange transactions

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

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

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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 .

1.17 Revenue from non-exchange transactions

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

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1.17 Revenue from non-exchange transactions (continued)

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

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

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.

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.

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1.17 Revenue from non-exchange transactions (continued)

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.

1.18 Investment income

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

1.19 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.

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.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Accounting by principals and agents (continued)

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.

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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).

1.22 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).

1.23 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).

1.24 Segment information

A segment is an activity of an entity:

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

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

1.25 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 7/1/2022 to 6/30/2023.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Budget information (continued)

The audited 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 audited annual financial statements as the recommended disclosure when the audited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 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 audited annual financial statements.

1.27 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.

1.28 Water losses

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

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Water losses (continued)

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-physical 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.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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2. Changes in accounting policy

The audited 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 6 - (as revised 2010) consolidated and separate financial statements	1 April 2019	The impact of this is not material.
• GRAP 18 - (as amended 2016) segment reposting	1 April 2019	The impact of the is not material.
• GRAP 108: Statutory Receivables	1 April 2019	The impact of this is not material.
• GRAP 20: Related parties	1 April 2019	The impact of this is not material.

3.2 Standards and Interpretations early adopted

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	1 April 2023	The impact of this is not material.

3.3 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 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 109 Accounting by principals and Agents	1 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	1 April 2025	Unlikely there will be a material impact

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

Notes to the Audited Annual Financial Statements

3. New standards and interpretations (continued)

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 1 April 2019.

The municipality expects to adopt the guideline for the first time in the 2018/2019 audited annual financial statements.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2023			2022		
	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	(9,428,093)	30,152,085	39,580,178	(8,141,613)	31,438,565
Infrastructure	4,200,153,668	(990,509,312)	3,209,644,356	4,045,572,837	(912,776,143)	3,132,796,694
Other property, plant and equipment (Movables)	83,315,316	(74,506,921)	8,808,395	85,267,831	(73,043,243)	12,224,588
Total	4,327,819,934	(1,074,444,326)	3,253,375,608	4,175,191,618	(993,960,999)	3,181,230,619

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Write offs	Transfers out	Work in progress	Depreciation	Impairment/in pairment rever sal	Total
Land	4,770,772	-	-	-	-	-	-	4,770,772
Buildings	31,438,565	-	-	-	-	(1,286,479)	-	30,152,086
Infrastructure	3,132,795,997	36,474,871	(1,487,036)	(41,444,715)	165,721,037	(79,124,607)	(3,291,663)	3,209,643,884
Other property, plant and equipment (movables)	12,225,075	246,576	(32,129)	-	-	(3,493,909)	(136,958)	8,808,655
	3,181,230,409	36,721,447	(1,519,165)	(41,444,715)	165,721,037	(83,904,995)	(3,428,621)	3,253,375,397

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.

There was an impairment loss of R38,991,584 in the 2022/2023 financial year (R38,854,626) on infrastructure assets and (R136,958) on other PPE.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited 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/in pairment revei sal	Total
Land	4,770,772	-	-	-	-	-	-	-	4,770,772
Buildings	32,725,045	-	-	-	-	-	(1,286,480)	-	31,438,565
Infrastructure	3,014,185,209	225,852,186	-	(202,267,586)	230,691,478	(43,761,196)	(75,670,201)	(16,233,893)	3,132,795,997
Other property, plant and equipment (movables)	15,883,689	1,401,028	(177,191)	-	-	-	(6,680,672)	1,798,222	12,225,076
	3,067,564,715	227,253,214	(177,191)	(202,267,586)	230,691,478	(43,761,196)	(83,637,353)	(14,435,671)	3,181,230,410

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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	825,915,984	701,639,662
Capital work in progress - buildings	1,961,337	1,961,337
	827,877,321	703,600,999
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Infrastructure	264,454,695	264,454,695
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 appointment delays after termination of old contractors and delays due to finalisation of other phase to be enabled to complete other phase. and awaiting business plans for approval.		
	264,454,695	264,454,695
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	251,907,233	161,130,880
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)	(11,086,615)
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.		
	242,781,955	152,005,602
Reconciliation of Work-in-Progress 2023		
	Included within Other PPE	Total
Opening balance	703,600,999	703,600,999
Additions/capital expenditure	165,721,037	165,721,037
Other movements (repairs and maintenance)	(4,969,843)	(4,969,843)
Transferred to completed items	(36,474,872)	(36,474,872)
	827,877,321	827,877,321

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
4. Property, plant and equipment (continued)		
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 movements (repairs and maintenance)	(37,703,018)	(37,703,018)
Impairment	(2,253,894)	(2,253,894)
Transferred to completed items	(202,267,586)	(202,267,586)
	703,600,999	703,600,999

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	18,322,637	44,091,043
Maintenance of buildings and offices	108,623	193,499
Maintenance of vehicles	7,040,067	42,828,647
Maintenance of pipelines and reservoirs	40,791,974	24,189,966
Blue drop Green drop	163,727	844,556
Maintenance of pumps	21,723,495	37,010,200
Electrical	41,030	-
	88,191,553	149,157,911

Employee related costs (overtime, Standby and nightshift allowances) to the amount of R18,322,637 (2022/2023) and R44,091,043 (2021/2022) is included in employee related costs in the statement of financial performance

Repairs and maintenance on property, plant and equipment to the amount of R69,868,916 (2022/2023) and R105,066,868 (2021/2022) is included in contracted services in the statement of financial performance.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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4. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2023

	Preventative Maintenance Total	Corrective Maintenance Emergency	Total	Total
Buildings	-	108,623	108,623	108,623
Motor vehicles	-	7,040,067	7,040,067	7,040,067
Infrastructure	-	63,122,272	63,122,272	63,122,272
Laboratory equipment	-	163,727	163,727	163,727
	-	70,434,689	70,434,689	70,434,689

Maintenance of property, plant and equipment by condition - 2022

	Preventative Maintenance Total	Corrective Maintenance Emergency	Total	Total
Buildings	-	193,499	193,499	193,499
Motor vehicles	-	42,828,647	42,828,647	42,828,647
Infrastructure	-	61,200,166	61,200,166	61,200,166
Laboratory equipment	-	844,556	844,556	844,556
	-	105,066,868	105,066,868	105,066,868

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	786,557	(376,235)	410,322	786,557	(358,117)	428,440

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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5. Intangible assets (continued)

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	428,440	(18,118)	410,322

Reconciliation of intangible assets - 2022

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

6. Operating lease asset (liability)

Current liabilities	(948,813)	(1,092,120)
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The Municipality currently occupies satellite offices in Estcourt, Bergville, Colenso and Weenen.

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

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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 benefits	(27,113,000)	(24,868,000)
Long service awards	(20,945,000)	(19,385,000)
	(48,058,000)	(44,253,000)
Non-current liabilities	(39,722,407)	(38,162,407)
Current liabilities	(8,335,593)	(6,090,593)
	(48,058,000)	(44,253,000)
Changes in the present value of the post retirement medical aid plan obligation are as follows:		
Opening balance	24,868,000	23,373,000
Net expense recognised in the statement of financial performance	2,245,000	1,495,000
	27,113,000	24,868,000
Net expense recognised in the statement of financial performance		
Current service cost	1,617,000	841,000
Interest cost	2,284,000	2,371,000
Actuarial (gains) losses	(1,656,000)	(1,717,000)
	2,245,000	1,495,000
Calculation of actuarial gains and losses		
Increase in net discount rate	(3,637,000)	(716,000)
Changes in in-service non-members assumed medical aid option	1,906,000	-
Subsidy increase higher/ lower than assumed	(347,000)	(318,000)
Changes in membership profile different than assumed	422,000	(683,000)
	(1,656,000)	(1,717,000)
Movement in the retirement medical aid obligation are as follows:		
Opening balance	24,868,000	23,373,000
Current service costs	1,617,000	1,437,000
Interest cost	2,908,000	2,371,000
Expected contributions (benefits paid)	(624,000)	(596,000)
Actuarial loss / Gain	(1,656,000)	(1,717,000)
	27,113,000	24,868,000

The municipality expects to contribute R624,000 in 2022/2023 financial year and R792,000 to its defined benefit plans in the 2023/2024 financial year.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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7. Employee benefit obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.53 %	11.84 %
Health care cost inflation rate	8.13 %	8.45 %
Net-of-health-care-cost-inflation discount rate	4.07 %	3.13 %
Maximum subsidy inflation rate	5.72 %	5.96 %
Net-of-maximum-subsidy-inflation discount rate	6.44 %	5.55 %

Retirement age and mortality.

Average retirement age	62 years	62 years
Continuation of membership 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: (average for males and females).

Average for males and females	Males	Females
Age 20 - 24	9%	9%
Age 25 - 29	8%	8%
Age 30 - 34	6%	6%
Age 35 - 39	5%	5%
Age 40 - 44	5%	5%
Age 45 - 49	4%	4%
Age 50 - 54	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	19,385,000	16,120,000
Increase of value of obligation	1,560,000	3,265,000
	20,945,000	19,385,000

Calculation of actuarial gains and losses

Increase in net discount rate	(1,105,000)	(226,000)
Earnings higher / lower than assumed	(88,000)	(244,000)
Changes in employee profile different from assumed	513,000	826,000
	(680,000)	356,000

Independent valuers, ARCH Actuarial Consulting, carried out the valuations for the 2022/2023 financial year.

The principal actuarial assumptions were as follows.

Rates.	2023	2022
Discount rate	11.32%	11.6%
General salary inflation (long term)	6.57%	7.33%
Net discount rate	4.45%	3.57%

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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7. Employee benefit obligation (continued)

The valuation was performed at the end of June 2023 and the next valuation will be at the end of June 2024.

Employee mortality rates	2023	2022
Average 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 - 24	9%	9%
Age 25 - 29	8%	8%
Age 30 - 34	6%	6%
Age 35 - 39	5%	5%
Age 40 - 44	5%	5%
Age 45 - 49	4%	4%
Age 50 - 54	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	20,945,000	19,385,000
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Movement in the long service obligation

Balance at the beginning of the year	19,385,000	16,120,000
Current service costs	2,234,000	1,721,000
Interest costs	2,053,000	1,478,000
Expected employee benefit payment	(2,047,000)	(1,245,000)
Addition of 5-year award	-	955,000
Actuarial loss / gain	(680,000)	356,000
	20,945,000	19,385,000

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

Statement of financial position

Long service award liability	20,945,000	19,385,000
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Statement of financial performance

Long service award liability	(680,000)	356,000
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Reasons for the movement in the liability is as follows.

The average liability has increased by 12% since the last valuation due to.

- * an increase in the average earnings.
- * a increase in average past service.
- * an increase in the net discount rate.

The total liability increased by 8% (or R1,560,000) due to the above, partially offset by the fact that there are 29 fewer employees than at the last valuation.

8. Prepayments

Prepayments are payments made in advance.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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9. Bank reconciliation clearing control account

Clearing control account balance

Bank reconciliation clearing control account	190,966	-
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The above relates to un-reconciled items in the bank reconciliation at financial year end.

10. Inventories

Chemicals	4,723,824	1,014,517
Purified water stock	4,653,242	1,144,821
Stores	10,316,388	5,847,254
	19,693,454	8,006,592

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

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

The total water stock as at 30 June 2023 was calculated as 208,812 mega liters amounting to R4,653,242.

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	133,291	153,920
System input volume	43,113,733	(20,629)
Billed authorised consumption	(16,621,374)	41,052,210
Water losses	(21,736,579)	(17,266,025)
Data transfer and management errors	-	(5,058,352)
Unavoidable annual real losses	-	(18,727,833)
Unbilled authorized consumption	(4,755,780)	-
Volumes associated to additional reservoirs/tanks and new pipelines	75,521	-
Closing balance	208,812	133,291

11. Receivables from exchange transactions

Debtors refunds	564,564	532,184
Deposits paid to third party vendors	1,658,406	1,658,406
Kunene Makhope - insurance claim - flood damage	-	496,092
Sundry debtors accounts	4,529,261	51,350,180
	6,752,231	54,036,862
Non-current assets	1,658,406	1,658,406
Current assets	5,093,825	52,378,456
	6,752,231	54,036,862

The amount of R564,564 is in respect of debtors refunds.

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

The amount of R496,092 (2021/2022) is in respect of outstanding insurance claim.

The reason for the reduction in respect of outstanding sundry debtors accounts from R51,350,180 (2021/2022) to R5,093,825 (2022/2023) is mainly as a result of the offsetting of Umgeni Water debt which was due to the municipality at the end of the 2021/2022 financial year.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
12. Receivables from non-exchange transactions		
Receivables from non exchange transactions	208,181	2,703,001
Other receivables from non exchange transaction	96,442	2,730,029
	304,623	5,433,030
Non-current assets	178,827	2,673,647
Current assets	125,796	2,759,383
	304,623	5,433,030

The amount of R178,827 (non-current assets) is in respect of R28,064 ABSA card 4103740324271000 unauthorized debit order, R18,285 RASP - Viva Technologies - duplicate payment processed and R132,478 SB VISA SB AUTOPAY unauthorized debit order which was recovered in July 2023.

The amount of R125,796 (current assets) relates to R96,442 is in respect of overpayments made to creditors and R29,354 in respect of RD cheques issued to the Municipality.

An amount of R2,627,298 was included under (non-current assets) in the 2022/2023 financial year which the Municipality has been unable to recover relating to Netstar debit orders which were not cancelled. A provision for impairment has been made for this. (R2,806,125 less impairment provision of R2,627,298 amounts to R178,827 as disclosed above.

13. Other statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Other statutory receivables - SARS	14,590,176	3,404,408
VAT refunds due by SARS - R3,404,408 in respect of June 2022 VAT return.		
Other statutory receivables - SARS	-	-
VAT refunds due by SARS R7,101,741 in respect of April 2023 VAT return, R3,729,730 in respect of May 2023 VAT return and R3,758,705 in respect of June 2023 VAT return.		
	14,590,176	3,404,408
Current assets	14,590,176	3,404,408

Uthukela District Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
14. Consumer debtors		
Gross balances		
Water and sanitation	952,180,869	802,522,197
Consumer debtors agreements on arrears	5,758,171	6,255,738
Credit balances	16,386,327	15,704,740
	974,325,367	824,482,675
Less: Allowance for impairment		
Water and sanitation	(926,340,914)	(768,140,871)
Net balance		
Water and sanitation	45,879,835	55,852,901
Consumer debtors agreements on arrears	2,104,617	488,903
	47,984,452	56,341,804
Water		
Current (0 -30 days)	28,559,885	32,699,060
31 - 60 days	17,319,950	1,670,798
61 - 90 days	-	1,478,751
91 - 120 days	-	1,378,369
121 - 365 days	-	18,625,923
	45,879,835	55,852,901
Consumer debtors agreements		
> 365 days	2,104,617	488,903

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
14. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	21,992,199	20,438,778
31 - 60 days	23,272,292	18,540,894
61 - 90 days	17,770,976	18,590,849
91 - 120 days	17,279,096	17,525,611
121 - 365 days	798,357,091	646,289,413
> 365 days	5,758,171	6,255,738
	<u>884,429,825</u>	<u>727,641,283</u>
Less: Allowance for impairment	(850,909,906)	(692,101,357)
	33,519,919	35,539,926
Industrial/ commercial		
Current (0 -30 days)	3,248,451	4,112,084
31 - 60 days	1,428,080	2,142,313
61 - 90 days	1,478,310	1,753,358
91 - 120 days	1,715,638	1,642,698
121 - 365 days	38,978,366	35,990,413
	<u>46,848,845</u>	<u>45,640,866</u>
Less: Allowance for impairment	(41,510,225)	(39,404,106)
	5,338,620	6,236,760
National and provincial government		
Current (0 -30 days)	3,319,234	8,867,852
31 - 60 days	2,199,256	3,850,338
61 - 90 days	1,765,067	1,485,725
91 - 120 days	1,664,453	1,171,406
121 - 365 days	34,098,687	35,905,465
	<u>43,046,697</u>	<u>51,280,786</u>
Less: Allowance for impairment	(33,920,784)	(36,635,408)
	9,125,913	14,645,378
Total		
Current (0 -30 days)	28,559,885	32,699,060
31 - 60 days	26,899,628	24,450,610
61 - 90 days	21,014,353	21,639,429
91 - 120 days	20,659,187	20,170,477
121 - 365 days	871,434,142	719,267,361
> 365 days	5,758,171	6,255,738
	<u>974,325,366</u>	<u>824,482,675</u>
Less: Allowance for impairment	(926,340,914)	(768,140,871)
	47,984,452	56,341,804
Less: Allowance for impairment		
31 - 60 days	(25,554,647)	(22,779,812)
61 - 90 days	(19,963,635)	(20,160,678)
91 - 120 days	(19,626,227)	(18,792,108)
121 - 365 days	(861,196,405)	(700,641,438)
> 365 days	-	(5,766,835)
	<u>(926,340,914)</u>	<u>(768,140,871)</u>

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
14. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(768,140,871)	(593,725,891)
Contributions to allowance	(158,200,043)	(174,414,980)
	(926,340,914)	(768,140,871)
Fair value of consumer debtors		
Total net consumer debtors at year end	47,984,452	56,341,804
15. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cashier float and petty cash	12,400	12,400
Bank balances	8,452,317	9,727,287
Short-term deposits	5,032,998	4,783,433
	13,497,715	14,523,120

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB main account 62252306280	8,452,317	9,727,287	2,349,666	9,727,287	5,511,359	(39,885,496)
FNB water account 62253072385	-	-	-	-	-	48,908,299
FNB business money account 62283176644	389,964	412,286	402,974	389,964	355,671	-
FNB short term deposit account 62600579679	15,554	24,721	8,212,490	15,554	313,982	-
FNB short term deposit account 62600812102	134,315	75,922	1,028,429	134,315	5,334,365	-
Nedbank call deposit account 7881006110	1,204,918	729,412	11,292	1,204,918	183,042	-
Investec call deposit account 1100433766501	368,470	367,805	6,125,342	368,470	20,784,392	-
ABSA 7 day notice account 9341705144	-	-	-	-	11,262,642	-
ABSA liquidity plus account 9349109796	148,329	139,955	135,875	148,329	148,762	-
ABSA call deposit account 9361819521	1,408,943	1,946,750	10,359,689	1,408,943	-	-
Standard Bank call deposit account 068455364001	1,362,505	1,086,582	10,546,562	1,362,506	-	-
Total	13,485,315	14,510,720	39,172,319	14,760,286	43,894,215	9,022,803

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 average interest rate of 8,08% for the period ending 30 June 2023.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	7,990,235	-
Municipal Infrastructure Grant (WSIG)	5,648,484	15,224,050
LG Seta grant	26,583	391,625
Disaster Management Grant	-	28,636
NODAL Plan Grant	-	95,000
Finance Management Grant (FMG)	-	58,288
	13,665,302	15,797,599

Movement during the year

Balance at the beginning of the year	15,797,599	16,147,423
Additions during the year	260,475,246	298,591,090
Income recognition during the year	(250,507,907)	(298,685,857)
Roll over applications declined - recovered from equity share	(11,976,000)	(255,057)
Unspent grants returned to funder	(123,636)	-
	13,665,302	15,797,599

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

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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16. Unspent conditional grants and receipts (continued)

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

See note 31 for reconciliation of grants from National/Provincial Government.

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

17. Sundry debtors with credit balances

Designated at fair value

Sundry debtors	99,996	58,225
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Current liabilities

Liability at year end	99,996	58,225
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Sundry debtors with credit balances

Current (0 - 30 days)	20,646	5,719
31 - 60 days	6,330	55
61 - 90 days	4,070	-
91 - 120 days	4,322	3,183
120 - 365 days	64,628	49,268
	99,996	58,225

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

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Leave provision	35,169,495	6,611,669	41,781,164

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Leave provision	30,099,696	5,069,799	35,169,495

Non-current liabilities

Current liabilities	-	-
	41,781,164	35,169,495
	41,781,164	35,169,495

Bonus provision is disclosed as an accrual under payables from exchange transactions.

19. 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.

Vat is claimed on a monthly basis.

Monthly VAT returns are up to date and have been submitted by the due date throughout the year.

Only once an invoice is paid, is VAT claimed and receivable from SARS.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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19. Vat Payable (continued)

The Municipality has received VAT refunds from SARS to the amounts of R50,715,743 (2022/2023) and R72,401,409 (2021/2022).

VAT payables

Vat payable to SARS	47,590,028	95,816,880
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20. Other liabilities - Consumer debtors with credit balances

Credit balances

Current liability	16,386,327	15,704,740
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The table below represents the age analysis of consumer debtors with credit balances as at year end.

Consumer debtors with credit balances

Current (0 - 30 days)	1,258,039	626,027
31 - 60 days	390,115	695,189
61 - 90 days	289,521	1,129,834
91 - 120 days	309,217	645,633
121 - 365 days	14,139,435	12,608,057
	16,386,327	15,704,740

21. Other liability - Salaries suspense account

Suspense accounts

Unclaimed wages	490,783	355,299
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The table above represents unclaimed wages and salary advances at year end.

22. Payables from exchange transactions

Trade payables	45,871,408	53,478,170
Other trade payables	74,813,684	42,028,433
Accrued bonus	10,347,099	10,071,157
Accruals	49,994,490	26,286,060
Department of Water and Sanitation (DWS) accrual	79,342,669	56,973,416
Umgeni Water accrual	188,500,861	242,337,141
Trust funds - estate late accounts	8,431,466	5,881,819
Retentions	30,029,408	28,405,817
Bank reconciliation clearing account	-	153,524
Unallocated deposits	3,676,523	3,550,358
	491,007,608	469,165,895

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

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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22. Payables from exchange transactions (continued)

Fair value of trust funds

Total value of funds	8,431,466	5,881,819
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Council employees previously had life cover under a group life scheme which was cancelled, however employees now have accidental life cover under Councils insurance portfolio.

The trust funds recorded above 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 to indicate whom will benefit should there be an accidental death while the employee is in service of the municipality.

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 earns interest on an annual bases. Interest is calculated at the average interest rate the municipality earned on investments made during the financial year.

23. Consumer deposits

Water	19,293,725	18,149,425
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Consumer deposits represents refundable deposits held by the municipality in respect of water debtors accounts.

These deposits are payable when a consumer opens an account in respect of water and sanitation services provided to the property the consumer occupies.

24. Revenue

Service charges	222,771,043	255,787,632
Interest received - trading services	49,201,177	35,856,242
Other income	2,354,248	1,867,384
Interest received - investment	7,328,864	4,554,014
Government grants & subsidies	790,419,908	784,096,971
Public contributions and donations	-	23,649,757
Fines, Penalties and Forfeits	31,200	2,500
	1,072,106,440	1,105,814,500

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

Service charges	222,771,043	255,787,632
Interest received - trading services	49,201,177	35,856,242
Other income	2,354,248	1,867,384
Interest received - investment	7,328,864	4,554,014
	281,655,332	298,065,272

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

Taxation revenue

Transfer revenue

Government grants & subsidies	790,419,908	784,096,971
Public contributions and donations	-	23,649,757
Fines, Penalties and Forfeits	31,200	2,500
	790,451,108	807,749,228

Uthukela District Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
25. Service charges		
Sale of water	204,374,697	234,616,544
Sewerage and sanitation charges	15,932,273	18,462,752
Other service charges	2,464,073	2,708,336
	222,771,043	255,787,632
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 R2,464,073 (2022/2023) consists of R37,868 sewerage connections and R2,394,014 in respect of water connections and R32,191 Disconnection fees.		
26. Fines, Penalties and Forfeits		
Fines and penalties	31,200	2,500
The Health Department issues fines in terms of the general hygiene requirements for food premises and the transport of food in terms of (Government Notice No. 638 of 22 June 2018) foodstuffs, cosmetics and disinfectants ACT, 1972 (ACT No. 54 of 1972).		
27. Lease rentals on operating lease		
Equipment		
Contractual amounts	19,455,470	5,661,261
Lease rentals on operating lease - Other		
Contractual amounts	1,380,895	3,467,077
	20,836,365	9,128,338
Lease rentals - equipment - is contracts in place for the rental of office machines (photo copiers and shredders). Lease rentals - operating leases - is lease agreements in place in respect of the rental of office space. Lease rentals of R19,455,470 (2022/2023) includes an amount of R18,660,242 in respect of pre-paid meter rental. Lease rentals of R5,661,261 (2021/2022) includes an amount of R4,921,839 in respect of pre-paid meter rental.		
28. Other revenue		
Other income	2,354,248	1,867,384
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Clearance certificates	366,308	383,305
Copies of building plans	-	119,201
Sundry income	1,103,107	298,131
Insurance claim refunds	369,515	744,232
Cashier surpluses	300	4,647
Tender documents	179,521	317,868
Collections - staff cell phones	335,497	-
	2,354,248	1,867,384

Uthukela District Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
29. Investment revenue		
Interest revenue		
Interest earned on investment accounts	5,957,578	3,921,778
Interest earned other	1,371,286	632,236
	7,328,864	4,554,014
30. Transfer and subsidies		
Grants paid to ME's		
Uthukela Economic Development Agency	3,120,000	3,000,000

The amount of R3,120,000 (2022/2023) and R3,000,000 (2021/2022) relates to funds transferred to the Uthukela Economic Development Agency.

Uthukela District Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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31. Government grants & subsidies

Operating grants

Equitable share	539,912,000	485,156,057
Finance Management Grant	1,845,288	1,891,712
EPWP Integrated Grant	2,881,000	3,516,000
LGSETA	913,288	271,466
	545,551,576	490,835,235

Capital grants

Regional Bulk Infrastructure Grant	-	16,023,649
Municipal Infrastructure Grant	163,493,765	194,919,000
Municipal Water Infrastructure grant	79,194,567	79,775,950
Rural Transport Services Plan	2,180,000	2,543,137
	244,868,332	293,261,736
	790,419,908	784,096,971

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	250,507,908	298,940,914
Unconditional grants received	539,912,000	485,156,057
	790,419,908	784,096,971

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 (R84.66) 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 R3,503,516 (2022/2023).

The cost of free basic services, water supplied by water tankers amounted to R17,760,048 (2021/2022) and R27,961,786 (2022/2023) disclosed under contracted services.

Municipal Infrastructure Grant

Current-year receipts	171,484,000	194,919,000
Conditions met - transferred to revenue	(163,493,765)	(194,919,000)
	7,990,235	-

The Municipal 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.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
31. Government grants & subsidies (continued)		
Municipal Water Infrastructure		
Balance unspent at beginning of year	15,224,050	-
Current-year receipts	80,800,000	95,000,000
Conditions met - transferred to revenue	(79,194,567)	(79,775,950)
Roll over application declined - recovered from equity share	(11,181,000)	-
	5,648,483	15,224,050

Conditions still to be met - remain liabilities (see note 16).

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

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.

Access 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
Conditions met - transferred to revenue	-	(16,023,650)
	-	-

Conditions still to be met - remain liabilities (see note 16).

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" characteristics 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 management.

LGSETA Grant - Training

Balance unspent at beginning of year	391,625	-
Current-year receipts	548,246	663,091
Conditions met - transferred to revenue	(913,288)	(271,466)
	26,583	391,625

Conditions still to be met - remain liabilities (see note 16).

LGSETA is a discretionary grant which assists the Local Government 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.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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31. Government grants & subsidies (continued)

Disaster Management

Balance unspent at beginning of year	28,636	28,636
Unspent portion of grant as at 1 July 2022 was returned to the funder	(28,636)	-
	<u>-</u>	<u>28,636</u>

Conditions still to be met - remain liabilities (see note 16).

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

The unspent portion of the grant was claimed back by the funder COGTA.

RASET program grant

The RASET program grant (Radical Agrarian Socio-Economic Transformation) is aimed at improving the value chain of food production and supply for underprivileged farmers and emerging agro-businesses.

The model will also assist in creating opportunities for youth and women, increase food security and improve market opportunities.

NODAL Plan Grant

Balance unspent at beginning of year	95,000	95,000
Unspent portion of grant as at 1 July 2022 was returned to funder	(95,000)	-
	<u>-</u>	<u>95,000</u>

Conditions still to be met - remain liabilities (see note 16).

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

Rural Road Asset Management

Balance unspent at beginning of year	-	137
Current-year receipts	2,662,000	2,543,000
Conditions met - transferred to revenue	(2,180,000)	(2,543,137)
Roll over application declined - recovered from equity share	(482,000)	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

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	58,288	255,057
Current-year receipts	2,100,000	1,950,000
Conditions met - transferred to revenue	(1,845,288)	(1,891,712)
Roll over application declined - recovered from equity share	(313,000)	(255,057)
	<u>-</u>	<u>58,288</u>

Conditions still to be met - remain liabilities (see note 16).

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

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
31. Government grants & subsidies (continued)		
EPWP Integrated Grant		
Current-year receipts	2,881,000	3,516,000
Conditions met - transferred to revenue	(2,881,000)	(3,516,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

The Expanded Public Works Programme is one of Government'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..

32. Public contributions and donations

Public contributions and donations - COGTA	<u>-</u>	<u>23,649,757</u>
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The public contribution/donation of R23,649,757 (2021/2022) was in respect of boreholes donated by COGTA to the Municipality.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
33. Employee related costs		
Basic	239,305,366	234,776,931
Bonus	18,853,173	17,741,457
Medical aid - employers contribution	9,500,100	8,992,295
UIF	1,633,203	1,708,059
SDL	2,860,931	3,124,186
Bargaining Council	101,035	95,806
Leave pay	11,305,729	10,093,186
Standby allowances	5,865,606	21,232,204
Defined contribution plans	1,180,000	2,272,000
Travel, motor car, accommodation, subsistence and other allowances	6,144,992	5,374,989
Overtime payments	10,371,798	20,941,682
Acting allowances	1,814,387	1,741,872
Car allowance	15,265,437	13,325,199
Housing benefits and allowances	1,183,072	4,502,020
Disability insurance	-	25,477
Surcharge Pension Fund	35,823,723	32,900,865
Funeral cover	-	796
Cell phone and Group life	-	10,090
Shift allowances	2,085,233	1,917,157
	363,293,785	380,776,271

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 transferred back to the Municipality.

These costs are included in employee related cost as disclosed above (2021/2022 financial year).

Remuneration of Municipal Manager

Annual Remuneration	1,271,084	1,178,312
Backpay	31,496	6,000
Contributions to UIF	2,126	2,125
SDL	13,919	16,291
Cell phone allowance	-	10,000
Leave paid out	55,944	234,837
Car allowance	-	250,000
Subsistence and travelling	79,205	-
	1,453,774	1,697,565

Remuneration of Chief Finance Officer

Annual Remuneration	1,077,894	1,382,386
Car Allowance	180,000	59,395
Subsistence and travelling	55,791	29,131
Leave paid out	-	242,486
Contributions to UIF	2,126	2,834
SDL	12,396	17,285
Housing subsidy	-	45,971
	1,328,207	1,779,488

Remuneration of Manager Water and Technical Services

Annual Remuneration	776,740	405,270
Backpay	2,120,690	-
Contributions to UIF	1,417	1,063
SDL	29,013	4,456

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
33. Employee related costs (continued)		
Subsistence and travelling	-	9,641
Leave paid out	3,906	39,062
	2,931,766	459,492

The position of Manager Water Services and Technical Services has been consolidated.

Remuneration of Manager Health, Environmental Services and WSA

Annual Remuneration	366,865	733,729
Car Allowance	130,003	260,007
Leave paid out	242,486	123,010
Contributions to UIF	1,240	2,125
Housing subsidy	132,079	264,158
Acting allowance	-	13,289
SDL	8,454	-
	881,127	1,396,318

The contract of the Manager Health, Environmental Services and WSA came to an end and was not extended.

Remuneration of Manager Corporate Services

Annual Remuneration	1,090,258	890,862
Car Allowance	-	142,981
Subsistence and travelling	5,590	-
Leave paid out	81,443	132,702
Contributions to UIF	2,125	2,125
SDL	11,962	11,912
Housing subsidy	-	119,227
Backpay	22,605	-
	1,213,983	1,299,809

The upper limits of the total remuneration package 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
Subsistence and travelling	-	9,641
Leave paid out	-	39,062
Contributions to UIF	-	1,063
SDL	-	4,456
	-	459,492

34. Remuneration of councillors

Executive Major	548,979	637,127
Deputy Executive Mayor	415,674	123,055
Mayoral Committee Members	943,735	524,388
Speaker	712,584	284,171
Councillors	3,986,400	4,981,309
	6,607,372	6,550,050

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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34. 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.

The table above includes the payment of the board allowances in respect of the Uthukela Economic Development Agency board members.

35. Depreciation and amortisation

Property, plant and equipment	83,904,995	83,637,352
Intangible assets	18,118	18,660
	<u>83,923,113</u>	<u>83,656,012</u>

Depreciation and amortization in respect of the economic entity in the table above is the consolidated amount of Uthukela District Municipality and Uthukela Economic Development Agency.

36. Impairment loss

Impairments

Property, plant and equipment	<u>3,428,622</u>	<u>14,435,671</u>
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The main classes of assets affected by impairment losses are:

Infrastructure assets

Motor vehicles.

37. Interest incurred

Other interest paid	<u>8,614,049</u>	<u>6,844,729</u>
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The amount of R6,844,729 (2021/2022) represents R195,990 which is interest paid on the late payment of creditors included in the disclosure note for fruitless and wasteful 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 disclosure note for fruitless and wasteful expenditure.

The amount of R8,614,049 (2022/2023) relates to the late payment of creditors amounting to R2,208, interest of R3,650,841 raised by DWS for late payment of invoices, interest charges on medical aid post retirement obligation of R2,908,000 and interest charges on provision for long service awards of R2,053,000.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
38. Debt impairment		
Debt Impairment - Netstar debit orders	2,627,298	-
Debt impairment - Consumer debtors	158,200,043	174,414,980
Debts impairment - Sundry Debtors	(1,034,144)	(4,945,998)
	159,793,197	169,468,982

There was an impairment provision of R174,414,980 (2021/2022) and R158,200,043 (2022/2023) financial years with regards to consumed debtors.

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).

There was an impairment reversal of R1,034,144 (2022/2023) in respect of sundry debtors accounts.

There was an impairment provision of R2,627,298 (2022/2023) in respect of Netstar debit orders which were not cancelled by the municipality.

39. Bulk purchases

Water	15,209,991	11,640,324
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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.

Water losses

Apparent losses: Unauthorised consumption	105,276,294	34,170,797
Apparent losses: Customer meter inaccuracies	10,976,276	4,433,418
Real losses: Leakage on transmission and distribution mains	257,693,199	85,572,676
Real losses: Leakage and overflows at storage tanks/ reservoirs	1,840,666	611,233
Real losses: Leakage on service connections up to the point of customer meter	108,599,277	36,062,771
Total	484,385,712	160,850,895

	June 2023	June 2022		
Units purchased	43,113,733	41,052,210	960,761,878	352,592,033
Units sold	(16,621,374)	(17,266,025)	(230,662,517)	(226,855,991)
Total	26,492,359	23,786,185	730,099,361	125,736,042

Comprising of:

Technical losses	-	-	484,385,712	160,850,895
Non-technical losses	-	-	105,979,516	43,445,520
Total	-	-	590,365,228	204,296,415

Percentage Loss:

Technical losses	- %	- %	50 %	46 %
Non-technical losses	- %	- %	11 %	12 %
Total	- %	- %	61 %	58 %

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

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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The Municipality appointed an engineer from an independent company "Joat Consulting" to prepare the water loss calculations.

40. Contracted services

Outsourced Services

Burial Services	62,500	27,500
Security Services	31,472,598	24,779,747
Electrical	41,030	-
Water Takers	68,511,747	20,256,018

Consultants and Professional Services

Legal Cost	5,339,612	3,245,956
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Contractors

Maintenance of Buildings and Facilities	108,623	193,499
Maintenance of Equipment	28,763,562	79,838,847
Maintenance of Unspecified Assets	40,955,701	25,034,522
	175,255,373	153,376,089

2022/2023	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	108,623	-	-	108,623
Vehicles	-	-	7,040,067	-	7,040,067
Pipelines and reservoirs	-	-	-	40,791,974	40,791,974
Pumps	-	-	21,723,495	-	21,723,495
Blue drop	-	-	-	163,727	163,727
Electrical	41,030	-	-	-	41,030
Burial services	62,500	-	-	-	62,500
Security services	31,472,598	-	-	-	31,472,598
Water tankering	68,511,747	-	-	-	68,511,747
Legal costs	5,339,612	-	-	-	5,339,612
	105,427,487	108,623	28,763,562	40,955,701	175,255,373

2021/2022	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	193,499	-	-	193,499
Vehicles	-	-	42,828,647	-	42,828,647
Pipelines and reservoirs	-	-	-	24,189,966	24,189,966
Pumps	-	-	37,010,200	-	37,010,200
Blue drop	-	-	-	844,556	844,556
Burial services	27,500	-	-	-	27,500
Security services	24,779,747	-	-	-	24,779,747
Water tankering	20,256,018	-	-	-	20,256,018
Legal costs	3,245,956	-	-	-	3,245,956
	48,309,221	193,499	79,838,847	25,034,522	153,376,089

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
41. General expenses		
Advertising	218,969	1,091,366
Auditors remuneration	3,905,556	4,971,366
Bank charges	728,750	439,691
Cleaning	150,436	430,360
Commission paid	406,105	1,238,790
Computer expenses	12,588,476	9,703,372
Consulting and professional fees	7,145,666	143,127
Entertainment	-	7,800
Hire	5,826,979	10,015,673
Insurance	-	5,353,131
Conferences and seminars	913,288	296,557
IT expenses	25,650	-
Fleet	275,800	758,375
Medical expenses	108,310	68,621
Motor vehicle expenses	2,693,422	1,129,325
Fuel and oil	10,698,152	16,071,307
Printing and stationery	540,081	939,740
Protective clothing	898,495	1,601,857
Subscriptions and membership fees	8,060,184	3,261,586
Telephone and fax	2,039,103	2,746,234
Training	-	29,340
Assets expensed	-	26,111,603
Electricity - water purification and pump stations	59,801,099	61,354,036
Electricity and water - internal use (Municipal services)	42,353,055	38,520,429
Audit committee	324,133	275,889
Grant expenditure	56,301,864	9,830,225
Covid-19 expenses	-	1,525,596
Chemicals	18,278,045	33,779,866
Other expenses	542,036	858,118
	234,823,654	232,553,380

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

Assets expensed 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 debtors statements.

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

Consultants and professional fees

Job evaluation - Uthukela District Municipality	32,205	25,000
Asset verification - Infrastructure	-	118,127
VAT audit	7,113,461	-
	7,145,666	143,127

Consultants and professional fees are included in general expenditure above.

Grant expenditure

District wide VIP toilets	54,203,555	6,844,688
Project Management RRAM (Rural Road Asset Management System)	2,098,309	2,597,937
Mig top slice (Municipal Infrastructure Grant) admin fee	-	198,100
FMG (Finance Management Grant)	-	189,500
	56,301,864	9,830,225

Grant expenditure is included in general expenditure above.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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41. General expenses (continued)

VIP toilets is funded by the MIG (Municipal Infrastructure Grant)

These toilets are not capitalized and therefore do not appear on the fixed asset register.

COVID-19 expenditure

Funded by the municipality	-	1,525,596
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The municipality made a budget provision of R6,500,000 for the 2021/2022 financial year and spent R1,525,596 in respect of COVID-19.

In respect of the 2022/2023 financial year a budget provision of R3,560,004 has been made and as at 31 December 2022 no expenditure has been incurred.

Service providers appointed for the procurement of COVID-19 goods and services

MSC Agencies	-	258
Madlanduna	-	193,933
Nozaphi Trading	-	84,390
Elenyoni Trading	-	37,000
KFC Pipes and Fittings	-	86,125
XPM Investments	-	98,800
Bargain Uniforms	-	179,430
Dubhu Projects	-	175,000
Sakhumuzi Mchunu Projects	-	100,000
Banamanzi Projects	-	430,000
Maxode Trading	-	137,020
Umgeni Water expenditure recovered from the District	-	3,640
	-	1,525,596

42. Auditors' remuneration

Fees	3,905,556	4,971,366
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Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
43. Operating lease		
Lease rentals on operating leases		
Afrivent vehicle tracking rental fees	(389,344)	34,612
Moon Magic Investments - rental of astelite office in Estcourt	88,439	90,758
A. Good - rental of satellite office in Colenso	38,000	36,056
Konika Minolta - rental of office machines	-	43,184
Laytam Investments - rental of workshop at 35 Progress Road in Ladysmith	338,800	834,451
Shelsworth - rental for laboratory space	-	62,748
EXTEC PMB (Pty) Ltd - rental of office machines	572,914	469,607
MAELEC (Mike Anderson Electrical) - monthly rental on wireless internet equipment	222,313	222,314
The Rosco Family Trust - Rental for laboratory space	1,305,000	2,408,450
Kone - rental lift	-	4,319
Maratodi Metsi - rental of pre-paid meters	18,660,242	4,921,839
	20,836,364	9,128,338

The lease rental with Afrivent is for vehicle tracking with fleet management 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 satellite 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 satellite office at 63/69 Sir George Street in Colenso for the period March 2022 to February 2023.

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 November 2023 from the Municipality with landlord.

The lease agreement with Dedekind Real Estate IT (Sarosma Trust) is for the office space occupied by the Uthukela Economic Development Agency at 131 Murchison Street, Ladysmith for the period June 2018 to May 2019, thereafter on a month to month basis.

The rental of pre-paid meters is in respect of the smart meters installed by Maratodi Metsi.

Uthukela District Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
44. Cash generated from operating activities		
(Deficit) surplus	(22,428,631)	32,552,594
Adjustments for:		
Depreciation and amortisation	83,923,113	83,656,012
(Loss) gain on sale of assets	1,519,164	(318,900)
(Loss) gain on actuarial valuations	(2,336,000)	(1,361,000)
Impairment deficit	3,428,622	14,435,671
Debt impairment	159,793,197	169,468,982
Bad debt written off	20,446,386	3,511,960
Movements in operating lease assets and accruals	(143,307)	685,708
Other non-cash items (donations)	-	(23,649,757)
Changes in working capital:		
Decrease in Inventories	(11,686,862)	915,397
Decrease in receivables from exchange transactions (current assets)	47,284,631	(5,378,406)
Increase in receivables from exchange transactions (Consumer debtors)	(149,842,692)	(182,785,923)
Increase in other receivables from non-exchange transactions	2,501,109	(2,920,827)
Increase in other statutory receivables	(11,185,768)	(3,404,408)
Decrease in payables from exchange transactions	92,106,254	52,141,406
Increase in VAT	(48,226,852)	75,805,817
Decrease in unspent conditional grants and receipts	(2,132,297)	(604,881)
Decrease in other financial liabilities - sundry debtors	41,771	5,082
Decrease in consumer deposits	1,144,300	(2,657,914)
Decrease in other financial liabilities - consumer debtors	681,586	(2,642,844)
Decrease in other financial liabilities	54,484	(22,862)
	164,942,208	207,430,907

Uthukela District Municipality

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Figures in Rand	2023	2022
45. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	403,945,469	144,505,148
Infrastructure grants - MIG, MWIG and WSIG		
Okhahlamba wards 2, 2 & 14 water supply - Amangwane water reticulation 01-west	10,023,618	-
Okhahlamba wards 2, 3 & 14 water sitting, drilling, testing and equipping of boreholes	26,495,726	-
Upgrade of Bergville water treatment works	51,170,085	43,356,747
Kwanobamba/Ezitendeni water project - rising main for new abstraction	1,259,736	-
Okhahlamba wards 2,3 & 14 water supply - Amanwane water reticulation 01-east	9,201,239	-
Weenen / Ezitendeni sewerage treatment works	6,056,829	6,531,516
Construction of Estcourt industrial area water network upgrade	529,104	1,205,780
Weenen / Ezitendeni sanitation project	129,071	129,071
Boreholes for Okhahlamba Local Municipality	-	437,674
Construction of Wembezi water conservation and demand management phase 1	34,790,056	20,293,386
Construction of Fitty Park community water supply scheme phase 2	14,487,669	-
Ekuvukeni refurbishment of the Oliphantskop water treatment works	2,530,349	2,530,349
Construction of Loskop (Mqedanda) water reticulation ward 4 phase 1	8,205,421	24,625,445
Construction of Inkuzini bulk water feeder main stage 3A	3,183,311	12,945,588
Upgrade of Langkloof package plant & bulk supply ward 10	32,449,590	32,449,590
Steadville WCDM	40,124,166	-
Ladysmith AC replacement	37,198,905	-
Sanitation coverage VIP	13,581,714	-
Wembezi WCDM phase 1	(6,998,533)	-
District wide springs	16,323,642	-
Upgrade of Bergville WTW	10,744,413	-
Upgrade of Bergville WTW design phase 2	11,806,385	-
Upgrade of Langkloof WTW	19,682,970	-
Ntabamhlophe WSS	560,419	-
Weenen/Ezitendeni Water supply	(116,302)	-
Ekuvukeni water supply	(466,464)	-
Winterton water supply	3,118,927	-
Winterton sanitation	4,492,824	-
Okhahlamba wards 2, 3 and 14 Amanwane reticulation west	1,129,959	-
Okhahlamba wards 2, 3 and 14 groundwater program	(9,711)	-
Okhahlamba wards 2, 3 and 14 Amangwane reticulation east	1,109,652	-
Weenen/Ezitendeni water supply	700,724	-
Design of Umhlumayo bulk water supply infrastructure	8,346,436	-
Fitty Park Sundays River Umhlumayo extension	1,609,632	-
KwaMkhize water supply	944,597	-
Colenso water supply	20,598	-
Ezakheni WCDM	944	-
Bhekuzulu/Mqedandaba ward 4 phase 1	(472,232)	-
Repairs and refurbishment phase 3	40,000,000	-
	403,945,469	144,505,146
Total capital commitments		
Already contracted for but not provided for	403,945,469	134,268,182
Authorised operational expenditure		
Already contracted for but not provided for		

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
45. Commitments (continued)		
• Provision of asset management system	3,569,896	-
• Accredited service provider to provide laboratory space	2,412,768	5,669,500
• Service provider for the management of the rural road asset management system	2,055,757	5,441,466
• Provision of insurance broker services	8,220,934	8,220,934
• Leasing of premises - satellite offices and workshop	260,204	1,104,081
• Provision of armed security services	13,389,502	33,798,668
• Leasing of photo copiers and fax machine	757,370	1,215,632
	30,666,431	55,450,281
Total operational commitments		
Already contracted for but not provided for	30,666,431	55,450,281
Total commitments		
Total commitments		
Authorised capital expenditure	403,945,469	134,268,182
Authorised operational expenditure	30,666,431	55,450,281
	434,611,900	189,718,463

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,903,125	2,214,238
- in second to fifth year inclusive	319,725	2,222,850
	2,222,850	4,437,088

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for the first year with an annual escalation as per the lease agreement.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
46. Contingencies		
Contingent liabilities		
Shepstone & Wylie - Ndlalabeyidida Trading for the supply of meals at the Uthukela Winter Disaster awareness campaign.	90,000	90,000
Justin Heunis & Associates - Rosco Family Trust demanding rental that is due for February to July 2023	1,075,537	-
Mdledle INC. - Pearl Ndaba Attorneys claim for assisting the municipality with debt collection.	12,465,832	-
Masin Inc. - Wolcock Reed & Kotze claim for turnkey for Inkunzi bulk water feeder main stage 3A extension - unpaid invoice	2,489,008	-
Garlicke & Bousfield Attorneys - Fore C Electrical CC claim for unpaid invoices in respect of the installation of water pump and hire of electrical generator in the EKuvukeni area.	2,218,375	-
Lalpersadh Inc. - R & D Contractors for a claim in respect of retention money in respect of the Fitty Park water supply scheme phase 2	2,218,770	-
Godide Engineering Services claim for unpaid invoices in respect of Fitty Park water supply scheme phase 2	8,462,743	-
Nompumelelo Hadebe Inc. - Mpembe Family claim in respect of a minor child which was electricuted to death at the Colenso pump statin after it was vandalized	2,040,000	-
Ramkhelewan Inc. - S. Hlophe - claim in respect of alleged damages to his car while entering the premesis of the municipality at Forbes Street	4,703	-
Garlicke & Bousefield - Marathodi Metsi claim in respect of the smart metering system which was suspended by the municipality due to fundamental irregularities	785,561,554	-
Maree & Pace Mpulo Attorneys - Marks Tyres (Pty) Ltd claim in respect of unpaid invoices for services rendered	36,858	-
Macually & Riddle Venns Attorneys - G.P. Govender claim in respect of damages he has incurred as a result of municipal employees which were fixing a burst pipe in his property	50,139	-
Ilungelo Lami Trading CC - claim in respect of unpaid invoices for a project in Ekuvukeni	615,570	-
Justin Heunis & Associates - RASP Consultants CC claim in respect of unpaid invoices for refurbishment at the Ladysmith water treatment works	15,800,000	-
Justin Heunis & Associates - RASP Consultants CC claim in respect of unpaid invoices for refurbishment at the Ezakheni water treatment works	6,756,158	-
Gule Nathi Inc, - Aztec Trading claim in respect of various repairs done to municipal vehicles	146,861	-
T Shabalala Attourneys Inc. - Easy To Work claim in respect of the supply and delivery of laptops which were not paid for	45,000	-
Khumalo Masondo ttourneys - SABC (South African Broadcasting Corporation) claim in respect of a TV license account in arrears	15,370	-
Schults Incorporated - Europcar claim in respect of unpaid car rental invoices	455,082	-
Amadubandlela Attourneys - Jozzy Auto Centre claim in respect of unpaid invoices for the service and maintenance of municipal vehicles	542,469	-
Symington De Kok Attourneys - FNB (First National Bank) claim in respect of payment of fuel, oil and vehicle repairs	3,267,044	-
	844,357,073	90,000

The municipality has received a number of summons and letters of demand demanding payment for outstanding invoices. Most of these claims are in relation to projects from the Technical Services Department where service providers are claiming for the payment of outstanding invoices due to them.

Contingent assets

Contingent assets relates to pre-paid meter water sale transactions processed on a third party vendor financial system.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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46. Contingencies (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.

Based on the service provider sales report information relating to the installed meters the Municipality has determined that the total sales amounts to R9,050,651 for the period July 2021 to June 2023. This amount is contingent on independent validation and conclusion on the legal process as noted below.

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

Prepaid meter sales

Accumulative amounts due to the municipality at financial year end	9,050,651	1,850,494
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Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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47. Related parties

Relationships

Controlling entity Uthukela District Municipality

Related party balances

Uthukela Economic Development Agency

Total expenditure incurred	2,202,332	1,940,220
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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 implementation of the RASET program (Radical Agrarian Social Economic Transformation Program).

Related party transactions

Employee related costs

D.C.P. Mazibuko (CEO)	1,482,135	1,388,454
F. Mbuyisa (Intern)	102,000	102,000
S.Sibisi (Superintendent) seconded to the agency	618,197	449,766

Employee related costs consists of the earnings of the Accounting Offices, Board members, Intern and Superintendent seconded to the Agency.

Compensation to accounting officer and other key management

Basic salary	975,821	1,035,327
Car allowance	242,151	229,157
Subsistence and travelling	88,473	69,487
Housing subsidy	133,175	126,029
Backpay	26,901	13,592
UIF	2,125	3,125
SDL	13,489	13,737
	1,482,135	1,490,454

Key management information

Board members	Executive Committee	6
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

48. 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:

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
48. Prior period errors (continued)		
Statement of financial position		
Increase in payables from exchange transaction (liabilities)	-	27,976,796
Increase in Property, plant and equipment (assets)	-	2,281,448
Decrease in provision	-	10,071,157
Increase in VAT payables	-	75,740,604
VAT receivables (statutory receivable)	-	3,404,408
Consumer debtors	-	505,947
Statement of financial performance		
VAT refunds	-	72,401,409
Service charges	-	8,172,980
Other income	-	2,500
Fines penalties and forfeits	-	2,500
Depreciation and amortization	-	2,380,122
Impairment loss	-	13,980,000
Lease rentals on operating leases	-	5,761,564
Bulk purchases	-	1,669,782
Contracted services	-	9,083,870
General expenditure	-	6,312,260

49. 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:

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand		2023	2022		
49. Prior-year adjustments (continued)					
Statement of financial position					
2022					
	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	10	8,006,592	-	-	8,006,592
Receivables from exchange transactions	11	52,378,456	-	-	52,378,456
VAT receivables	13	-	3,404,408	-	3,404,408
Receivables from non-exchange transactions	12	2,759,383	-	-	2,759,383
Consumer debtors	14	56,847,751	(505,947)	-	56,341,804
Cash and cash equivalents	15	14,523,120	-	-	14,523,120
Property, plant and equipment	4	3,178,949,171	2,281,448	-	3,181,230,619
Intangible assets	5	428,440	-	-	428,440
Receivables from exchange transactions	11	1,658,406	-	-	1,658,406
Receivables from non-exchange transactions	8&12	2,673,647	-	-	2,673,647
Other liabilities - sundry debtors with credit balances	17	(58,225)	-	-	(58,225)
Operating lease liability	6	(1,092,120)	-	-	(1,092,120)
Payables from exchange transactions	22	(436,267,260)	(22,827,478)	(10,071,157)	(469,165,895)
Consumer deposits	23	(18,149,425)	-	-	(18,149,425)
Employee benefit obligation	7	(6,090,593)	-	-	(6,090,593)
Unspent conditional grants	16	(15,797,599)	-	-	(15,797,599)
Provisions	18	(45,240,652)	-	10,071,157	(35,169,495)
VAT payable	19	(20,076,276)	(75,740,604)	-	(95,816,880)
Debtors with credit balances	20	(15,704,740)	-	-	(15,704,740)
Other liabilities - salaries suspense account	21	(355,299)	-	-	(355,299)
Employee benefit obligation	7	(38,162,407)	-	-	(38,162,407)
		2,721,230,370	(93,388,173)	-	2,627,842,197

Uthukela District Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand		2023	2022		
49. Prior-year adjustments (continued)					
Statement of financial performance					
2022					
	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	25	247,614,652	8,172,980	-	255,787,632
Interest received (trading services)	24	35,856,242	-	-	35,856,242
VAT refunds received	24	72,401,409	(72,401,409)	-	-
Other income	28	1,869,884	-	(2,500)	1,867,384
Interest received - investments	29	4,554,014	-	-	4,554,014
Gain on disposal of assets and liabilities	4	318,900	-	-	318,900
Actuarial gains	7	1,361,000	-	-	1,361,000
Government grants and subsidies	31	784,096,971	-	-	784,096,971
Public contributions and donations	32	23,649,757	-	-	23,649,757
Fines, penalties and forfeits	26	-	-	2,500	2,500
Employee related costs	33	(380,776,271)	-	-	(380,776,271)
Remuneration of Councillors	34	(6,550,050)	-	-	(6,550,050)
Depreciation and amortization	35	(81,275,890)	(2,380,122)	-	(83,656,012)
Reversal of impairments/ impairment loss	36	(455,671)	(13,980,000)	-	(14,435,671)
Interest incurred	37	(6,844,729)	-	-	(6,844,729)
Lease rentals on operating leases	27&43	(3,366,774)	(5,761,564)	-	(9,128,338)
Debt impairment	38	(169,468,982)	-	-	(169,468,982)
Incentive discounts	60	(2,625,630)	-	-	(2,625,630)
Bad debt written off	61	(886,330)	-	-	(886,330)
Bulk purchases	39	(9,970,542)	(1,669,782)	-	(11,640,324)
Contracted services	40	(144,292,218)	(9,083,870)	-	(153,376,088)
Transfers and subsidies	30	(3,000,000)	-	-	(3,000,000)
General expenditure	41	(226,241,119)	(6,312,262)	-	(232,553,381)
Surplus for the year		135,968,623	(103,416,029)	-	32,552,594

Cash flow statement

2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
VAT refunds	24	72,401,409	(72,401,409)	-
Sale of goods and services		69,542,086	11,304,558	80,846,644
Interest raised - consumer debtors	24	35,856,242	-	35,856,242
Grants	31	784,096,971	-	784,096,971
Interest income	29	4,554,014	-	4,554,014
Other cash items	28	1,869,885	-	1,869,885
Employee and Councillors costs	33&34	(387,326,321)	-	(387,326,321)
Suppliers		(378,494,931)	79,393,924	(299,101,007)
Interest incurred	37	(6,844,729)	-	(6,844,729)
Transfer payments	30	(3,000,000)	-	(3,000,000)
Rent paid		(2,681,066)	(839,725)	(3,520,791)
		189,973,560	17,457,348	207,430,908
Cash flow from investing activities				
Purchase of property, plant and equipment	4	(214,635,159)	(17,457,347)	(232,092,506)

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

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49. 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.

50. 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	2023	2022
Bank Balance and cash	13,497,715	14,523,120
Consumer debtors from exchange transactions	47,984,452	56,341,804
Other receivables from exchange transactions	6,752,231	54,036,862
Receivables from non-exchange transactions	304,623	5,433,030

Uthukela District Municipality

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51. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an operating deficit of R22,428,631 and that the municipality's total assets exceed its liabilities by R 2,677,558,802.

Futhermore it must be noted that the current liabilities (R639,518,338) exceeds the current assets (R101,176,384) by an amount of R538,341,954.

The audited 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 occure in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The Municipality 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 deficit running from year to year, the Municipality has, in the year under reporting been able to cut its liabilities by R36,540,453 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 and 2022/2023 financial years 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) has 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.

Uthukela District Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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51. 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 possibility of a potential financial loss.

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

52. Events after the reporting date

52.1. The Municipal bank account was fraudulantly accessed, whereby an unauthorized debit order, was affected against the account during June 2023.

The Municipal bankers "FNB - First National Bank" managed to recover all the monies which were drawn from the Municipal bank account through this unauthorized debit order identified, amounting to R132,478, with the description "SB VISA SB AUTOPAY" of which the amount was recovered in July 2023.

52.2. On the 3rd of August 2023 a notice of sale of execution was placed in the local newspaper, the Ladysmith Gazette, in the matter Rosco Family Trust (execution creditor and Uthukela District Municipality (judgement debtor) - Case number : 172/2023.

The notice was placed by the Attorney of the execution creditor Justin Heunis & Associates and the auction date has been set as 29 August 2023 at 10h00 at the site of the Uthukela District Municipal Offices, 36 Lyell Street, Ladysmith.

The items listed for auction are as follows.

5 x Mercedes water tankers

1 x Bell TLB.

1 x UDH tipper truck.

52.3. During the month of July 2023, a notice of attachment under rule 45(8) and rule 45(12) was served on First National Bank in terms of which the sheriff judicially attached the right, title and interest on the municipal investment bank account number 62253072385 relating to monies due to Myaluza Civils (Pty) Ltd).

The municipality is in the process of instructing their legal representative to start the process of lifting the hold on the municipal bank account.

Despite the above intentions to lift the hold on the municipal investment bank account the amounts of R15,800,650 was released by FNB on 17 October 2023 and R977,472 on 18 October 2023.

53. Unauthorised expenditure

Opening balance as previously reported	137,721,377	121,151,583
Add: Unauthorised expenditure - current	155,450,071	16,569,794
Closing balance	293,171,448	137,721,377

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 R1,096,871,071 against the budget of R941,421,000 which resulted in a overspending of R155,450,071 for the financial year (2022/2023).

Refer to the tables below.

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Figures in Rand	2023	2022
53. Unauthorised expenditure (continued)		
The over expenditure incurred by municipal departments during the year is attributable to the following categories:		
Non-cash	38,744,482	(6,024,503)
Cash	116,705,589	22,594,297
	155,450,071	16,569,794

Analysed as follows: non-cash

Depreciation and amortization	2,623,113	18,839,890
Impairment loss	3,428,622	455,671
Debt impairment provision	10,727,197	(16,783,018)
Incentive discounts	3,302,525	2,625,630
Bad debt written off	17,143,861	886,330
Loss on disposal of assets	1,519,164	-
	38,744,482	6,024,503

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

Analysed as follows: cash

Employee related costs	9,537,785	(5,552,729)
Remuneration of Councillors	236,372	178,050
Interest incurred	8,611,049	6,844,729
Lease rentals on operating leases	20,836,365	3,366,774
Bulk purchases	(18,866,009)	(114,229,458)
Contracted services	16,073,373	3,413,218
General expenditure	80,276,654	83,385,119
	116,705,589	(22,594,297)

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

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

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Figures in Rand	2023	2022
53. Unauthorised expenditure (continued)		
Unauthorised expenditure: Budget overspending – per municipal department:		
Council and Municipal Manager	(11,711,793)	(5,451,361)
Finance and Administration	92,738,350	(10,480,342)
Planning, Economic Development and Social Services	1,023,978	(1,262,021)
WSA and Health Services	(4,941,883)	(4,898,544)
Water, sanitation and Technical Services	78,341,419	5,522,474
	155,450,071	(16,569,794)
Municipal Governance and Administration		
Executive and Council	(11,711,793)	(5,451,361)
Finance and Administration	92,738,350	(10,479,342)
	81,026,557	(15,930,703)
Community and Public Safety		
Community and Social Services	-	(12,578,000)
Municipal Health	(4,941,883)	(4,898,544)
	(4,941,883)	(17,476,544)
Economic and Environmental Services		
Planning and development	1,023,978	11,314,979
Trading Services		
Water and waste water management	78,341,419	5,522,474

Disciplinary steps taken/criminal proceedings

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

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

Uthukela District Municipality

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54. Fruitless and wasteful expenditure		
Opening balance as previously reported	14,186,396	13,706,914
Add: Fruitless and wasteful expenditure identified - current	48,522,790	3,854,551
Less: Amount written off - prior period	-	(3,375,069)
Closing balance	62,709,186	14,186,396
Fruitless and wasteful expenditure is presented inclusive of VAT		
Expenditure identified in the current year		
Eskom	61,302	32,530
Alfred Duma Local Municipality	45,907	73,296
Auditor General	51,730	10,503
SAPO (South African Post Office)	45,078	-
Shula Construction	96,782	-
Umgeni Pumps	44,303,462	-
DLV Contractors	232,377	-
Marotodi Metsi	-	53,260
Munsoft	35,311	4,691
G J Vonkman Attorneys	-	31,401
Zanamanzi	-	275,000
Sinethemba Construction	-	574,131
DWS (Department of Water and Sanitation)	3,650,841	2,799,739
	48,522,790	3,854,551

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand		2023	2022
54. Fruitless and wasteful expenditure (continued)			
Details of fruitless and wasteful expenditure			
Disciplinary steps taken/criminal proceedings			
Fruitless and wasteful expenditure - 2021/2022	No disciplinary steps taken and no criminal proceedings instituted	-	3,854,551
Fruitless and wasteful expenditure 2022/2023	No disciplinary steps taken and no criminal proceedings instituted	48,522,790	-
		48,522,790	3,854,551

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

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54. 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.

Uthukela Economic Development Agency - penalty charges was raised in respect of the late registration and payment of PAYE, UIF and SDL to SARS.

	Written off by Council through resolutions	
Inkosi Langalibalela 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
Eskom	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 disciplinary steps has been taken and no criminal proceedings instituted.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
55. Irregular expenditure		
Opening balance as previously reported	435,274,826	142,477,915
Add: Irregular expenditure - current financial year	337,356,192	353,105,997
Less: Amount written off - prior period	-	(60,309,086)
Closing balance	772,631,018	435,274,826
Nature of contravention		
Section 32 deviations	2,779,523	70,235,707
Section 36 deviations	33,680,646	110,444,944
Non-compliance with SCM regulations	248,690,755	158,094,648
Expired contracts	2,544,309	6,296
Order splitting	3,511,802	702,750
Irregular expenditure adjustments	-	13,621,652
Section 37	22,423,622	-
Section 114	23,349,860	-
State employees	375,675	-
	337,356,192	353,105,997

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

Amounts disclosed are inclusive of VAT.

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Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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55. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Irregular expenditure incurred 2021/2022	No disciplinary steps and no criminal proceedings instituted	-	353,105,997
Irregular expenditure 2022/2023	No disciplinary steps and no criminal proceedings instituted	337,356,192	-
		337,356,192	353,105,997

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
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Disciplinary steps taken/criminal proceedings

No disciplinary steps taken and no criminal proceedings instituted.

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	3,999,996
Amount paid - current year	-	(3,999,996)
	-	-

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

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Current year subscription / fee	3,905,556	4,097,093
Amount paid - current year	(3,905,556)	(4,097,093)
	<u>-</u>	<u>-</u>

The above is payments made to the Auditor General.

PAYE, UIF and SDL

Current year subscription / fee	56,966,552	64,161,869
Amount paid - current year	(56,966,552)	(64,161,869)
	<u>-</u>	<u>-</u>

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

Pension and Medical Aid Deductions

Current year subscription / fee	69,051,573	63,963,300
Amount paid - current year	(69,051,573)	(63,963,300)
	<u>-</u>	<u>-</u>

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 2023.

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Shabalala N.B.	<u>1,084</u>	<u>-</u>	<u>1,084</u>

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Laytam	-	387,200
Vivah Tec	-	772,276
Zanamanzi Services	-	14,982,827
Godide Engineering	-	27,599,928
Motus Group	-	772,946
SYK Mbango Investments	-	821,800
Lunasis Ideas	-	2,484,000
Uphaphe Lwegwalagwala	-	320,850
MJ Construction	-	242,609
Yengweni Enterprises	-	1,173,000
Uvalo Logistics	-	2,028,696
Joat Consulting	-	235,546
Phakamo Holdings	-	1,275,674
Sydwalt	-	20,820,215
Ramkhelewan INC.	-	28,000
Mandlondlo Transport	-	130,000
Shelsworth	-	62,748
Wetspec	4,348,796	520,098
Mgazi Engineering	8,720,426	21,597,171
Zenzelewena	5,180,180	-
Seethal Attorneys	129,732	-
Zegele	82,174	-
Kone	37,310	-
Huge Telecom	43,304	-
Motagane	4,518,000	-
Workwear	298,545	-
Zenith Car Rental	596,144	-
K2 Commodities	132,841	-
Lalpersad	240,000	-
Bates Motors	286,303	-
Magudulela	3,408,696	-
	28,022,451	96,255,584

57. Actual operating expenditure versus budgeted operating expenditure

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

58. 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 audited annual financial statements.

Supply chain deviations

Deviations supported by approval memo's - UTDM	432,902	2,445,801
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Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
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59. 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.

Aggregated segments

The municipality operates in the Kwazulu Natal Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the Province were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Municipal governance and administration

Community and public safety

Trading services

Goods and/or services

Primary education servicesGovernance and administration is the process of activity of running the organization

Community safety is a partnership approach to reduce crime and disorder in local communities. It also manages disaster caused by humans or nature.

Trading services are the main source of income for the municipality and are water, sanitation and sewerage services rendered.

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Municipal governance and administration	Community and public safety	Trading services	Total
Revenue				
Service charges	-	-	222,771,043	222,771,043
Interest received trading services	-	-	49,201,177	49,201,177
Other income	2,354,248	-	-	2,354,248
Interest received on investments	7,328,864	-	-	7,328,864
Grants and subsidies	545,551,576	2,180,000	242,688,332	790,419,908
Actuarial gain	2,336,000	-	-	2,336,000
Fines, penalties & forfeits	-	31,200	-	31,200
Total segment revenue	557,570,688	2,211,200	514,660,552	1,074,442,440
Entity's revenue				1,074,442,440

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

	Municipal governance and administration	Community and public safety	Trading services	Total
59. Segment information (continued)				
Expenditure				
Employee related costs	138,934,238	55,060,817	169,298,730	363,293,785
Remuneration of Councillors	6,607,372	-	-	6,607,372
Depreciation and amortization	5,040,220	-	78,882,893	83,923,113
Impairment loss	3,428,622	-	-	3,428,622
Interest incurred	8,614,049	-	-	8,614,049
Lease rentals on operating leases	2,176,122	-	18,660,243	20,836,365
Debt impairment	1,593,154	-	158,200,043	159,793,197
Incentive discounts	-	-	3,302,525	3,302,525
Bad debt written off	24,805	-	17,119,056	17,143,861
Bulk purchases	-	-	15,209,991	15,209,991
Transfers and subsidies	-	3,120,000	-	3,120,000
Contracted services	5,339,612	103,530	169,812,231	175,255,373
Loss on disposal of assets and liabilities	1,519,164	-	-	1,519,164
General expenditure	85,768,467	2,206,619	146,848,568	234,823,654
Total segment expenditure	259,045,825	60,490,966	777,334,280	1,096,871,071
Total segmental surplus/(deficit)				(22,428,631)
Assets				
Current assets	33,498,478	-	67,677,906	101,176,384
Non-current assets	37,170,413	-	3,218,452,750	3,255,623,163
Total segment assets	70,668,891	-	3,286,130,656	3,356,799,547
Total assets as per Statement of financial Position				3,356,799,547

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

	Municipal governance and administration	Community and public safety	Trading services	Total
59. Segment information (continued)				
Liabilities				
Current liabilities	224,854,215	-	414,664,123	639,518,338
Non-current liabilities	39,722,407	-	-	39,722,407
Total segment liabilities	264,576,622	-	414,664,123	679,240,745
Total liabilities as per Statement of financial Position				679,240,745

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

2022

	Municipal governance and administration	Community and public safety	Trading services	Total
Revenue				
Service charges	-	-	255,787,632	255,787,632
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
Gains on disposal of assets and liabilities	318,900	-	-	318,900
Total segment revenue	498,298,172	2,063,124	607,133,104	1,107,494,400
Entity's revenue				1,107,494,400

Uthukela District Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

59. Segment information (continued)

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	7,985,783	-	75,670,229	83,656,012
Impairment loss	14,435,671	-	-	14,435,671
Interest incurred	6,844,729	-	-	6,844,729
Lease rentals on operating leases	4,206,499	-	4,921,839	9,128,338
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	-	-	11,640,324	11,640,324
Transfers and subsidies	-	3,000,000	-	3,000,000
Contracted services	3,245,956	872,056	149,258,077	153,376,089
General expenditure	70,981,875	3,394,369	158,177,136	232,553,380
Total segment expenditure	254,346,093	61,656,021	758,939,692	1,074,941,806
Total segmental surplus/(deficit)				32,552,594

Assets

Current assets	73,065,367	-	64,348,396	137,413,763
Non-current assets	40,969,830	-	3,145,021,282	3,185,991,112
Total segment assets	114,035,197	-	3,209,369,678	3,323,404,875
Total assets as per Statement of financial Position				3,323,404,875

Liabilities

Current liabilities	211,835,113	4,154,237	441,410,921	657,400,271
Non-current liabilities	38,162,407	-	-	38,162,407
Total segment liabilities	249,997,520	4,154,237	441,410,921	695,562,678
Total liabilities as per Statement of financial Position				695,562,678

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.

Uthukela District Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
60. Incentive discounts		
Incentive discounts (consumer debtors)		
50% discount (50 percent)	2,247,702	-
1/3 discount (one third)	1,054,823	2,625,630
	3,302,525	2,625,630

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

61. Bad debt written off

Irrecoverable debt written off		
Indigent consumers debt written off	17,119,056	886,330
Access held back by insurance broker in respect of insurance claim lodged in the 2021/2022 financial year	24,805	-
	17,143,861	886,330

The amount of R17,119,056 is in respect of outstanding debt written off in respect of indigent consumers.

The municipality created a debtor in the 2021/2022 financial year respect of an outstanding insurance claim to the amount of R496,092.

The claim was paid out in favour of the municipality on the 29th of July 2022 however R24,805 was held back as insurance access.

The municipality therefore received R471,287 only.

62. Fraudulent activities

Fraudulent 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
Unauthorized debit order "SB VISA SA AUTOPAY"	-	4,399,039
	6,014,775	10,413,814

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

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 Municipality's.

A financial investigation report was compile and submitted to the Commercial Crime and Fraud Division 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 2023

Analysis of property, plant and equipment as at 30 June 2023
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an 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	(8,141,612)	-	-	(1,286,480)	-	(9,428,092)	28,190,749
	42,389,613	-	-	-	-	-	42,389,613	(8,141,612)	-	-	(1,286,480)	-	(9,428,092)	32,961,521
Infrastructure														
Water and wastewater infrastructure	3,211,623,611	-	(6,170,363)	36,474,871	121,222,936	-	3,363,151,055	(885,351,626)	4,683,329	(16,338,587)	(79,124,607)	(3,291,664)	(979,423,155)	2,383,727,900
	3,211,623,611	-	(6,170,363)	36,474,871	121,222,936	-	3,363,151,055	(885,351,626)	4,683,329	(16,338,587)	(79,124,607)	(3,291,664)	(979,423,155)	2,383,727,900
Community Assets														

Uthukela District Municipality
Uthukela District Municipality
Appendix B

June 2023

Analysis of property, plant and equipment as at 30 June 2023
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	72,730,237	-	(1,753,261)	-	248,959	-	71,225,935	(63,880,772)	1,753,261	(19,182)	(2,789,990)	(33,764)	(64,970,447)	6,255,488
Computer Equipment	5,145,309	75,936	(98,138)	-	45,000	-	5,168,107	(3,616,488)	85,359	(2,352)	(365,600)	(38,235)	(3,937,316)	1,230,791
Office Equipment	7,098,586	170,640	(347,693)	-	-	-	6,921,533	(5,490,457)	328,342	-	(338,319)	(98,723)	(5,599,157)	1,322,376
Work in progress	817,562,940	165,721,037	-	(41,444,714)	(102,875,326)	-	838,963,937	-	-	-	-	(11,086,615)	(11,086,615)	827,877,322
	902,537,072	165,967,613	(2,199,092)	(41,444,714)	(102,581,367)	-	922,279,512	(72,987,717)	2,166,962	(21,534)	(3,493,909)	(11,257,337)	(85,593,535)	836,685,977

June 2023

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
42,389,613	-	-	-	-	-	42,389,613	(8,141,612)	-	-	(1,286,480)	-	(9,428,092)	32,961,521
3,211,623,611	-	(6,170,363)	36,474,871	121,222,936	-	3,363,151,055	(885,351,626)	4,683,329	(16,338,587)	(79,124,607)	(3,291,664)	(979,423,155)	2,383,727,900
902,537,072	165,967,613	(2,199,092)	(41,444,714)	(102,581,367)	-	922,279,512	(72,987,717)	2,166,962	(21,534)	(3,493,909)	(11,257,337)	(85,593,535)	836,685,977
4,156,550,296	165,967,613	(8,369,455)	(4,969,843)	18,641,569	-	4,327,820,180	(966,480,955)	6,850,291	(16,360,121)	(83,904,996)	(14,549,001)	1,074,444,782	3,253,375,398
786,556	-	-	-	-	-	786,556	(339,458)	-	-	(18,659)	-	(358,117)	428,439
786,556	-	-	-	-	-	786,556	(339,458)	-	-	(18,659)	-	(358,117)	428,439
42,389,613	-	-	-	-	-	42,389,613	(8,141,612)	-	-	(1,286,480)	-	(9,428,092)	32,961,521
3,211,623,611	-	(6,170,363)	36,474,871	121,222,936	-	3,363,151,055	(885,351,626)	4,683,329	(16,338,587)	(79,124,607)	(3,291,664)	(979,423,155)	2,383,727,900
902,537,072	165,967,613	(2,199,092)	(41,444,714)	(102,581,367)	-	922,279,512	(72,987,717)	2,166,962	(21,534)	(3,493,909)	(11,257,337)	(85,593,535)	836,685,977
786,556	-	-	-	-	-	786,556	(339,458)	-	-	(18,659)	-	(358,117)	428,439
4,157,336,852	165,967,613	(8,369,455)	(4,969,843)	18,641,569	-	4,328,606,736	(966,820,413)	6,850,291	(16,360,121)	(83,923,655)	(14,549,001)	1,074,802,899	3,253,803,837

June 2023

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 an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
4,770,772	-	-	-	-	-	4,770,772	-	-	-	-	-	-	4,770,772
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
3,015,447,971	151,934,091	-	-	(3,063,293)	-	3,164,318,769	(807,263,674)	-	1,614,624	(73,311,613)	(4,776,339)	(883,737,002)	2,280,581,767
3,015,447,971	151,934,091	-	-	(3,063,293)	-	3,164,318,769	(807,263,674)	-	1,614,624	(73,311,613)	(4,776,339)	(883,737,002)	2,280,581,767

June 2023

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

Heritage assets
Specialised vehicles
Other assets

June 2023

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
42,389,613	-	-	-	-	-	42,389,613	(6,855,133)	-	-	(1,286,479)	-	(8,141,612)	34,248,001
3,015,447,971	151,934,091	-	-	(3,063,293)	-	3,164,318,769	(807,263,674)	-	1,614,624	(73,311,613)	(4,776,339)	(883,737,002)	2,280,581,767
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)	(49,900,380)	-	4,109,245,454	(882,070,189)	1,622,803	(9,050,084)	(81,257,230)	(5,232,011)	(975,986,711)	3,133,258,743
786,557	-	-	-	-	-	786,557	(339,458)	-	-	(18,660)	-	(358,118)	428,439
786,557	-	-	-	-	-	786,557	(339,458)	-	-	(18,660)	-	(358,118)	428,439
42,389,613	-	-	-	-	-	42,389,613	(6,855,133)	-	-	(1,286,479)	-	(8,141,612)	34,248,001
3,015,447,971	151,934,091	-	-	(3,063,293)	-	3,164,318,769	(807,263,674)	-	1,614,624	(73,311,613)	(4,776,339)	(883,737,002)	2,280,581,767
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
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)	(49,900,380)	-	4,110,032,011	(882,409,647)	1,622,803	(9,050,084)	(81,275,890)	(5,232,011)	(976,344,829)	3,133,687,182

Uthukela District Municipality

Appendix D

June 2023

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						
318,900	64,297,484	(63,978,584)	Executive & Council/Mayor and Council	-	54,821,207	(54,821,207)
570,380,681	399,849,541	170,531,140	Finance & Admin/Finance	716,629,975	416,182,350	300,447,625
2,060,624	30,451,049	(28,390,425)	Planning and Development/Economic Development/Plan	1,250,641	30,121,978	(28,871,337)
2,500	36,717,919	(36,715,419)	Health/Clinics	31,200	33,104,117	(33,072,917)
534,731,695	543,625,813	(8,894,118)	Water/Water Distribution	356,530,626	562,641,419	(206,110,793)
,107,494,400	,074,941,806	32,552,594		,074,442,442	,096,871,071	(22,428,629)
Municipal Owned Entities Other charges						
,107,494,400	,074,941,806	32,552,594	Municipality	,074,442,442	,096,871,071	(22,428,629)
,107,494,400	,074,941,806	32,552,594	Total	,074,442,442	,096,871,071	(22,428,629)

Uthukela District Municipality

Appendix E(1)

June 2023

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2023

	Forecast # 1 2023 Bud. Amt	Forecast # 1 2023 Act. Bal.	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Service charges	250,770,000	222,771,043	27,998,957	12.6	The municipality did not achieve the target set in the budget
Penalties, fines & forfeits	36,000	31,200	4,800	15.4	This was not budgeted for
Interest received (trading)	48,534,000	49,201,177	(667,177)	(1.4)	
Government grants and subsidies (operating)	586,665,000	545,551,576	41,113,424	7.5	Unspent grants as ta 30 June 2022 roll over application was denied
Other income	33,144,000	2,354,248	30,789,752	307.8	Other income was not realirically budgeted for
Actuarial gains	-	2,336,000	(2,336,000)	(100.0)	This was not budgeted for
Interest received - investment	5,972,000	7,328,864	(1,356,864)	(18.5)	Cashflow constraints limited the investments of surplus cash
	925,121,000	829,574,108	95,546,892	11.5	
Expenses					
Personnel	(353,757,000)	(363,293,785)	9,536,785	(2.6)	
Remuneration of councillors	(6,371,000)	(6,607,372)	236,372	(3.6)	
Depreciation	(81,300,000)	(83,923,113)	2,623,113	(3.1)	
Reversal of impairments	-	(3,428,622)	3,428,622	(100.0)	This was not budgeted for
Interest incurred	(3,000)	(8,614,049)	8,611,049	(100.0)	This was not realistically budgeted for
Debt Impairment	(149,066,000)	(159,793,197)	10,727,197	(6.7)	
Incentive discounts	-	(3,302,525)	3,302,525	(100.0)	Incentive discounts to encourage consumers to pay outstanding debt was not budgeted for
Bad debt written off	-	(17,143,861)	17,143,861	(100.0)	Bad debt written off relating to indigent consumers were not budgeted for
Lease rentals	-	(20,836,365)	20,836,365	(100.0)	This was not budgeted for
Bulk purchases	(34,077,000)	(15,209,991)	(18,867,009)	124.0	Bulk purchases was not realistically budgeted for as water is obtained from DWS only
Contracted Services	(159,181,000)	(175,255,373)	16,074,373	(9.2)	There was savings with regards to maintenance and repairs as well as the purchase of chemicals
Transfers and Subsidies	(3,120,000)	(3,120,000)	-	-	
General Expenses	(154,547,000)	(234,823,654)	80,276,654	(34.2)	This was as a result of the construction of VIP toilets disclosed under general expenditure as it is not of a capital nature and is not included in PPE
	(941,422,000)	(941,422,000)	153,929,907	(14.1)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	(1,519,164)	1,519,164	(100.0)	Thid was not budgeted for
Government grants and subsidies (capital)	241,174,000	244,868,332	(3,694,332)	(1.5)	
	241,174,000	243,349,168	(2,175,168)	(0.9)	
Net surplus/ (deficit) for the year	224,873,000	(22,428,631)	247,301,631	102.6	