Umzinyathi District Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: MunicipalStructures Act (Act 117 of 1998) read with section 155 (1) of theConstitution of the republic of South Africa (Act 108 of 1996)
Mayoral committee	
Executive Mayor	Cllr TH Mchunu (Mayor)
Councillors	Cllr N Zungu (Deputy Mayor)
	Cllr TL Kunene (Speaker
	Cllr PM Ngobese (Chief Whip)
	Cllr SP Mbatha (MPAC Chairperson)
	Cllr FN Mthethwa (Rules Committee Chairperson)
	Cllr TZ Mkhize
	Cllr FN ZN Ndlovu
	Cllr BS Chambule
	Cllr LC Moloi
	Cllr LG Mabaso
	Cllr TGL Shabalala
	Cllr SN Sithole
	Cllr DM Xaba
	Cllr LP Mbhele
	Cllr TC Ngubane
	Cllr RN Ngubane
	Cllr MM Masondo
	Cllr SB Mdluli
	Cllr JN Khoza
	Cllr SG Hlatshwayo
	Cllr QM Ngobese
	Cllr LS Hoffman
	Cllr M Ntshapha
	Cllr LB Ntuli
	Cllr EM Mdluli
	Cllr ME Ngobe
	Cllr JB Chonco
Grading of local authority	Grade 3
Accounting Officer	MV Ntanzi
Chief Finance Officer (CFO)	S S. Mbuyazi
Registered office	39 Victoria Street Princess Magogo Building Dundee 3000
Business address	39 Victoria Street Princess Magogo Building Dundee 3000
Postal address	P.O. Box 1965 Dundee 3000

General Information

Bankers	First National Bank, Nedbank, Standard Bank, Absa Bank and Investec
Auditors	Auditor General South Africa
Attorneys	Panel of attorneys
Preparer	The annual financial statements were internally compiled by: The Acting Deputy Financial Officer and Reviewed by Chief Financial Office and Internal Audit Unit

Index

Abbreviations used:

ABSA	Amalgamated Banks of South Africa
AGSA	Auditor General South Africa
COGTA	Department of Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
DM	District Municipality
DORA	Division of Revenue Act
DPW	Department of Public Works
DWS	Department of Water and Sanitation

Accounting Officer's Responsibilities and Approval

The Umzinyathi Municipality is situated at Princess Magogo building, No.39 Victoria Street, Dundee. It is a grade 3 municipality established in terms of section 12(1) of the Municipal Structures Act No.117 and published in terms of Provincial Government Notice 346 of the 19th of September 2020. The local government operations are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act (Act No.117 of 1998). The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

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

The accounting officer certifies that the salaries, allowances and benefits of councillors and payment made to councillors for loss of office as disclosed in the Annual financial statements below are within the upper limits of the framework envisaged in section 219 of the Constitution read in conjuction with the Public Officer Berears Act and the Minister of Cooperative Governance and Traditioal Affairs(COGTA) determination in accordance with this Act.

The annual financial statement set out on page 7, which have been prepared on the going concern basis, were approved by the Accounting Officeraccounting officer on 31 August 2025.

Accounting Officer
MV NTANZI

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	10 175 789	4 201 254
Inventories	4	4 934 498	968 135
Vat Receivable	5	38 615 493	38 997 306
Receivables from exchange transactions	6	80 912 081	100 412 305
Receivables from non-exchange transactions	7	140 870	27 959
Statutory receivables	8	8 283 433	1 315 589
		143 062 164	**145 922 548**
Non-Current Assets			
Property, plant and equipment	9	3 140 117 528	3 007 783 270
Investment property	10	1 701 385	1 792 965
Intangible assets	11	19 494	201 897
Heritage assets	12	8 655	8 655
Investments in Associates	13	22 835 343	39 986 525
		3 164 682 405	**3 049 773 312**
Total Assets		**3 307 744 569**	**3 195 695 860**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	595 161 820	556 184 653
Unspent conditional grants and receipts	15	6 525 000	-
Consumer deposits	16	451 314	451 314
Transfers payable	17	8 099 734	5 099 734
VAT payable	18	53 530 850	55 360 276
Employee benefit obligation	19	2 408 217	2 269 250
		666 176 935	**619 365 227**
Non-Current Liabilities			
Employee benefit obligation	19	28 146 372	25 126 940
Total Liabilities		**694 323 307**	**644 492 167**
Net Assets		**2 613 421 262**	**2 551 203 693**
Accumulated surplus		2 613 421 263	2 551 203 755
Total Net Assets		**2 613 421 263**	**2 551 203 755**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	43 696 164	17 055 475
Rental of facilities and equipment	21	426 795	499 109
Interest earned on outstanding debtors	22	63 736 549	69 838 515
Actuarial gain on post retirement benefit	19	981 153	2 476 057
Other income	23	141 307	1 148 377
Interest received - investment	24	6 207 416	8 675 343
Gain on disposal of assets and liabilities		179 014	-
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method		-	3 444 177
Total revenue from exchange transactions		**115 368 398**	**103 137 053**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	25	799 218 561	756 094 888
Total revenue		**914 586 959**	**859 231 941**
Expenditure			
Employee related costs	26	(283 833 263)	(250 757 429)
Remuneration of councillors	27	(8 023 604)	(6 930 888)
Depreciation and amortisation	28	(63 322 839)	(63 820 561)
Impairement loss	29	(28 136 149)	(8 784 624)
Finance costs	30	(13 317 283)	(12 905 820)
Lease rentals on operating lease	31	(1 732 545)	(1 700 784)
Debt Impairment	32	(27 887 291)	(144 545 060)
Contracted services	33	(188 304 102)	(220 830 142)
Transfers and Subsidies	34	(11 700 000)	(10 000 000)
Loss on disposal of assets and liabilities	9	-	(39 448)
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method		(17 151 182)	-
General Expenses	35	(151 374 173)	(196 951 777)
Total expenditure		**(794 782 431)**	**(917 266 533)**
Surplus (deficit) for the year		**119 804 528**	**(58 034 592)**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 609 238 347	2 609 238 347
Balance at 01 July 2023 as restated*	**2 609 238 347**	**2 609 238 347**
Changes in net assets		
Surplus for the year	(58 034 592)	(58 034 592)
Total changes	(58 034 592)	(58 034 592)
Restated* Balance at 01 July 2024	**2 551 203 693**	**2 551 203 693**
Changes in net assets		
Adjustment corrections posted on the 1st of July instead 30 June 2024	(57 586 958)	(57 586 958)
Net income (losses) recognised directly in net assets	(57 586 958)	(57 586 958)
Surplus for the year	119 804 528	119 804 528
Total recognised income and expenses for the year	62 217 570	62 217 570
Total changes	62 217 570	62 217 570
Balance at 30 June 2025	**2 613 421 263**	**2 613 421 263**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		53 195 711	7 133 937
Grants		799 218 561	756 094 888
Interest income		6 207 416	8 675 343
		858 621 688	771 904 168
Payments			
Employee costs		(290 514 492)	(248 315 433)
Suppliers		(347 954 282)	(371 692 422)
Finance costs		(10 053 787)	(9 775 287)
		(648 522 561)	(629 783 142)
Net cash flows from operating activities	36	**210 099 127**	**142 121 026**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(223 611 533)	(155 392 936)
Proceeds from sale of property, plant and equipment	9	271 284	-
Net cash flows from investing activities		**(223 340 249)**	**(155 392 936)**
Cash flows from financing activities			
Finance lease payments		(3 263 496)	(57 654 234)
Net increase/(decrease) in cash and cash equivalents		**5 974 535**	**(48 446 990)**
Cash and cash equivalents at the beginning of the year		4 201 254	52 648 233
Cash and cash equivalents at the end of the year	3	**10 175 789**	**4 201 243**

The accounting policies on pages 15 to 38 and the notes on pages 39 to 93 form an integral part of the annual financial statements.

* See Note 40

Statement of Comparison between budget and Actual

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

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

Statement of comparsion between budget and actual

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
2025											
Financial Performance											
Interest Earned from Investments	10 907 718	-	10 907 718	-		10 907 718	6 207 416		(4 700 302)	57 %	57 %
Service charges	120 916 791	(23 915 580)	97 001 211	-		97 001 211	43 696 164		(53 305 047)	45 %	36 %
Interest earned from Receivables	34 851 382	-	34 851 382	-		34 851 382	63 736 549		28 885 167	183 %	183 %
Transfers recognised - operational	530 893 000	5 757 000	536 650 000	-		536 650 000	530 081 561		(6 568 439)	99 %	100 %
Other Income (Rental,Operational,Acturial gain and Disposal gains)	679 605	-	679 605	-		679 605	1 728 269		1 048 664	254 %	254 %
Total revenue (excluding capital transfers and contributions)	**698 248 496**	**(18 158 580)**	**680 089 916**	**-**		**680 089 916**	**645 449 959**		**(34 639 957)**	**95 %**	**92 %**
Employee costs	(287 537 816)	21 672 840	(265 864 976)	-	-	(265 864 976)	(283 833 263)	-	(17 968 287)	107 %	99 %
Remuneration of councillors	(6 702 418)	(1 489 969)	(8 192 387)	-	-	(8 192 387)	(8 023 604)	-	168 783	98 %	120 %
Depreciation and asset amortisation	(83 876 883)	1 237 273	(82 639 610)			(82 639 610)	(63 322 839)	-	19 316 771	77 %	75 %
Other Expenses(Finance cost,Impairment loss and Operational Cost)	(111 770 159)	(35 645 486)	(147 415 645)	-	-	(147 415 645)	(194 560 150)	-	(47 144 505)	132 %	174 %
Contracted Services	(97 570 478)	(18 036 876)	(115 607 354)	-	-	(115 607 354)	(188 304 102)	-	(72 696 748)	163 %	193 %
Transfers and subsidies	(20 000 000)	8 300 000	(11 700 000)	-	-	(11 700 000)	(11 700 000)	-	-	100 %	59 %
Debt Impairment	(60 000 000)	9 795 137	(50 204 863)	-	-	(50 204 863)	(27 887 291)	-	22 317 572	56 %	46 %
Total expenditure	**(667 457 754)**	**(14 167 081)**	**(681 624 835)**	**-**	**-**	**(681 624 835)**	**(777 631 249)**	**-**	**(96 006 414)**	**114 %**	**117 %**
Surplus/(Deficit)	**30 790 742**	**(32 325 661)**	**(1 534 919)**	**-**		**(1 534 919)**	**(132 181 290)**		**(130 646 371)**	**8 612 %**	**(429)%**

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 and subsidies - capital (monetary allocations) (National / Provincial and District)	301 278 000	(32 141 000)	269 137 000	-		269 137 000	269 137 000		-	100 %	89 %
Surplus (Deficit) after capital transfers and contributions	**332 068 742**	**(64 466 661)**	**267 602 081**	**-**		**267 602 081**	**136 955 710**		**(130 646 371)**	**51 %**	**41 %**
Share of surplus (deficit) of associate	-	-	-	-		-	17 151 182		17 151 182	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**332 068 742**	**(64 466 661)**	**267 602 081**	**-**		**267 602 081**	**119 804 528**		**(147 797 553)**	**45 %**	**36 %**
Capital expenditure and funds sources											
Sources of capital funds											
Total Capital Expenditure	253 415 650	(24 632 489)	228 783 161	-		228 783 161	224 060 459		(4 722 702)	98 %	88 %
Internally generated funds	28 573 574	(25 368 710)	3 204 864	-		3 204 864	1 120 057		(2 084 807)	35 %	4 %
Total sources of capital funds	**281 989 224**	**(50 001 199)**	**231 988 025**	**-**		**231 988 025**	**225 180 516**		**(6 807 509)**	**97 %**	**80 %**
Financial position											
Total current assets	397 405 119	(66 550 904)	330 854 215	-		330 854 215	143 062 164		(187 792 051)	43 %	36 %
Total non current assets	2 795 734 863	(46 273 549)	2 749 461 314	-		2 749 461 314	3 164 682 405		415 221 091	115 %	113 %
Total current liabilities	(248 904 045)	4 717 684	(244 186 361)	-		(244 186 361)	(666 176 935)		(421 990 574)	273 %	268 %
Total non current liabilities	-	-	-	-		-	(28 146 372)		(28 146 372)	DIV/0 %	DIV/0 %
Community wealth/Equity	2 944 235 937	(108 106 769)	2 836 129 168	-		2 836 129 168	2 613 421 262		(222 707 906)	92 %	89 %

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
Cash flows											
Net cash from (used) operating	329 517 112	(56 690 236)	272 826 876	-		272 826 876	210 099 127		(62 727 749)	77 %	64 %
Net cash from (used) investing	(324 287 612)	57 574 554	(266 713 058)	-		(266 713 058)	(223 340 249)		43 372 809	84 %	69 %
Net cash from (used) financing	-	-	-	-		-	(3 263 496)		(3 263 496)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**5 229 500**	**884 318**	**6 113 818**	**-**		**6 113 818**	**(16 504 618)**		**(22 618 436)**	**(270)%**	**(316)%**
Cash and cash equivalents at the beginning of the year	54 098 558	(58 299 812)	(4 201 254)	-		(4 201 254)	4 201 254		8 402 508	(100)%	8 %
Cash and cash equivalents at year end	**59 328 058**	**(57 415 494)**	**1 912 564**	**-**		**1 912 564**	**(12 303 364)**		**14 215 928**	**(643)%**	**(21)%**

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

1. Service Charges- The high number of water shedding incidents and meter disconnections due to non -payment resulted in inconsistecies in service charges for the year.
2. Interest Earned from Receivables- Interest is charged onoutstanding debtors accounts.
3. Interest Earned from Investments-The municipality is experiencing cash flow challenges ,resulting in funds being invested for shorter periods.
4 .Rental of Fixed Assets -Some municipal properties that are usually leased out remained vacant during the year..
5 .Operational Revenue- The sale of tender douments declined because most documents are now published on etenders and the municipal website.In addition,the municipality is utilising existing panels.
6. Transfers and subsidies-operational- The variance is insignificant.
7. Acturial Gain and Post-Retirement Benefits-These gains only accounted for at year -end.
8. Gain on Disposal of Assets and Liabilities - This transaction is only accounted for at the year-end.
9. Employee Related Costs - The variance is due to the filling of critical positions.
10. Remuneration of Councillors - The difference is insignificant.
11.Debt Impairment - The variance is due to debtors taking too long to settle their accounts.
12.Depreciation and Amortisation- The municipality corrected depreciation errors that were previsously calculated prospectively instead of retrospectively in prior years.
13.Finance Charges - The variance is due to interest charged by Eskom,the Department of water and sanitations,and Uthukela water on accounts that were not settled on time.
14.Contracted Services - Most contracts have not yet reached expiry ,and early termination would result in legal costs for the municipality.
15. Impairment Loss on PPE- This transaction is only accounted for at year -end.
16.Operational Cost- There was an increased demand for water by the community ,which resulted in higher operational costs.
17.Share Surplus/ Deficit from Associate-This item only accounted for at year-end.
18.Total Current Assets- The variance is due to estimates applied in prior years when billing households in areas classified as 'no go'zones for meter reading.The municipality now performs correct meter readings,resulting in more accurate billing and decline in current assets.
19. Total Non- Current Assets - The variance relates to an error in the estimated useful lives of certain Infrastructure Assets,initial set at 20 years.In 2017/2018 the useful lives were changed to 50 years but applied prospectively instead of retrospectively.This caused depreciation to be overstaed by the R455 683 832,resulting in an understatement of asset carrying values.
20.Total current liabilities-The variance is due to acturial estimates and interest charged by the Department of Water and sanitation,Uthukela Water and Eskom.
21.Net Cash from Operating Activities - The variance is caused by the municipality being demarcated within a densely populated rural area,which negatively impacts revenue collection due to the high level of non -payment for services.
22.Net Cash from Investing Activities -The variance is caused by the financial constraints of the municipalityb,which hinder its ability to pay creditors and render the anticipated cash flow from investing activities unrealistic.

1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions

1.5 Interests in other entities

Investments in associates and/or joint ventures

An investment in associated is carried at cost.

The minicipality applies the same accounting for each category of investment.

The municipality recognises a share in surplus or deficit in its separate annual financial statements.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Significant Accounting Policies

1.6 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 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.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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 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 losse

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	10-30 years
Plant and machinery	Straight-line	5-15 years
Furniture and fixtures	Straight-line	5-15 years
Motor vehicles	Straight-line	5-15 years
Office equipment	Straight-line	5-15 years
IT equipment	Straight-line	5-10 years
Infrastructure	Straight-line	10-100 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.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Significant Accounting Policies

1.8 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	5-10 years

1.9 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, 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 heritage asset.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 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.

Significant Accounting Policies

1.10 Financial instruments (continued)

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.

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.

1.10 Financial instruments (continued)

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

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

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

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

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

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

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.

1.11 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

1.11 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

1.12 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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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.

Significant Accounting Policies

1.13 Inventories

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

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

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

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

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

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

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

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

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

1.14 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.

1.14 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.

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.14 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.

1.15 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.

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or

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

- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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 non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

1.16 Employee benefits

Identification

Employee benefits

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

A qualifying insuarance 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 cann not be paid to the reporting entity unless either:

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 posemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employee.

A constructive obligation is an that derives from an entity's action where by an established patterns of past practice, published policies or a sufficiently specific currentl 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 partis that will discharge those responsibilities.

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Asset recognition ceiling: When a minimum funding requirement may give rise to a liability

If the entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity determines whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the entity recognises a liability when the obligation arises. The liability reduces the defined benefit asset or increases the defined benefit liability so that no gain or loss is expected to result when the contributions are paid.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Attributing benefit to periods of service

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

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

1.16 Employee benefits (continued)

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer’s share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Presentation

Offset

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

1.16 Employee benefits (continued)

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Current/non-current distinction

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.17 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.

1.17 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

If an entity 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 an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

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.

Significant Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

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

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

1.18 Commitments

Items are classified as commitments when an entity 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 entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Significant Accounting Policies

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 services performed to date as a percentage of total services to be performed.

1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchanges.

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.

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

Recognition

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

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

Measurement

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

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.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Government Grants are recognised as revenue when:

-It is probable that the economic benefits or service potential associated with the transactions will flow to the municipality.

-the ammount of the revenue can be measured at reliably, and

-to the extent that there has been compliance with any restrictions associated with the grant.

The municpality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that the grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with

Services in-kind

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorized expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11 (3), and includes-

-overspending of the total amounts appropriated in the municipality's approved budget;

-overspending of the total amount appropriated for a vote in the approved budget;

-expenditure from a vote unrelated to the department or functional area covered by the vote;

-expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose:

-spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any Conditions of the allocation; or

-a grant by the municipality otherwise than in accordance with this Act.

- 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).
The unathorised expenditure is recognised when it is incurred, and it is reported to the Council structures on a monthly basis for both cash and non cash-items.The unathorised expenditure occured before it was authorised through the adjustment budget.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.
All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

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).

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including-.

National Treasury practice note no.4 of 2008/2009 which was issued in terms of section 76 (1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Significant Accounting Policies

1.24 Irregular expenditure (continued)

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

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

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

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

Irregular expenditure is expenditure that is contrary to 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 entit'y supply chain management policy.Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for expenditure in the Statement of Financial Perfomance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Perfomance

The process that is used to deal with irregular expenditure is through investigation by council committee and approved by council for write-off. Council write off in terms of S32 of the MFMA which is the process that is followed by Umzinyathi District Municipality.

1.25 Segment information

A segment is an activity of an entity:

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

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.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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

Significant Accounting Policies

1.26 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 accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

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

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

1.27 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.

1.28 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.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2025 or later periods:

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity’s operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The “intention” to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity’s operations is rare, and only in the case of dissolution without any continuation of the entity’s operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity’s functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity’s functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity’s financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board’s project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as “the review”) in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

GRAP 2023 Improvements to the Standards of GRAP 2023

The Board undertakes periodic revisions of the Standards of GRAP in line with best practice internationally among standard setters. The Improvements to the Standards of GRAP include changes resulting from amendments to the International Public Sector Accounting Standards and the International Financial Reporting Standards, as well as general improvements identified through consultation with stakeholders. The Improvements to the Standards of GRAP (2023) was approved by the Board and issued in November 2023.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP1 - Presentation of Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Remove encouraged disclosures with limited information value.

GRAP2 - Cash Flow Statements

General Improvements

Amend disclosures to read as “useful additional information that may be disclosed” as opposed to “encouraged disclosures”.

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

General Improvements

Clarify that the requirements only apply to Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.

GRAP5 - Borrowing Costs

Amendments to the IPSAS on Borrowing Costs (IPSAS 5) – Non-authoritative Guidance 2021

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

Amendments are made to prohibit proceeds from selling items produced before that asset is available, to be deducted from the cost of property, plant and equipment.

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP20 - Related Party Disclosures

General Improvements

Update the definition of “significant influence” to align with the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

General Improvements

Remove encouraged disclosures with limited information value.

GRAP24 - Presentation of Budget Information in Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Simplify the disclosures on the presentation of a reconciliation to improve the quality of reporting, by not prescribing the line items to reconcile to.

- Re-instate the Illustrative Examples that were deleted when GRAP 24 became effective.

GRAP27 - Agriculture

General Improvements

Remove encouraged disclosures and repackage it as “useful information” in another section of the Standard.

GRAP31 - Intangible Assets

General Improvements

- Clarify when the Standard of GRAP on Service Concession Arrangements: Grantor (GRAP 32) is applicable.

- Remove reference to fully depreciated assets.

- Remove encouraged disclosures with limited information value.

GRAP104 - Financial Instruments

Improvements to IPSAS 2021

- Interest Rate Benchmark Reform - Amendments to provide a practical expedient not to treat changes in contractual cash flows as a modification.

- Amendments to clarify the fees that an entity includes when it applies the “10 percent” test to derecognise a financial liability.

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

Guideline on The Application of Materiality to Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Amendments resulting from the review of the Standard of GRAP on Cash Flow Statements (GRAP 2) and the Standard of GRAP on Presentation of Budget Information in Financial Statements (GRAP 24).

The effective date of these improvements have not yet been set.

The municipality expects to adopt the standard for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105 Transfer of Functions Between Entities Under Common Control

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter “the local Standards”) were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between "general definitions relating to all public sector combinations", "definitions relating to amalgamations" and "definitions relating to acquisitions". The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as "an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential." The definition of a function in the GRAP Standards is similar, except that it excludes "and related assets and/or liabilities".

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to "a function" whereas IPSAS 40 refers to "an operation"), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not "label" the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation’s non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer’s operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, and exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40.

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer’s prior year information, the acquirer’s comparative information need not be adjusted.

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Under Common Control issued in 2010.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106 Transfer of Functions Between Entities Not Under Common Control

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter “the local Standards”) were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard’s scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between “general definitions relating to all public sector combinations”, “definitions relating to amalgamations” and “definitions relating to acquisitions”. The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.” The definition of a function in the GRAP Standards is similar, except that it excludes “and related assets and/or liabilities”.

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to “a function” whereas IPSAS 40 refers to “an operation”), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Accounting for an acquisition versus a transfer of functions not under common control

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 106 does not have an application guidance section as all the principles are included in the Standard itself.

Assessing control - GRAP 106 is not explicit that the principles in GRAP 35 should be applied in assessing control.

Identifying acquisition date, assets, and liabilities - GRAP 106 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer and the acquisition date. GRAP 106 also includes guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement. IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity. GRAP 106 require that the terms and conditions in the binding arrangement should be considered to determine the acquisition date, and the assets and liabilities to be transferred. IPSAS 40 is not as specific that a binding arrangement needs to be in place to determine the acquisition date. To identify the assets and liabilities to be transferred or assumed, IPSAS 40 merely refers to “must be what the acquirer and acquiree has exchanged”.

Non-controlling interests - Additional guidance is included in GRAP 106 on the measurement of a noncontrolling interest in an acquiree.

Subsequent measurement - For the subsequent measurement of a reacquired right, IPSAS 40 distinguishes between a right with a finite and indefinite period. A similar distinction is not made in GRAP 106.

Calculation of the excess in the acquisition - GRAP 106 requires that the excess in transfer of functions be recognised in surplus and deficit. IPSAS 40 requires that the excess be recognised as goodwill. As a result, IPSAS 40 includes additional guidance on the recognition and measurement of goodwill, which is not included in GRAP 106.

Acquisition achieved in stages - Both Standards include similar guidance on the accounting for an acquisition achieved in stages, except for the treatment of the resulting gain or loss. IPSAS 40 requires that the gain or loss be recognised in surplus or deficit or in net assets/equity, whereas GRAP 106 requires it to be recognised in surplus or deficit only.

Measurement period - Both IPSAS 40 and GRAP 106 allow for a measurement period if the initial accounting for the acquisition is incomplete by the end of the reporting period, in which the acquisition occurs. In IPSAS 40 the measurement period should not exceed one year from the acquisition date. GRAP 106 allows two years. The increase or decrease in the provisional amount is recognised in goodwill in IPSAS 40, while the provisional amount is adjusted against surplus or deficit in GRAP 106.

Pre-existing relationship - Both Standards include similar guidance on determining what is part of the acquisition transaction if there was a pre-existing relationship between the acquirer and the acquiree. However, IPSAS 40 includes an additional principle to explain that a transaction entered into before the acquisition, by or on behalf of the acquirer or primarily for the benefit of the acquirer, is likely to be a separate transaction. IPSAS 40 also includes additional guidance of factors to be considered to determine if a transaction is part of the exchange of the acquired operation.

There are certain guidance included in IPSAS40 but not in GRAP106, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control issued in 2010.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 107 Mergers

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter “the local Standards”) were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard’s scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between “general definitions relating to all public sector combinations”, “definitions relating to amalgamations” and “definitions relating to acquisitions”. The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.” The definition of a function in the GRAP Standards is similar, except that it excludes “and related assets and/or liabilities”.

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to “a function” whereas IPSAS 40 refers to “an operation”), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not “label” the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation’s non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer’s operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, and exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40.

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer’s prior year information, the acquirer’s comparative information need not be adjusted.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Mergers issued in 2010.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 543 511	3 032 590
Short-term deposits	8 632 278	1 168 664
	10 175 789	**4 201 254**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
First National Bank - Cheque Account - 62358106279	1 533 335	3 032 266	1 533 335	3 022 589
First National Bank - Water Account - 62358438044	10 000	10 000	(5 881)	10 000
First National Bank - Call Account - 62353578564	1 961	58 796	1 961	58 796
First National Bank - Call Account - 74321014438	2 054	796 959	2 054	796 959
First National Bank - Call Account - 63044866333	1 985	10 614	1 985	10 614
ABSA Bank - Call Account - 9376913685	930 274	20 399	930 274	20 399
ABSA Bank - Call Account - 9378234928	2 479 296	18 747	2 479 296	18 747
ABSA Bank - Call Account - 9330621802	-	9 451	-	9 451
Investec Bank - Call Account - 1100461826502	6 140	7 193	6 140	7 193
Investec Bank - Call Account - 1100461826503	3 379	185 515	3 379	185 515
Nedbank - Call Account - 733700004900001	2 055	6 497	2 055	6 497
Nedbank - Call Account - 7337000049000016	2 962	4 725	2 962	4 725
Nedbank - Call Account - 7337000049000026	3 088	27 839	3 088	27 839
Standard Bank - Call Account - 308632095 - 006	4 533	6 437	4 533	6 437
Standard Bank - Call Account - 308632095 - 003	5 194 550	15 492	5 194 550	15 492
Total	**10 175 612**	**4 210 930**	**10 159 731**	**4 201 253**

The difference of R15 883 between total cash book and total bank statement is attributable to reconcilling items as outlined on bank reconcillations.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Inventories

Fittings and Materials	1 244 854	-
Water for distribution	184 264	147 093
Fuel (Diesel, Petrol)	2 536 710	99 808
Chemicals	968 670	721 234
	4 934 498	**968 135**

Inventories recognised as an expense during the year	21 804 609	101 849 644

Inventory pledged as security

Non of the inventories have been pleadge as security of the municipality's financial liabilities.

Fuel		
Opening	99 808	-
Purchases	16 364 724	15 488 180
Issues	(13 927 822)	(15 388 372)
	2 536 710	**99 808**

Chemicals		
Opening balance	721 234	1 704 034
Purchases	4 771 627	6 456 658
Issues	(4 524 191)	(7 439 458)
	968 670	**721 234**

Water for distribution

Opening balance	147 093	113 895
System input volume	62 656 236	59 477 842
Authorised consumption	(19 355 931)	(22 812 058)
Water losses	(16 454 117)	(13 932 993)
Unavoidable annual real losses	(26 846 188)	(22 732 781)
Non-revenue water	37 171	33 188
Closing balance	**184 264**	**147 093**

Fittings and Materials		
Purchases	6 954 949	8 822 503
Issues	(6 954 949)	(8 822 503)
	-	-

5. Vat Receivable

Vat Receivables	38 615 493	38 997 306

6. Receivable from Exchange Transactions

Gross balances		
Water	332 095 727	323 440 156
Sewerage	77 616 867	132 123 571
Interest	225 835 258	139 266 059
Housing rental	1 360 842	1 020 972
Debtors with credit balances	61 163 192	47 034 211
	698 071 886	**642 884 969**

Figures in Rand	2025	2024

6. Receivable from Exchange Transactions (continued)

Less: Allowance for impairment		
Water	(339 030 432)	(300 621 490)
Sewerage	(75 601 560)	(103 094 897)
Interest	(201 323 006)	(137 877 036)
Housing rental	(1 204 807)	(879 241)
	(617 159 805)	**(542 472 664)**

Net balance		
Water	(6 934 705)	22 818 666
Sewerage	2 015 307	29 028 674
Interest	24 512 252	1 389 023
Housing rental	156 035	141 731
Debtors with credit balance	61 163 192	47 034 211
	80 912 081	**100 412 305**

Water		
Current (0 -30 days)	2 816 155	12 851 242
31 - 60 days	12 585 979	7 647 849
61 - 90 days	5 211 206	7 095 120
91 - 120 days	3 989 670	5 034 999
121 days and Above	333 329 559	290 810 946
Allowance for Impairment	(364 867 274)	(300 621 490)
	(6 934 705)	**22 818 666**

Sewerage		
Current (0 -30 days)	1 245 998	2 406 128
31 - 60 days	2 933 780	1 738 478
61 - 90 days	1 168 276	1 171 896
91 - 120 days	1 157 000	1 290 390
121 days and Above	72 190 914	125 516 679
Impairment	(76 680 661)	(103 094 897)
	2 015 307	**29 028 674**

Interest		
Current (0 -30 days)	22 489 633	24 804 194
31 - 60 days	11 048 268	3 495 177
61 - 90 days	5 421 935	3 470 970
91 - 120 days	5 341 278	3 314 709
121 days and Above	127 056 476	104 181 009
Impairment	(146 845 338)	(137 877 036)
	24 512 252	**1 389 023**

Housing rental		
Current (0 -30 days)	31 181	56 692
31 - 60 days	31 181	28 346
61 - 90 days	31 181	28 346
91 - 120 days	31 181	28 346
121 days and Above	910 551	879 241
Impairment	(879 240)	(879 240)
	156 035	**141 731**

Debtors with credit balances		
Current (0 -30 days)	61 163 192	47 034 211

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivable from Exchange Transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(589 272 513)	(397 927 604)
Contributions to allowance	(27 887 292)	(144 545 060)
	(617 159 805)	**(542 472 664)**

7. Receivables from non-exchange transactions

Other receivables	-	18 500
Accrued Income	140 870	9 459
	140 870	**27 959**

8. 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:

VAT control account amount payable by SARS	8 283 433	1 315 589
Current assets	8 283 433	1 315 589

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 022 200	-	5 022 200	5 022 200	-	5 022 200
Buildings	30 491 675	(15 681 868)	14 809 807	30 491 675	(14 718 119)	15 773 556
Plant and machinery	16 813 260	(14 018 413)	2 794 847	33 072 967	(28 340 989)	4 731 978
Motor vehicles	83 083 660	(65 146 639)	17 937 021	83 954 672	(57 520 031)	26 434 641
Office equipment	15 577 627	(13 137 369)	2 440 258	16 756 447	(13 396 247)	3 360 200
Infrastructure	2 449 935 083	(500 889 480)	1 949 045 603	2 250 901 532	(423 050 704)	1 827 850 828
Work In Progress	1 148 067 792	-	1 148 067 792	1 124 609 867	-	1 124 609 867
Total	**3 748 991 297**	**(608 873 769)**	**3 140 117 528**	**3 544 809 360**	**(537 026 090)**	**3 007 783 270**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5 022 200	-	-	-	-	-	5 022 200
Buildings	15 773 556	-	-	-	(963 749)	-	14 809 807
Plant and machinery	4 731 978	-	(11 280)	-	(1 925 851)	-	2 794 847
Motor vehicles	26 434 641	573 291	(80 990)	-	(8 989 921)	-	17 937 021
Office equipment	3 360 200	546 766	-	-	(1 466 708)	-	2 440 258
Infrastructure	1 827 850 828	5 246 737	-	193 786 814	(49 702 627)	(28 136 149)	1 949 045 603
Work In Progress	1 124 609 867	217 244 739	-	(193 786 814)	-	-	1 148 067 792
	3 007 783 270	**223 611 533**	**(92 270)**	**-**	**(63 048 856)**	**(28 136 149)**	**3 140 117 528**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5 022 200	-	-	-	-	-	5 022 200
Buildings	16 520 644	244 605	(29 288)	-	(962 405)	-	15 773 556
Plant and machinery	6 789 268	19 177	(1 068)	-	(2 075 399)	-	4 731 978
Motor vehicles	36 935 825	-	-	-	(9 865 305)	(635 879)	26 434 641
Office equipment	4 139 179	863 574	(1 014)	-	(1 641 539)	-	3 360 200
Infrastructure	1 678 329 502	8 779 149	-	197 715 988	(48 825 066)	(8 148 745)	1 827 850 828
Work In Progress	1 122 315 723	200 010 132	-	(197 715 988)	-	-	1 124 609 867
	2 870 052 341	**209 916 637**	**(31 370)**	**-**	**(63 369 714)**	**(8 784 624)**	**3 007 783 270**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Buildings	Total
Opening balance	1 105 333 630	41 755 391	1 147 089 021
Additions/capital expenditure	215 941 125	1 303 615	217 244 740
Transferred to completed items	(216 265 968)	-	(216 265 968)
	1 105 008 787	**43 059 006**	**1 148 067 793**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Buildings	Total
Opening balance	1 103 772 056	41 022 820	1 144 794 876
Additions/capital expenditure	176 798 409	732 571	177 530 980
Transferred to completed items	(197 715 988)	-	(197 715 988)
	1 082 854 477	**41 755 391**	**1 124 609 868**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Contracted services:Maintanance of Buildings and Facilities	108 703	268 635
Contracted Service :Maintance of Equipment	2 758 836	64 925 876
Contracted Services:Transport Assets	13 735 573	5 904 458
	16 603 112	**71 098 969**

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

Disclosure :Halted and Delayed Projects		
Muden Bulk Water Phase 2A (T2018-09)	34 311 538	34 311 538
Muden Bulk Water Phase 4B (T2016-06)	6 567 589	5 783 985
Muden Bulk Water Phase 3C (T2018-12)	32 005 116	32 005 116
Upgrade of Nquthu-Thelezini Water Supply Scheme : Construction of 45MM Diameter	47 196 434	47 196 436
Kwa-Pharafini Ngcengeni	26 268 701	-
Nquthu Ward 5 Ntababomvu	24 473 303	-
Gunjane Water Supply Phase 3A	9 551 823	4 477 108
Gunjana Water Supply Phase 3B	16 855 664	9 671 491
Nquthu Regional Bulk Water	93 155 071	36 713 027
Greytown Water Bulk Construction of Civil Works for Extension of Greytown WTW	25 595 271	25 595 271
Tayside Upstraction of Bulk Water (T2021-27)	28 764 072	28 764 072
Kwakopi Water Supply Scheme Phase 3 (T2020-04)	36 674 804	36 674 084
Kranskop Boreholes Water Supply A	3 864 955	3 864 955
Greytown Water Bulk Completion 15,2KM Long Pipeline	109 108 690	109 108 690
Ntinini Water supply scheme T2020-37	58 304 410	8 203 777
2,5ML Height Reserviour T2015-04	6 507 612	6 507 612
Umhlaba Omusha /Velekuhle T2015-26- Construction of Gaywood Reservior	3 650 975	3 650 975
Disaster Centre Phase 1 T2015-26	34 645 018	34 645 018
Umzinyathi Rudimentary	24 463 955	24 463 955
Ntinini(Casino) Reticulation Network	50 898 209	50 560 919
Reightfontein Extension and Kunene Farm Reticulation (Endumeni)	23 526 882	12 725 572
Sampofu Regional Water Supply: Commisioning of Bulk Infrastructure in Msinga LM (T2021-26)	37 709 516	36 027 230
Upgrade of Mthembu West Phase 2 Turnekey (Mashunka Area)	125 909 412	106 720 190
Kwaparafini/Ngcengeni Water Supply Phase 2A	40 499 951	31 097 081
Kwaparafini/Ngcengeni Water Supply Phase 2B	29 729 778	15 115 615
Nkobongwini Water Supply Scheme Phase 3B	42 777 566	20 350 596
	973 016 315	**724 234 313**

Ntinini (Casino) Reticulation Network- Scope of works extended until 30 November 2025.Extension.

Ruigtefontein Extension and Kunene Farm Water reticulation (Endumeni)- Cash flow and non perfomance.

9. Property, plant and equipment (continued)

Sampofu Regional water supply - Commisioning of bulk Infrastructure in Msinga LM (T2021-26) :The water source package plant was locked by the supplier.The eskom connection on two pumpstations was outstanding during the start of the project.The blockage on the intake chamber due to the river fllods. Eskom mini-substation failure at Tugela Ferry and Emabomvini Pumpstation.Cable theft on three pumpstations.Additional requested submitted waiting for approval by the client.

Upgrade of Mthembu West Phase 1 Turnkey(Mashunka Area)- Delay in supply of concrete from the local.The project was delayed due to the Business Forum.Slow Progress on site.
Kwa-Pharafini/Ngcengeni Water supply Phase 2B- Cash flow and non - perfomance from the client.

Nkubungwini Water Supply Scheme Phase 3B (T2023-25)- The project was delayed due to the Business forum.Slow progress on site.The project was terminated on the 16th July 2024.
Gunjana water supply Phase 3B- Cash flow issues and non perfomance by the contractor.
Nquthu Regional Bulk water - Practical completion on the 21 st of May 2025.

Muden Bulk Water Phase 2A (T2018-09)-the contractor has abondoned the site and been given a letter of intention to terminate .SCM Process delays .The contractor has been re-tender.The contractor was appointed in May 2025.
Muden Bulk water Phase 4 C (T2016-06)-,Project was delayed by cash flows issues.Slow Progress on site.
Muden Bulk Water Phase 3C (T2018-12)-Late payments and Covid 19,Project was delayed by cash flows issues.Slow Progress on site.
Gunjana Water Supply Phase 3A- Contract terminated due to poor perfomance ,the contractor was appointed in March.
Greytown Water Bulk Construction Of Civil Works for Extension of Greytown WTW- Project is on hold due to funds exhausted on the project.
Tayside Upstraction of Bulk Water (2021-27)-The project is on Hold. The pumps were procured and paid for ,and waiting for installation the reserviour was completed.Additional funds are required to complete the outstanding work,and the revised business plan has been discussed with DWS.
KwaKopi Water Supply Scheme Phase 3 (T2020-04)- Internal JV Disputes and Cash Flow challenges ,reference from local business forum /ready -mix supplier changes in contractor's key personnel.
Kranskop Borehole Water Supply augumentation-Project is incomplete.The funds are exhasted for the completion of works.
Greytown water bulk completion 15,2 KM Long Pipeline Greytown -Project is incomplete.The funds are exhasted for the completion of the Pipeline connecting to the Craig burn Dam.
Ntinini Water Supply Scheme (Ogazini,Ngwebeni & Skhonkwane) (T2020-37)-The project is on hold .The consultant suspended their services due to non-payment.Subsequently the contractor stops the work.
2.5 ML Height Reserviour - Funds exhasted .The business plan has been submitted
Construction of Gaywood Reserviour - Funds exhausted.
Disater Centre Phase 1 -Under Investigation.

Umzinyathi Rudimentary- Under Investigation.
Pharafini Water Supply Phase 2A- Cash flow and non perfomance.

Nquthu Ward 5 (Ntababomvu,Vuyiza and Mayicentela Village) Water scheme- Cash flow issues and non- performance by contactor.
Kwa- Pharafini/Ngcengeni water supply scheme P1 - Non- performance by contractor.
Upgrade of Nquthu Thelezini water supply - Extension of time claims approved .Contractor experienced delays in delivery of materials by suppliers,hard rock and abnormal weather on site.The contractor was terminated and the termination letter was issued on the 28 June 2024.The new contractor was appointed in May 2025.
Construction of Gaywood Reservior - Funds exhausted.The new business plan has been submitted.

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 586 275	(884 890)	1 701 385	2 586 275	(793 310)	1 792 965

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	1 792 965	(91 580)	1 701 385

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	1 884 796	(91 831)	1 792 965

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

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 267 691	(2 248 197)	19 494	2 573 241	(2 371 344)	201 897

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	201 897	(182 403)	19 494

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software	568 989	(8 076)	(359 016)	201 897

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Ornamental Chains	8 655	-	8 655	8 655	-	8 655

Reconciliation of heritage assets 2025

	Opening balance	Total
Ornamental Chains	8 655	8 655

Reconciliation of heritage assets 2024

	Opening balance	Total
Ornamental Chains	8 655	8 655

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Investment in Associate

Investments in Associates

Name	Jurisdiction	Determination of ownership interest	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025	Carrying amount 2024
Uthukela Water (Pty) Ltd		Investment	33,00 %	33,00 %	22 835 343	39 986 525
					22 835 343	39 986 525
					22 835 343	39 986 525

The carrying amounts of the Associate are shown net of impairment losses.

The separate annual financial statements of the Associate are available at the registered office of the associate

Movements in carrying amount		
Opening balance	39 986 526	28 748 875
Share in deficit or Surplus of Associate	(17 151 182)	11 237 651
	22 835 344	**39 986 526**

Summary of Economic entities interst in Associate

Revenue	293 543 749	341 517 207
Expenses	(345 517 029)	(330 194 414)
Net Profit or (Loss)	(51 973 280)	11 322 793
Percentage share	33	33
Share of deficit or surplus of Associate	(17 151 182)	3 444 177
Total Assets	1 217 503 374	1 212 156 634
Total Liabilities	(587 601 019)	(530 280 999)
Net Assets	629 902 355	681 875 635

14. Payables from exchange transactions

Trade payables	378 019 505	370 141 235
Debtors with credit balance	61 192 035	47 034 261
Salary control	4 502 951	6 221 742
Unallocated Deposit	2 491 828	1 946 392
Leave accruals	33 863 370	29 342 621
Retentions	107 399 958	94 042 354
Bonus Accrual	7 692 173	7 456 048
	595 161 820	**556 184 653**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Disaster Recovery Grant	6 525 000	-

Movement during the year

Additions during the year	6 525 000	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Unspent conditional grants and receipts (continued)

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

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

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

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

16. Consumer deposits

Water	451 314	451 314

The Consumer Deposits relates to monies paid for connections before any services could be rendered .These amounts relates to prior period deposits .The municipality has ceased collecting deposits hence there is no movement in the recent years except for refunds when properties are transferred or sold.

17. Transfers payable

Development Agency	8 099 734	5 099 734

18. VAT payable

VAT Accrual	53 530 850	55 360 276

19. Employee benefit obligations

Defined benefit plans - General information

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

Carrying value		
Post employment Medical Benefit	(15 173 903)	(14 163 917)
Long Service Award	(15 380 686)	(13 232 273)
	(30 554 589)	**(27 396 190)**

Non-current liabilities	(28 146 372)	(25 126 940)
Current liabilities	(2 408 217)	(2 269 250)
	(30 554 589)	**(27 396 190)**

Changes in the present value of long service awards liability are as follows

Opening balance	13 232 272	11 171 000
Current Service cost	1 651 054	1 398 000
Interest Cost	1 345 902	1 257 000
Benefit Paid	(1 533 848)	(685 820)
Acturial gain	685 306	92 092
	15 380 686	**13 232 272**

Figures in Rand	2025	2024

19. Employee benefit obligations (continued)

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

Opening balance	14 163 917	14 248 000
Current Service Cost	1 174 023	1 006 000
Interest cost	1 893 297	1 774 000
Benefit Paid	(390 876)	(295 934)
Acturial gain	(1 666 459)	(2 568 149)
	15 173 902	**14 163 917**

Net expense recognised in the statement of financial performance are as follows:

Calculation of actuarial gains and losses

Actuarial (gains) losses – Post retirement benefit obligation	(1 666 459)	(2 568 149)
Actuarial (gains) losses – Long service award	685 306	92 092
	(981 153)	**(2 476 057)**

Key assumptions used

Assumptions used at the reporting date:
Discount rate used
Consumer Price Index
Salary increase Rate
Net Effect Discount Rate

Salaries -Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases.

Discount Rate

Grap 25 defines the determination rate assumption to be used as follows:The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on goverment bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments,an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The methodology of setting the financial assumptions has been updated to be duration specific.At the previous valuation report,30 June 2023 the duration of liabilities was 6.38 years.At this duration,the discount rate determined by using the

Discount rates used	10,26 %	10,78 %
Consumer Price Index	4,24 %	5,10 %
Salary Increase rate	5,24 %	6,10 %
Net Discount Rate	4,77 %	4,42 %

Post retirement medical aid		
Discount Rate	13	14
Consumer Price Index	5	7
Health Care cost Inflation	8	9
Net Discount Rate	4	4
	30	**34**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Service charges

Sale of water	37 283 658	55 191 369
Sewerage and sanitation charges	9 205 841	(35 766 970)
Cost of free basic services	(2 793 335)	(2 368 924)
	43 696 164	**17 055 475**

21. Rental of facilities and equipment

Premises		
Rental income	426 795	499 109

22. Interest earned on outstanding debtors

Interest earned	63 736 549	69 838 515

23. Other income

Tender Documents	96 426	23 309
Administration fees	4 084	363
Insurance refunds	-	1 124 705
Disposal of Non Assets	40 797	-
	141 307	**1 148 377**

24. Investment revenue

Interest on Investments and Primary Account		
Bank	6 207 416	8 675 343

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies

Operating grants		
Equitable share	519 485 000	489 713 000
LGSETA	456 561	418 766
Expanded Public Works Programme	5 349 000	4 942 000
Local Goverment Finance Management Grant	3 000 000	1 850 000
RRAMS	1 791 000	2 449 000
	530 081 561	**499 372 766**
Capital grants		
MIG	214 137 000	211 672 000
WSIG	55 000 000	42 500 000
Municipal Disaster Recovery Grant	-	-
Emergency Drilling of Boreholes Grant	-	2 550 122
	269 137 000	**256 722 122**
	799 218 561	**756 094 888**

Municipal Infrastructure Grant

Current-year receipts	214 137 000	211 672 000
Conditions met - transferred to revenue	(214 137 000)	(211 672 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of poor households.Other than the unspent amount .The conditions of the grant were met.

Rural Roads Asset Management Systems

Current-year receipts	1 791 000	2 449 000
Conditions met - transferred to revenue	(1 791 000)	(2 449 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Financial Management Grant

Current-year receipts	3 000 000	1 850 000
Conditions met - transferred to revenue	(3 000 000)	(1 850 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

This grant is used to strengthen financial systems and capacitate finance officials.

Expanded Public Works Programme

Current-year receipts	5 349 000	4 942 000
Conditions met - transferred to revenue	(5 349 000)	(4 942 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

The Expanded Public Works Programme is a special performance-based incentive provided to municipalities that contribute to the employment creation efforts of the expanded public works programme through the employment of previously unemployed people.The condition of the grant was met and no funds have been withheld.

Water Services Infrastructure Grant

Current-year receipts	55 000 000	42 500 000
Conditions met - transferred to revenue	(55 000 000)	(42 500 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Municipal Disaster recovery Grant

Current-year receipts	6 525 000	-
Balance	6 525 000	-
	-	-

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Employee related costs

Basic	198 907 079	170 293 364
Bonus	13 739 255	13 236 106
Medical aid - company contributions	7 870 897	7 166 677
Unemployment Insurance Fund	1 208 182	1 066 779
Leave pay provision charge	6 866 074	7 910 563
Standby allowance	6 019 403	5 546 559
Post Retirement Medical Aid	1 174 023	1 006 000
Overtime payments	2 231 799	3 605 080
Long-service awards	1 651 054	1 398 000
Acting allowances	2 430 078	2 500 571
Car allowance	12 840 022	11 130 274
Housing benefits and allowances	998 348	910 296
Clothing Allowance	92 000	-
Pension	26 424 681	24 262 305
Non pensionable	740 935	109 306
Telephone allowance	553 378	544 329
Bargaining Council levies	86 055	71 220
	283 833 263	**250 757 429**

Remuneration of municipal manager

Annual Remuneration	855 914	699 824
Car Allowance	240 000	220 000
Gratuity	20 340	20 340
Contributions to UIF, Medical and Pension Funds	12 706	14 505
Housing allowance	57 027	35 774
Telephone allowance	18 000	16 500
	1 203 987	**1 006 943**

Remuneration of Chief Financial Officer

Annual Remuneration	875 811	195 375
Car Allowance	300 000	60 000
Acting Allawance	-	18 256
Contributions to UIF, Medical and Pension Funds	14 150	12 071
Gratuity	20 340	3 390
Housing Allowance	48 278	10 458
Telephone	18 000	4 500
	1 276 579	**304 050**

Remuneration of Senior Manager Community Services

Annual Remuneration	727 478	720 743
Car Allowance	94 506	94 506
Gratuity	20 340	20 340
Contributions to UIF, Medical and Pension Funds	107 788	96 243
Housing	62 335	62 335
Telephone	18 000	30 000
	1 030 447	**1 024 167**

Remuneration of Senior Manager Technical Services

Annual Remuneration	565 170	986 282
Car Allowance	146 892	153 348
Gratuity	13 560	20 340

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
26. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	9 498	2 262
Housing Allawance	33 918	71 098
Telephone	12 000	30 000
	781 038	**1 263 330**

Senior Manager Corporate Services

Annual Remuneration	922 755	675 695
Car Allowance	240 000	240 000
Gratuity	20 340	20 340
Contributions to UIF, Medical and Pension Funds	164 482	95 937
Telephone	18 000	19 500
Housing Allowance	32 359	46 168
Acting Allowance (Acted since 01 June 2025)	10 969	-
	1 408 905	**1 097 640**

Senior Manager Planning and Development

Annual Remuneration	751 119	770 673
Car Allowance	170 500	66 000
Acting Allowance	-	9 140
Contributions to UIF, Medical and Pension Funds	17 924	66 864
Housing	65 079	59 944
Telephone	18 000	18 000
Gratuity	20 340	20 340
	1 042 962	**1 010 961**

27. Remuneration of councillors

Total Remuneration of Councillors	8 023 604	6 930 888

Remuneration of Councillors		
Remuneration	6 887 319	5 868 835
Cellphone Allowance	142 088	368 997
Travel Allowance	596 090	566 376
Contribution to Pension	398 108	126 680
	8 023 605	**6 930 888**

In-kind benefits

The Executive 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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Remuneration of councillors (continued)

Additional information

Mayor		
Remuneration	668 436	653 513
Cellphone Allowance	49 164	47 004
Travel Allowance	222 812	217 838
Contribution to Pension	8 569	8 538
	948 981	**926 893**

Deputy Mayor		
Remuneration	447 879	409 495
Cellphone Allowance	45 920	46 919
Travel Allowance	185 647	174 267
Pension	100 359	111 262
	779 805	**741 943**

Speaker		
Remuneration	562 893	522 812
Cellphone Allowance	47 004	47 004
Travel Allowance	187 631	174 271
Contribution to Pension Fund	7 384	6 882
	804 912	**750 969**

Other Councillors		
Remuneration	5 208 109	4 283 015
Contribution to Pension Fund	281 796	228 070
	5 489 905	**4 511 085**

In-kind benefits

The Mayor,Deputy Mayor ,Speaker and Whip of council are full time councillors.Each is provided with an office and secreterial support at the cost of the council.

The Mayor has two full time bodyguards and use of Council owned vehicle.

The Deputy Mayor has two full time bodyguards and use of Council owned vehicle

The Speaker has two full time bodyguards and use of Council owned vehicle

The Whip of Council has two full time bodyguards

28. Depreciation and amortisation

Property, plant and equipment	63 048 856	63 369 714
Investment property	91 580	91 831
Intangible assets	182 403	359 016
	63 322 839	**63 820 561**

29. Impairment loss

Impairments		
Property, plant and equipment	28 136 149	8 784 624

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Finance costs

Employee benefit finance cost obligation	3 263 496	3 130 533
Interest on late payments	10 053 787	9 775 287
	13 317 283	**12 905 820**

31. Lease rentals on operating lease

Premises		
Contractual amounts	337 668	398 852
Lease rentals on operating lease - Other		
Contractual amounts	1 394 877	1 301 932
	1 732 545	**1 700 784**

The municipality entered into a lease agreement with Ethemba Computers to lease photocopying machines. The commencement of the lease was 01 May 2024 and expires on the April 2027

Minimum lease due		
Within one year	4 498 723	264 714
In second to fifth year	3 903 850	-
	8 402 573	**264 714**

32. Debt impairment

Debt impairment	27 887 291	144 545 060

33. Contracted services

Outsourced Services		
Administrative and Support Staff	871 875	2 181 209
Cleaning Services	24 960	36 244
Clearing and Grass Cutting Services	40 000	1 589 694
Professional Staff	24 030 530	19 045 199
Connection/Dis-connection	-	9 571 150
Security Services	53 285 953	38 137 283
Sewerage Services	2 264 315	3 900 648
Electrical	367 763	651 515
Water Takers	32 440 200	40 979 022
Consultants and Professional Services		
Business and Advisory	24 586 520	23 647 412
Laboratory Services	114 666	410 997
Legal Cost	8 678 127	5 977 621
Contractors		
Catering Services	2 187 328	2 141 003
Event Promoters	-	701 500
Maintenance of Buildings and Facilities	108 703	268 635
Maintenance of Equipment	2 758 536	42 452 348
Maintenance of Unspecified Assets	36 214 727	28 383 612
Medical Services	232 399	282 050
Sports and Recreation	7 500	70 000
Stage and Sound Crew	-	223 000
Pauper Burial Services	90 000	180 000
	188 304 102	**220 830 142**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Transfer and subsidies

Other Transfers		
Umzinyathi Development Agency	11 700 000	10 000 000

35. General expenses

Advertising	2 438 266	2 859 989
Auditors remuneration	8 008 824	5 237 827
Bank charges	143 462	830 065
Commission paid	8 361	84 896
Consumables	46 477 402	68 353 893
Delivery expenses	216 400	1 472 100
Hire Charges	20 429 657	21 671 342
Insurance	2 571 837	1 825 545
Conferences and seminars	90 730	203 107
IT expenses	703 113	641 163
Tractor drivers stipend	(12 427)	148 500
Motor vehicle expenses	1 273 361	1 146 104
Fuel and oil	13 845 594	33 746 708
Protective clothing	145 349	3 550 161
Learnership and Bursaries	4 655 971	4 975 252
Subscriptions and membership fees	2 729 974	113 384
Telephone and fax	2 336 460	2 459 769
Transport and freight	3 566 840	3 025 737
Travel and Accomodation	6 046 580	6 574 034
Water and Electricity	30 843 634	30 469 248
Rates	1 204 333	1 054 697
Re-imbursement of ward committes	120 000	123 180
Seating Allowances	92 584	93 370
Specimen and Sample	76 981	65 277
Connection Fees	223 847	222 628
Awards	738 000	272 000
Skills Development Levy	2 397 540	2 085 208
Compensation Fund Assessment Fee	1 500	3 646 593
	151 374 173	**196 951 777**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Cash generated from operations

Surplus (deficit)	119 804 528	(58 034 592)
Adjustments for:		
Depreciation and amortisation	63 322 839	63 820 561
(Loss) gain on sale of assets and liabilities	(179 014)	39 448
Investment in associates	17 151 182	(3 444 177)
Finance costs - Employee benefit obligation	3 263 496	3 130 533
Impairment deficit	28 136 149	8 784 624
Debt impairment	27 887 291	144 545 060
Long service award	1 651 055	1 969 180
Post Retirement Medical Aid	1 174 023	2 484 066
Acturial Gain	(981 153)	(2 476 057)
Changes in working capital:		
Inventories	(3 966 363)	849 794
Vat Receivable	381 813	7 005 248
Consumer debtors	(51 956 058)	(88 412 786)
Other receivables from non-exchange transactions	(112 911)	452 626
Statutory receivables	(6 967 844)	11 764 304
Payables from exchange transactions	3 794 520	52 613 067
VAT	(1 829 426)	(1 419 751)
Taxes and transfers payable (non-exchange)	3 000 000	1 000 000
Unspent conditional grants and receipts	6 525 000	(2 550 122)
	210 099 127	**142 121 026**

37. Commitments

Authorised capital expenditure

Approved and contracted		
• Property, plant and equipment-Work In Progress	298 697 121	462 589 939
Total capital commitments		
Already contracted for but not provided for	298 697 121	462 589 939

This Expenditure will be financed from

Government Grants	298 697 121	462 589 939

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Contingencies

Contingent liabilities incurred relating to interests in other entities

	2025	2024
Municipalities		
Ubuso Obuhle Trading allegedly rendered services including cleaning of sewer lines and storm water drain using high pressure water and was contracted by the municipality to render such services.Proof of such services being rendered has not been furnished .The matter is at discovery stage.	1 080 607	1 035 619
The municipality is being sued for services alleged to have been rendered under the Operations and Maintance unit by Lindulwazi Projects.The Plainful allegedly provided plant and equipment and performing required as and when required The attorneys have advised that the prospects is poor since payments were made by the municipality.	7 337 488	6 940 747
The municipality is being sued for service rendered under MMs Office.In that they would render internal audit services.The matter is stagnant.	3 906 754	3 627 611
The municipality is being sued for services alleged to be rendered under PMU unit by Sinotho Electrical.The matter is at a discovery level.	4 672 985	4 446 400
The municipality is being sued for service rendered under the Operations and Maintance unit by Fore C Electrical.The attorney would move an application to have contract between the municipality and Fore C reviewed and set aside.	14 542 564	14 542 564
The municipality is sued for services rendered under the Operations and Maintance by fore C electrical .The attorney would move an application to have have contract between the municipality and Fore C reviewed and set aside.	58 959 109	58 959 109
The municipalty is sued alleged Consulting services by Mgamule Consulting .The municipality field an exception to the Plaintiffs particulars of claim.	2 433 141	-
The municipality is sued for services allegly rendered under O &M services by Kunjalo kunje Trading cc.The municipality field its plea.	26 480 203	-
The municipality is sued for car rental services by Avis car rental.The matter is defended in court.	425 281	-
S Gcabashe was dismissed, he referred the matter to the bargaining council. The arbitrator ruled in favour of the Municipality. The dismissal was upheld. He took the award on review with the Labour Court. The matter is ongoing and we are awaiting the court date. The prospects of success is good.	4 639 799	-
SMB Buthelezi was dismissed. He filed an application with the High Court to enforce an alleged settlement agreement. The Court ruled in his favour. The Municipality has petitioned the Supreme Court of Appeal. The prospects of success is good.	3 461 696	-
	127 939 627	**89 552 050**

Contingent assets

	2025	2024
Contingent Assets		
Mr Soni and the executors of the estate late PM Soni are indebted to the municipalty for water services.No settlement has been reached yet.	383 050	364 337
Trustee Prembhai Family trust is indebted to the municipalty for services .Water delivered to the trustee.No settlement has been reached yet.	1 153 386	1 094 383
The municipality is suing Fusion guarantee for the amount owed by Soundrite .The services rendered by Soundrite were not satisfactory therefore the amount is being claimed under the guarantee.	9 607 576	9 261 097
The municipality is suing Tsotetsi Mchunu Inc as per the recommendations in section 106 report .The attorneys are tracing the third defendant and would thereafter service the notice bar.	6 446 964	5 985 467
The municipalty is suing defendants (AC Industrial,EMS Ntombela,TR Malunga)as per the recommendations of the S106 report .The matter is discovery stage.	120 689 565	112 055 193
The municipality is holding Mr TR Malunga personallly liable for the loss incurred by the municipality as a result of him terminating ECA while they were appointed and working on site.The matter is at discovery stage.	11 920 000	11 920 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Contingencies (continued)

The municipality is suing Africa Consulting as per the recommendations of the invistigation report into UIFW for 2019/2020,2020/2021 and 2021/2022 financial years.The muncipality is moving an application for a default judgement since the defendant has not field its plea.	9 779 708	-
The municipality is investigating the transactions by Bosch.The attorneys are preparing an application to interdict Mr Ndlonzi pension and as well as to have the contract reviewed and set aside.The letter of demand was issued .BOsch requested to resolve the matter amicably.	5 998 502	-
The municipality is recovering overcharge of R265 000,00 and R2 204 895 from Asiziqalele construction recoreded as for the construction of dams ,as per the recommendtion of the invistigation report into UIFW for 23019/2020,2020/2021 and 2021/2022.	1 367 448	-
The munciaplity is recovering from Asiziqalele contractors an amount of R834 600 in overcharged amounts .Asiziqalele has been engaged on the matter and has requested further particulars which they were furnished with.	834 600	-
The municipality is suing Capmed as per the recommendations of the investigation report into UIFW for 2019/2020,2021/2021 Financial years.The summons were issued .There was non -services however the new address has been found .The summons would be re-issued .	88 680	-
The municipality is suing Hlela Attorneys as per the recommendations of the investigation report into UIFW 2019/20,2020/21,2021/22 financial years.The summons were issued in May 2025,	66 335	-
The municipality resolved for the amount quantified as for fuel that was poured on vehicles not owned by the municipality .The attorney would be appointed on the matter since liability is disputed by Highway Motors contending that they have no agreement with the municipality.	856 445	-
Municipal Council resolved for amount claimed and paid for fuel that was claimed to be delivered on sites,however never delivered.Gijima was offered an opportunity to settle ,however has brought fourth information that is being reviewed by the invistigators.	20 615 779	-
The municipality intends suing the service the Orion Lexior as per the recommendations of the invistigation report into UIFW for 2019/20,2020/21 and 2021/22 financial years.The proof of payments were submitted to the invistigators to be reviewed.The municipality awaiting a report so the same may be consired by the Council.	6 047 050	-
The municipal Council resolved for the amount of petrol fraduelently obtained to be recovered from employee(Miss N Nxumalo).The employee is being engaged to pay back the money.	58 523	-
The municipal Council resolved for the amount of overcharged to be recovered from Sizowakha Security	573 611	-
	196 487 222	**140 680 477**

Figures in Rand	2025	2024

39. Related parties

Uthukela Water (Pty) Ltd.The entity is an investment in associate of Amajuba District Municipality,Newcastle Local Municipality and Umzinyathi District Municipality,and is responsible for supplying these municipalities with bulk water services.

Related party balances

	2025	2024
Amounts included in Trade Payables		
Uthukela Water (Pty) Ltd	165 060 702	145 705 578
Umzinyathi Development Agency	8 099 743	5 099 734

The amount relates to the purchases of bulk water from the entity.

	2025	2024
Amounts included in Expenses : Transfer and Subsidies		
Umzinyathi Development Agency	11 700 000	10 000 000

The amount relates to the funds given to the Agency for operations and projects

	2025	2024
Amounts included in the General Expenses		
Uthukela Water (Pty) Ltd	28 741 438	38 208 846
Service In kind		
Employee related Cost	2 134 263	4 044 891

An amount of R11 700 000 was allocated to the entity based on 2024/2025 adjustment budget .The municipality as at 30 June 2025,an amount of R8 099 734 was still outstanding to Umzinyathi Development Agency.

The services in kind provided to the entity are secondment of staff to Umzinyathi Development Agency.Five employees are working at the entity on a shared services basis where they work 3 days at the entity and 2 days at the parent municipality per week.Assuming that 5 days is equal to 100% therefore 3/5=60%.1 Employee works on a basis of 2days a week,the other 3 employees works 3 days a week and the one is seconded full time at the Entity.

Key management information

Please refer to Note 26 above for a detailed breakdown of the remuneration of key management personal as the municipality considers key management personnel a related party to the municipality.

40. Prior-year adjustments

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment -Infrastructure		1 368 936 216	458 914 612	1 827 850 828
Property Plant and Equipment- WIP		1 147 663 376	(23 053 509)	1 124 609 867
Receivables From Exchange Transactions		200 278 500	(99 866 195)	100 412 305
Vat payable		64 447 608	(9 087 332)	55 360 276
Payables from Exchange Transactions		460 210 988	57 491 939	517 702 927
Investment In Associate		28 748 875	11 237 651	39 986 526
Opening Accumulated Surplus		2 220 696 759	388 541 588	2 609 238 347
		5 490 982 322	**784 178 754**	**6 275 161 076**

Statement of financial performance

40. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Interest on Outstanding Debtors		40 600 810	29 237 705	69 838 515
Debt Impairment		46 628 983	97 916 077	144 545 060
Service Charges		77 637 690	(60 582 215)	17 055 475
Depreciation		82 442 443	(18 621 882)	63 820 561
Finance Cost		3 837 455	9 068 365	12 905 820
Share Suplus or deficit in Investment in Associate		(7 793 474)	11 237 651	3 444 177
Contracted Services: Maintanace of Equipment		45 205 559	19 720 317	64 925 876
Surplus for the year		**288 559 466**	**87 976 018**	**376 535 484**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods		(5 057 634)	12 191 571	7 133 937
Grants		753 544 766	2 550 122	756 094 888
Other Receipt		2 100 112	(2 100 112)	-
Interest Income		49 276 153	(40 600 810)	8 675 343
Vat Refund		11 764 304	(11 764 304)	-
Employee Cost		(246 304 182)	(2 011 251)	(248 315 433)
Suppliers		(386 838 742)	37 625 474	(349 213 268)
Finance Cost		(3 837 455)	(5 937 832)	(9 775 287)
Rumenerations of Councillors		(6 930 888)	6 930 888	-
Transfer and subsidies		(9 000 000)	9 000 000	-
		158 716 434	**5 883 746**	**164 600 180**
Cash flow from investing activities				
Purchase of Property Plant and Equipment		(207 163 427)	51 770 491	(155 392 936)
Cash flow from financing activities				
Finance lease payments		-	(57 654 234)	(57 654 234)

Errors

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Prior-year adjustments (continued)

Error 1- The amount of R1 639 035 was for the interest on outstanding debtors that was erronously ommitted on overdue accounts during 2023/2024 Financial year, the impact of this error increase receivables from exchange transactions and also the interest on overdue accounts.

Error 2- During the 2023/2024 financial period an incorrect interest rate of 10,25% was erronously charged on overdue accounts instead of 13,75%, this has resulted the understatement of receivable from exchange transactions and interest on overdue accounts by an amount of R16 370 979.13.

.Error 3- In the calculation of the 2023/2024 financial year's debt impairment. The governement departments, businesses and rental accounts were erronously ommited.This error has resulted of an overstatement of receivables from exchange transactions by an amount of R144 715 927,79 and understatement of debt impairment by R144 715 915.

Error 4 - The municipality initial estimated useful life of certian Property Plant Equipment (Infranstructure Assets) to be 20 years. In 2017/2018 the municipality changed the useful life of these assets from 20 years to 50 years. The error was incorrectly applied prospectively instead of retrospectively.As the result of this error depreciation was overstated by an amount of R455 683 832 which resulted an understatement of the carrying value of Property Plant and Equipment.

Error 5- During 2023/2024 financial period,certain individual debtors were incorrectly catagorised as indigents and enjoyed the 6kl free basic water services. As a result of this error the receivable from exchange transactions,services charges and vat payable were understated by R78 872.75,R68 585.00 and R10 287.75 respectively

Error 6- During 2023/2024 the certain businesses were erronously billed as individuals or residential . As a result of this error the receivable from exchange transactions,services charges and vat payable were understated by R558 056.27, R485 266.32 and R72 789.94 respectively.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Prior-year adjustments (continued)

Error 7- During 2023/2024 financial year the municipality erronously billed its own accounts in respect of water service charges and interest on outstanding debtors amounted to R6 117 883,2 and R84 013,94 respectively.This error has resulted to overstatement of services charges ,interest on debtors and vat output accruals by R5 319 898.54; R84 013.94 and R797 984.78 respectively.

Error 8-In 2017/2018 Financial year the municipality changed its accounting policy of certain Property Plant and Equipment (Infranstructure Assets) from 20 years to 50 years. The change was erroronously applied prosepectively instead of retrospectively in the same financial period.As a result of this error the depreciation for 2024 financial period was overstated by R18 718 669.72

Error 9- During 2023/2024 financial year the municipality the expenditure amounted to R574 356 related to Kwakopi were erronously ommited when the expenditure related that project were transferred to completed assets.

Error 10 - Uthukela water is a water authority which provide the municipality with bulk water.The municipality has a long outstanding debt owed to Uthukela Water. The Interest charged by Uthukela water on the outstanding debt over the years amounting to R21 271 270.44 were never accounted for.As the result of these error or mission ,both payables from exchage transactions and interest on over due accounts were understated by R21 271 270.44.

Error 11 - Department of water and sanitation is a water board .The municipality has a long outstanding debt owed to Department of Water and Sanitation. The Interest charged by Department of water and Sanitation on the outstanding debt over the years amounting to R36 220 668.83 were never accounted for.As the result of these error or mission ,both payables from exchage transactions and interest on over due accounts were understated by R36 220 668.83.

Error 12 (Investment In Associate) - In 2023/2024 the municipality calcultated the deficit of R 7 765 956 using the pre-audit Uthukela water Annual Financial statements.Uthukela water adjusted their AFS during 2023/2024 audit process.The Audited Annual Financial Statements for Uthukela water became available after the conclusion of the Audit.This resulted an understament of invesment in associate and profit or loss by R11 237 651

Error 13 (Receivables from Exchange Transactions,Services charges and Interest)- The correction of the accounts that were incorrectly billed using the avarage without base.The municipality were restricted to read the metters in the past years and those readings were avaraged billied,this resulted the incorrectly billing of three township (Esithembile,Esibongile and Nhlalakahle).

Error 14 (Contracted services)-During 2023/2024 financial year ,capital assets amounting to R2 753 211 were erroneously recognised as an expense instead of being capitalised as an asset,therefore this amount was correct classisfied as an expense in the prior year.

Error 15 (Cash flow from Operating Activities)- During 2023/2024 some of the amounts under the cash flow from operating activities were incorrectly calculated .

Error 16 (Cash flow from Investing Activities)- During 2023/2024 the municipality changed its accounting policy of certain Property,Plant and Equipment (Infranstructure Assets) by extending their useful lives from 20 years to 50 years.However,the change was erroneously applied prospectively instead of retrospectively in the same financial period.As the result of this error the carrying value of 2023/2024 were incorrectly calculated ,which led to an incorrect calculation of the cash flow from investing activities.

Error 17 (Cash flow from financing activities)- During 2023/2024 the municipality erroronously calculated the finance lease payments which let the incorrect calculation of the cash flow from financing activities.

Irregular expenditure

Opening balance	1 399 672 846	1 739 828 388
Adjustments made	12 836 977	-
Restated opening balance	**1 412 509 823**	**1 739 828 388**

Adjustment made to opening balance of irregular expenditure is due to certain contract and expenditure that were ommitted by the municipality in the 2023/2024 financial year. The total ommited irregular expenditure amounts to R12 836 977 for prior year additions.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Prior-year adjustments (continued)

Fruitless and wasteful expenditure

Opening balance	42 445 835	46 095 255
Adjustments made	55 274 193	-
Restated opening balance	**97 720 028**	**46 095 255**

Adjustment made to opening balance of fruitless and wasteful expenditure is due to interest charge by Uthukela water and Eskom for late payments. The total expenditure incurred amounted to R4 528 673].

Unauthroised expenditure

Opening balance	332 098 186	1 035 111 774
Adjustments made	-	109 280 476
Restated opening balance	**332 098 186**	**1 144 392 250**

Adjustment made to opening balance of Uathorised expenditure is due to ommision of R109 280 476 unathorised additions.

41. Risk management

Liquidity risk

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

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

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

The table below analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Liquidity risk is the risk that the municipality will not be able to meet its obligation as they fall due.The municipality risk to liquidity is a result of funds availability to cover future commitments .The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities whee due .The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses.

41. Risk management (continued)

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.

Receivables are amounts owing by the consumer and are presented net of impairment loss.The municipality has a credit control policy in place and the exposure to credit risk is monitored continously.The municipality establishes an allowance for doubtful debt the represents its estimate of anticipated losses in respect of receivables.Payment of accounts of consumer debtors who are unable to pay ,are negotiated in line with the credit control policy and terms of payments are agreed upon with the consumer.

Cash and Cash Equivalents-The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Councils approved investment policy.The municipality does not consider there to be any significant exposure to credit risk.

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

Financial instrument	2025	2024
Inventory	4 934 498	968 135
Receivables from Exchange Transaction	80 912 081	100 412 305
Vat Receivables	38 615 493	38 997 306
Receivable from Non -Exchange Transactions	140 870	27 959
Cash and Cash Equivalent	10 175 789	4 201 254

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Financial Liabilities		
Payables from Exchange Transactions	595 161 820	556 184 653
Consumer Deposits	451 314	451 314
Transfer Payables	8 099 734	5 099 734
Vat Payable	53 530 850	55 360 276
Employee benefit Obligation	2 408 217	2 269 250
Unspent Grant	6 525 000	-
	666 176 935	**619 365 227**

Market risk

Interest rate risk

The municipalitys policy is to manage interst rate risk so that fluctuations in variation costs do not have a material impact on surplus.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Going concern

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

This basis presumes that the municipality will continue to receive grants from National and Provincial Governements as well as continue to charge for services provided to consumers .The proceeds are presumed to be available to finance future operationsand that the realisation of assets and settlement of liabilities,contingent obligations and commitments will occur in the ordinary course of the business.The following indicators have negatively outlook on the going concern of the municipality.
- Creditors in days 2025 are (250 days)
- Debtors in days 2025 are (2766)

Non-compliance (30 days)-The municipality is currently not paying all their creditors within the accepted 30 days when they are due.This also resulted an increase in fruitless and wasteful expenditure due to interest on overdue creditors account and but the municipality was operating on the surplus of R119 488 137 for 2024/2025 financial period. The municipal council approved the funded budget for 2025/2026 financial year of which is the positive indicator.Despite the above negative and positive indicators ,the municipality is going concern because of the following:It is a state entity set up by the Constitution of the Republic of South Africa to provide the basic service services to the community and is also funded by the state for that purpose failure to provide water services will prompt National Government intergration to ensure it stays functional and able to deliver basic services and consequently compliance with Constitution.

As at 30 June 2025,the municipality's current liabilities exceeded the current assets by (R304 580 975) and (2024:R473 442 679) resulting in municipality fail to meet its short term obligations.

The following factors could affect the going concern assumptions indicated :
- The municipality is experiencing challenges with collecting the revenue relating to water and sanitation,this is due to weakness in controls that are intended to manage the revenue at the local municipalities.
-The obligations to Uthukela water board of R165 060 702.73 (2024:R145 705 578) and Department of water and sanitation R93 921 549.97 (2024:R94 946 553) contributes as the biggest creditors for the municipality over which they continue to threaten the going concern for the municipality.The municipality has signed payment agreements with both Uthukela Water Board and Department of water and sanitation to manage the risk..
-The litigations against the municipality were valued at R127 935 627 (2024:R89 552 050) resulting to a continuity risk for the municipality .Management continues to closely monitor the risk through the risk management processes.
-The litigations in favour of the municipality were valued R196 487 222 (2024:R140 680 477) which could impact positively on the reduction of the municipality .Management continues to closely monitor the risk through its risk management processes.
-The following measures was implemented by the management as part of the revenue enhancement strategy and cost containment strategy:
-The interim Finance Committee was formed to monitor the implementation of the cost containment strategy and to ensure economically efficient spending.
-The revenue enhancement strategy is at the review stage and will be submitted to the council for approval during 2025/2026 financial period.
-The debt collection strategy have been implemented to reduce the issues of debtors not paying on timeously.
-The financial recovery plan was adopted and monitored on a monthly basis.
-With the assistance of COGTA anD MISA the municipality will implement a water loss reduction plan which is intended to curb the ballooning of water losses.
-The municipality is not considering obtaining a long term debt recover from the current status but strengthening the debt collection measures.

Despite the above negative and positive indicators ,the municipality continues to adopt the going concern assumption as it is the managements view that the municipality will continue to operate in its present form in the foreseeable future.In addition ,management has embarked on an aggressive programme of debt recovery to ensure improved furure cash inflows.The improvement by and large the previous financial position is encouraging and testament to the measures put in place .

In addition ,the municipality collects revenue for services rendered and this will augument their cash flows in subsequent years.Municipality must ensure that all allocations are spent fully and the VAT returns will supplement the income of the municipality.

42. Going concern (continued)

Operational Transfers and Grants	Original Budget -Year 2025/26	Outer Yr 1- Budget Year 2026/27	Outer Yr 2 Budget Year 2027/28
Equiatable Share	550 411 000	584 003 000	610 422 000
LGSETA (Not gazetted)	500 000	500 000	500 000
Financial Managent Grant	3 000 000	3 000 000	3 100 000
Extended Public Works Programme	5 687 000	-	-
Rural Roads Asset Management	2 673 000	2 796 000	2 921 000
	562 271 000	**590 299 000**	**616 943 000**

Capital Transfers and Grants	Original Budget Year 2025/26	Budget Year 2026/2027- Outer Yr2	Budget Year 2026/2027 Yr2
Municipal Infrastructure Grant	224 123 000	244 393 000	256 148 000
Water Services Infrastructure Grant	91 000 000	100 000 000	105 000 000
	315 123 000	**344 393 000**	**361 148 000**

43. Events after the reporting date

The municipality is unware of any material events that have occured between 31 December 2024 and the date,when Interim were authorised.

44. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

	2025	2024
Unathorised Expenditure	247 751 963	432 378 663
Irregualr Expenditure	644 512 244	1 399 672 845
Fruitless and wasteful Expenditure	76 219 480	42 445 835
Closing balance	**968 483 687**	**1 874 497 343**

***Refer to reconciling notes in the annual report**

45. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	432 378 663	1 035 111 774
Add;Prior year correction	-	109 280 476
Add: Unauthorised expenditure - current period	132 232 711	107 974 749
Less: Write off approved by Council	(316 859 410)	(819 988 336)
Closing balance	**247 751 964**	**432 378 663**

Non Cash and Cash Items	2025	2024
Cash	74 120 079	30 831 743
Non- Cash	58 112 632	77 143 005
	132 232 711	**107 974 748**

Analysed as follows : Non Cash Items	2025	2024
Depreciation and amortisation	-	2 935 112
Finance Cost	13 074 159	99 533
Debt Impairment	27 887 291	-
Impairment Loss	-	20 003 625
Share of surplus /deficity from associate	17 151 182	7 793 474
	58 112 632	**30 831 744**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Unauthorised expenditure (continued)

Analysed as follows:cash

Inventory	-	24 519 278
Contracted services	50 217 594	49 697 147
Operational cost	4 201 653	2 926 580
Oerating Leases	1 732 545	-
Employee Related Cost	17 968 287	-
	74 120 079	**77 143 005**

Unauthorised expenditure: Budget overspending – per municipal department:

Executive and Council	133 899	1 535
Office of the Municipal Manager	4 387 895	3 595 735
Administration	10 374 393	3 812 587
Finance	14 206 012	17 271 833
Planning and development	-	334 202
Water management	102 055 029	82 957 980
Community and social development	1 075 483	877
	132 232 711	**107 974 749**

Recoverability steps taken/criminal proceedings

The have not been any recoverable steps taken in the current year.

Disciplinary steps taken/criminal proceedings

[There have not been any disciplinary steps taken in the current year.]

46. Fruitless and wasteful expenditure

Opening balance as previously reported	42 445 834	46 095 255
Add;Correction of Prior period Error	55 274 193	-
Add: Fruitless and wasteful expenditure identified - current	10 046 886	842 866
Less: Amount written off - current	(31 547 435)	(4 492 287)
Closing balance	**76 219 478**	**42 445 834**

Figures in Rand		2025	2024

46. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Details of th Fruitless and Wasteful Expenditure incurred current year		
Interest on charged on late payments	Interest on late payments by Eskom,Uthukela water and Department of water and sanitation	1 046 886	84 266

Amount recovered

No amounts were recovered in the current year

47. Irregular expenditure

Opening balance as previously reported	1 399 672 846	1 739 828 388
Add :Prior year correction	12 836 977	-
Add: Irregular expenditure - current	654 203	242 382 305
Add: Irregular expenditure - prior period	52 742 975	-
Less: Amount written off - current	(821 394 757)	-
Less: Amount written off - prior period	-	(582 537 847)
Closing balance	**644 512 244**	**1 399 672 846**

Irregular Expenditure incurred current year		
Non compliance with SCM Regulation	539 203	-
Suppliers in which person are in the service of the state	115 000	-
	654 203	**-**

Cases under investigation

Municipal Systems Act	1 414 519 679	1 890 868 813

47. Irregular expenditure (continued)

Amount recovered

No amount recovered this year.

Amount written-off

The amount below was written of by the Council after the investigation.

Irregular expenditure	821 394 757	582 537 847

Recoverability steps taken/criminal proceedings

There have not been any recoverable steps taken in the current year.

Disciplinary steps taken/criminal proceedings

There have not been any disciplinary steps taken in the current year.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 710 706	248 300
Amount paid - current year	(2 710 706)	(248 300)
	-	-

Audit fees

Opening balance	941 711	3 002 693
Current year subscription / fee	9 493 788	6 561 099
Amount paid - current year	(9 841 258)	(8 622 081)
	594 241	**941 711**

Figures in Rand	2025	2024

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

PAYE and UIF

Opening balance	3 556 710	-
Current year subscription / fee	43 302 112	40 211 913
Amount paid - current year	(46 858 822)	(36 655 203)
	-	**3 556 710**

Pension and Medical Aid Deductions

Current year subscription / fee	53 406 011	48 466 435
Amount paid - current year	(53 406 011)	(48 466 435)
	-	-

Councillors' arrear consumer accounts

There are no arrear accounts outstanding for more than 90 days at 30 June 2025:

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

49. Deviation from supply chain management regulations

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

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

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.All invalid deviations were reclassified to an irregular expenditure disclosure note.

SCM Regulation 36		
Exceptional case where it is impractical or impossible to follow the official procuremet processes	1 624 435	39 319
Emergency	-	9 282 176
	1 624 435	**9 321 495**

50. 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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Segment information (continued)

Aggregated segments

The municipality services are provided in 6 Towns in the KwaZulu-Natal Province within Umzinyathi jurisdiction.Segments were agrregated on the basis of service delivered as management considered that the economic characteristics of the segments throughout the District were sufficiently similar to warrant aggregatio.Management monitors perfomance per level per town,in monthyly management reports.

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Unallocated	Trading Services (Water and Sanitation)	Total
Revenue			
Service charges	-	43 696 164	43 696 164
Rental of facilities and equipment	426 795	-	426 795
Interest earned on outstanding debtors	-	63 736 549	63 736 549
Other Income	141 307	-	141 307
Interest received on investment	6 207 416	-	6 207 416
Goverment grants and subsidies	285 762 561	513 456 000	799 218 561
Gains on Disposal of assets	179 014	-	179 014
Acturial Gain on post retirement beneif	981 153	-	981 153
Total segment revenue	**293 698 246**	**620 888 713**	**914 586 959**
Entity's revenue			**914 586 959**
Expenditure			
Employee related cost	(155 008 327)	(128 824 936)	(283 833 263)
Remuneration of councillors	(8 023 604)	-	(8 023 604)
Depreciation and amortisation	(17 794 162)	(45 528 677)	(63 322 839)
Impairment loss	-	(28 136 149)	(28 136 149)
Finance cost	(3 279 726)	(10 037 557)	(13 317 283)
Lease rentals on operating lease	(1 732 545)	-	(1 732 545)
Debt Impairment	-	(27 887 291)	(27 887 291)
Contracted services	(59 904 638)	(128 399 464)	(188 304 102)
Transfer and subsdies	(11 700 000)	-	(11 700 000)
Share of surpluses or deficit from associate	(17 151 182)	-	(17 151 182)
General expense	(39 725 589)	(111 648 584)	(151 374 173)
Total segment expenditure	**(314 319 773)**	**(480 462 658)**	**(794 782 431)**

50. Segment information (continued)

	Unallocated	Trading Services (Water and Sanitation)	Total
Total segmental surplus/(deficit)	**608 018 019**	**1 101 351 371**	**1 709 369 390**
Assets			
Cash and cash equivalent	10 175 789	-	10 175 789
Inventories	857 183	4 077 315	4 934 498
Receivables from exchange transactions	-	80 912 081	80 912 081
Vat Receivables	38 615 493	-	38 615 493
Receivables from non-exchange transaction	140 870	-	140 870
Statutory receivables	8 283 433	-	8 283 433
Investment property	1 701 385	-	1 701 385
Property Plant and Equipment	32 839 168	3 107 278 360	3 140 117 528
Intangible assets	19 494	-	19 494
Heritage assets	8 655	-	8 655
Investment in associate	22 518 951	-	22 518 951
Total segment assets	**115 160 421**	**3 192 267 756**	**3 307 428 177**
Total assets as per Statement of financial Position			**3 307 428 177**
Liabilities			
Payable from exchange tansactions	(131 174 808)	(463 987 012)	(595 161 820)
Transfer payables	(8 099 734)	-	(8 099 734)
Vat payables	(53 530 850)	-	(53 530 850)
Consumer deposit	-	(451 314)	(451 314)
Employee benefit obligation	(2 408 217)	-	(2 408 217)
Unspent conditional grant receipt	-	(6 525 000)	(6 525 000)
Employee Obligation	(28 146 372)	-	(28 146 372)
Total segment liabilities	**(223 359 981)**	**(470 963 326)**	**(694 323 307)**
Total liabilities as per Statement of financial Position			**(694 323 307)**

50. Segment information (continued)

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

2024

	Unallocated	Trading services - Water Sanitation	Total
Revenue			
Service Charges	-	17 055 475	17 055 475
Rental of facilities	499 109	-	499 109
Other Income	1 148 377	-	1 148 377
Interest received on investment	8 675 343	-	8 675 343
Acturial Gain on Post Retirement Benefits	2 476 057	-	2 476 057
Goverment grants and subsidies	300 489 226	455 605 662	756 094 888
Interest earned on outstanding debtors	-	69 838 515	69 838 515
Share Surplus or deficit from Associate	3 444 177	-	3 444 177
Total segment revenue	**316 732 289**	**542 499 652**	**859 231 941**
Entity's revenue			**859 231 941**
Expenditure			
Employee related cost	(139 803 515)	(110 953 914)	(250 757 429)
Remuneration of councillors	(6 930 888)	-	(6 930 888)
Depreciation & Amortisation	(15 092 283)	(48 728 279)	(63 820 562)
Impairment loss	-	(8 784 624)	(8 784 624)
Finance Cost	(3 669 441)	(9 236 379)	(12 905 820)
Lease rentals on operating lease	(1 700 784)	-	(1 700 784)
Debt Impairment	-	(144 545 060)	(144 545 060)
Contracted Services	(61 849 676)	(158 980 465)	(220 830 141)
Transfer and subsidies	(10 000 000)	-	(10 000 000)
Loss on disposal of asset and liabilities	(39 448)	-	(39 448)
General expense	(38 529 867)	(158 421 910)	(196 951 777)
Total segment expenditure	**(277 615 902)**	**(639 650 631)**	**(917 266 533)**

50. Segment information (continued)

Total segmental surplus/(deficit)	**594 348 191**	**1 182 150 283**	**1 776 498 474**
Assets			
Cash and cash equivalent	4 201 254	-	4 201 254
Inventories	-	968 135	968 135
Receivables from exchange transaction	-	100 412 305	100 412 305
Vat Receivables	38 997 306	-	38 997 306
Receivables from non-exchange transactions	27 959	-	27 959
Statutory receivables	1 315 589	-	1 315 589
Investment Properties	1 792 965	-	1 792 965
Property,plant and equipment	46 811 275	2 983 451 148	3 030 262 423
Intangible Assets	82 286	119 611	201 897
Heritage assets	8 655	-	8 655
Investment in associate	39 986 525	-	39 986 525
Total segment assets	**133 223 814**	**3 084 951 199**	**3 218 175 013**
Total assets as per Statement of financial Position			**3 218 175 013**
Liabilities			
Payables from exchange transaction	(115 626 452)	(440 558 201)	(556 184 653)
Transfer payables	(5 099 734)	-	(5 099 734)
Vat payables	(55 360 276)	-	(55 360 276)
Consumer deposit	-	(451 314)	(451 314)
Employee benefit obligation	(27 396 190)	-	(27 396 190)
Total segment liabilities	**(203 482 652)**	**(441 009 515)**	**(644 492 167)**
Total liabilities as per Statement of financial Position			**(644 492 167)**

51. Water Losses

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Water Losses (continued)

Water Disribution Losses		
Water Distribution	43 300 305	36 665 784

Water Distribution Losses		
Water Produces (Units)	11 496 547	12 138 335
Water sold (Units)	(3 551 547)	(4 655 522)
	7 945 000	**7 482 813**

Monetary Value of Water Losses	7 945 010	7482813
Percentage Loss		
Technical Losses	69%	62%

The purchase price for raw water from Uthukela Water was at R5.45 for 2025 financial year and R4.90 for 2024 financial year.Umzinyathi District Municipality is mostly dominated with rural areas and most of rural areas have stand pipes per standards set by water Affairs.Other rural areas have no water infrastructure therefore water tankers are delivering to them and these tankers are getting water from UDM plants.The collection points set in our network .The district municipality experienced a lot of burst pipes in our reticulation line due to the ageing infranstructure.The illegal connections in most of the rural areas have a huge impact in unaccounted water as they are not metered .The district municipality experienced increasing internal leaks from domestic consumers and there's a program that will be running to fix the leaks.

The municipality uses R5.45 charged by Uthukela water as this is regarded as the market related cost.The market related cost approach is allowed to be used where it is impractical for the municipality to determine the actual cost price of water for disclosure purposes.The municipality may apply the market related cost used by its water services entity ,which was reasonable,supportable ,and in accordance with GRAP 3 and GRAP 12.The market-related cost applied by the municipality was based on the observation and verifiable data obtained from uThukela water.