

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021



uMkhanyakude District Municipality and its Municipal entity
Consolidated Annual Financial Statements
for the year ended 30 June, 2021

* See Note 42

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

General Information

Legal form of entity

DC27

uMkhanyakude District Municipality

Executive Committee

Executive Mayor

Cllr Moodley G.P (Mayor)

Cllr Hlabisa F.C (Deputy Mayor)

Cllr Ngema T.N (Speaker)

Cllr Mkhombo T.S (Exco Member)

Cllr Ngcobo M.S (Exco Member)

Cllr Gumede V.M (Exco Member)

Councillors

Cllr Gina M.A

Cllr Gumede K.S

Cllr Gumede M.S

Cllr Gumede R.H

Cllr Gumede S.M

Cllr Gumede V.E

Cllr Khoza S.J

Cllr Khumalo G.T

Cllr Khumalo NG

Cllr Mabika D.P

Cllr Madlopha P.B

Cllr Mathenjwa B.S

Cllr Mhlongo Z.M

Cllr Msane M.S

Cllr Mthethwa N.R

Cllr Mthethwa N.S

Cllr Mthethwa S.P

Cllr Mzinyane S.W

Cllr Nkonyane S.W

Cllr Nkosi H.T

Cllr Ngubane J.G

Cllr Shezi S.J

Cllr Sithole M.B

Cllr Zulu N.R

Cllr Zuma N.E

Grading of local authority

Grade 4

Chief Finance Officer (CFO)

L.S Sibisi (Acting)

Accounting Officer

S Madela (Acting)

Auditors

Auditor's/Accountant's name

Registered Auditors

Legislation governing the municipality's operations

-Constitution of the Republic of south Africa (Act 108 of 1998)

-Local Government: Municipal Finance Management Act (Act no.56 of 2003)

-Local Government: Municipal Systems Act (Act 32 of 2000)

-Local Government: Municipal Structures Act (Act 117 of 1998)

-Municipal Property Rates Act (act of 6 2004)

-Division of Revenue Act (Act 1 of 2007)

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

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
WSSA	Water and Sanitation Services South Africa (Pty) Ltd
EDTEA	KZN Department of Economic Development, Tourism And Environmental Affairs

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Accounting Officer's Responsibilities and Approval

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

The consolidated 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 consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The municipality is wholly dependent on the grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the municipality is a going concern and that the Provincial and Governments has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the financial statements below are within the upper limits of the Framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The consolidated annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the e audit committee on 30 September, 2021 and were signed on its behalf by:

Accounting Officer

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Statement of Financial Position as at 30 June, 2021

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Assets					
Current Assets					
Inventories	3	199,208,341	130,174,666	199,208,341	130,174,666
Receivables from non-exchange transactions	4	10,376,934	1,690,909	-	-
Other receivables from exchange transactions	5	1,874,203	2,669,385	1,556,183	2,622,915
VAT receivable	6	62,523,864	40,750,845	57,985,177	40,139,009
Receivables from exchange transactions	7	79,910,931	60,554,051	79,910,931	60,554,051
Cash and cash equivalents	8	181,868,833	94,725,775	174,703,990	60,183,062
		535,763,106	330,565,631	513,364,622	293,673,703
Non-Current Assets					
Property, plant and equipment	9	2,202,878,132	2,124,565,483	2,130,795,406	2,088,002,555
Intangible assets	10	368,503	505,010	67,966	95,224
Heritage assets	11	586,000	586,000	586,000	586,000
		2,203,832,635	2,125,656,493	2,131,449,372	2,088,683,779
Total Assets		2,739,595,741	2,456,222,124	2,644,813,994	2,382,357,482
Liabilities					
Current Liabilities					
Trade and other payables	12	329,554,391	336,590,885	315,639,291	339,428,077
Consumer and other deposits	13	3,159,343	2,733,270	3,159,343	2,733,270
Unspent conditional grants and receipts	14	84,688,422	98,187,856	82,926,987	68,183,713
Current portion of defined benefit plan obligation	15	682,000	465,000	682,000	465,000
Current portion of loans	16	926,897	961,265	926,897	961,265
Other payables from non-exchange	18	2,700,000	2,700,000	-	-
		421,711,053	441,638,276	403,334,518	411,771,325
Non-Current Liabilities					
Trade and other payables	17	-	6,521,637	-	6,521,637
Defined benefit plan obligation	15	11,706,000	9,261,000	11,706,000	9,261,000
Loans	16	2,755,283	3,630,272	2,755,283	3,630,272
		14,461,283	19,412,909	14,461,283	19,412,909
Total Liabilities		436,172,336	461,051,185	417,795,801	431,184,234
Net Assets		2,303,423,405	1,995,170,939	2,227,018,193	1,951,173,248
Accumulated surplus		2,303,423,408	1,995,170,939	2,227,018,196	1,951,173,247
Total Net Assets		2,303,423,408	1,995,170,939	2,227,018,196	1,951,173,247

* See Note 43 & 42

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	19	45,199,233	38,914,392	45,199,233	38,914,392
Rental of facilities and equipment	20	255,851	181,560	235,851	181,560
Other income	21	693,720	1,371,725	654,148	1,045,872
Interest income	22	17,645,262	16,551,776	17,051,271	16,031,336
Total revenue from exchange transactions		63,794,066	57,019,453	63,140,503	56,173,160
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	23	818,394,415	676,739,170	779,382,725	674,142,769
Public contributions and donations	24	-	5,590,000	-	5,450,000
Total revenue from non-exchange transactions		818,394,415	682,329,170	779,382,725	679,592,769
Total revenue		882,188,481	739,348,623	842,523,228	735,765,929
Expenditure					
Employee related costs	25	(204,162,145)	(186,028,990)	(194,563,989)	(178,339,599)
Remuneration of councillors	26	(8,738,479)	(9,309,464)	(8,738,479)	(9,309,464)
Depreciation and amortisation	27	(58,578,497)	(57,543,353)	(57,210,058)	(56,187,665)
Impairment loss and write off	28	(5,811,849)	(45,093,723)	(5,811,849)	(45,093,723)
Finance costs	29	(3,172,280)	(2,937,358)	(3,172,280)	(2,937,358)
Debt Impairment	30	(26,246,279)	(24,781,496)	(24,555,371)	(24,781,496)
Repairs and Maintenance	31	(35,081,434)	(32,942,974)	(35,064,805)	(32,904,359)
Bulk purchases	32	(109,339,031)	(123,530,446)	(109,339,031)	(123,530,446)
Contracted services	33	(63,525,685)	(86,822,272)	(63,094,936)	(86,689,955)
General Expenses	34	(59,280,334)	(113,397,830)	(65,127,482)	(115,991,972)
Total expenditure		(573,936,013)	(682,387,906)	(566,678,280)	(675,766,037)
Surplus for the year		308,252,468	56,960,717	275,844,948	59,999,892

* See Note 43 & 42

uMkhanyakude District Municipality and its Municipal entity

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Opening balance as previously reported	1,938,982,643	1,938,982,643
Adjustments - Note 42		
Correction of errors	(772,421)	(772,421)
Balance at 1 July, 2019 as restated*	1,938,210,222	1,938,210,222
Changes in net assets		
Surplus for the year	56,960,717	56,960,717
Total changes	56,960,717	56,960,717
Restated* Balance at 1 July, 2020	1,995,170,940	1,995,170,940
Changes in net assets		
Surplus for the year	308,252,468	308,252,468
Total changes	308,252,468	308,252,468
Balance at 30 June, 2021	2,303,423,408	2,303,423,408
Controlling entity		
Opening balance as previously reported	1,891,930,863	1,891,930,863
Adjustments - Note 40		
Correction of errors	(757,508)	(757,508)
Balance at 1 July, 2019 as restated*	1,891,173,355	1,891,173,355
Changes in net assets		
Surplus for the year	59,999,892	59,999,892
Total changes	59,999,892	59,999,892
Restated* Balance at 1 July, 2020	1,951,173,248	1,951,173,248
Changes in net assets		
Surplus for the year	275,844,948	275,844,948
Total changes	275,844,948	275,844,948
Balance at 30 June, 2021	2,227,018,196	2,227,018,196

* See Note 43 & 42

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Cash flows from operating activities					
Receipts					
Services charges		14,215,107	21,391,568	14,215,107	21,391,568
Grants	23	794,518,050	757,944,676	794,126,000	716,055,946
Interest income		5,569,276	5,305,537	4,975,285	4,785,097
Other receipts		949,571	1,541,744	888,798	1,227,432
Donations in cash		-	140,000	-	-
		815,252,004	786,323,525	814,205,190	743,460,043
Payments					
Employee costs and remuneration of councillors		(213,584,923)	(192,043,817)	(204,230,143)	(184,211,716)
Suppliers		(369,891,121)	(297,899,623)	(387,600,204)	(295,791,475)
Finance costs		(654,066)	(1,434,567)	(654,066)	(1,434,567)
		(584,130,110)	(491,378,007)	(592,484,413)	(481,437,758)
Net cash flows from operating activities	36	231,121,894	294,945,518	221,720,777	262,022,285
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(143,114,032)	(243,024,558)	(106,332,818)	(241,084,991)
Purchase of other intangible assets	10	-	(94,908)	-	(35,580)
Net cash flows from investing activities		(143,114,032)	(243,119,466)	(106,332,818)	(241,120,571)
Cash flows from financing activities					
Repayments of non-current loans		(867,031)	(858,722)	(867,031)	(858,722)
Proceeds from payables from non-exchange transactions		-	2,700,000	-	-
Net cash flows from financing activities		(867,031)	1,841,278	(867,031)	(858,722)
Net increase/(decrease) in cash and cash equivalents		87,140,831	53,667,330	114,520,928	20,042,992
Cash and cash equivalents at the beginning of the year		94,725,775	41,058,447	60,183,062	40,140,071
Cash and cash equivalents at the end of the year	8	181,866,606	94,725,777	174,703,990	60,183,063

* See Note 43 & 42

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	54,311,782	-	54,311,782	45,199,233	(9,112,549)	
Rental of facilities and equipment	2,019,668	(1,090,253)	929,415	255,851	(673,564)	
Other income	9,309,197	(7,715,627)	1,593,570	693,720	(899,850)	
Interest income: outstanding debtors	4,000,000	7,267,000	11,267,000	15,429,461	4,162,461	
Interest received - investment	6,730,000	(1,213,103)	5,516,897	2,215,801	(3,301,096)	
Total revenue from exchange transactions	76,370,647	(2,751,983)	73,618,664	63,794,066	(9,824,598)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	777,527,232	53,096,000	830,623,232	818,394,415	(12,228,817)	
Public contributions and donations	2,491,000	-	2,491,000	-	(2,491,000)	
Fines, Penalties and Forfeits	-	250,000	250,000	-	(250,000)	
Total revenue from non-exchange transactions	780,018,232	53,346,000	833,364,232	818,394,415	(14,969,817)	
Total revenue	856,388,879	50,594,017	906,982,896	882,188,481	(24,794,415)	
Expenditure						
Employee Related Costs	(194,746,620)	(8,408,830)	(203,155,450)	(204,162,145)	(1,006,695)	
Remuneration of councillors	(10,348,371)	(1,990,000)	(12,338,371)	(8,738,479)	3,599,892	
Depreciation and amortisation	(57,830,700)	350,000	(57,480,700)	(58,578,497)	(1,097,797)	
Impairment loss & write off	-	-	-	(5,811,849)	(5,811,849)	
Finance costs	(1,715,000)	5,000	(1,710,000)	(3,172,280)	(1,462,280)	
Debt Impairment	(7,605,044)	-	(7,605,044)	(26,246,279)	(18,641,235)	
Repairs and Maintenance	(5,045,000)	(1,651,000)	(6,696,000)	(35,081,434)	(28,385,434)	
Bulk purchases	(147,667,181)	(12,696,000)	(160,363,181)	(109,339,031)	51,024,150	
Contracted Services	(84,605,000)	5,606,000	(78,999,000)	(63,525,685)	15,473,315	
General Expenses	(44,384,273)	(9,737,187)	(54,121,460)	(59,280,334)	(5,158,874)	
Total operating expenditure	(553,947,189)	(28,522,017)	(582,469,206)	(573,936,013)	8,533,193	
Operating surplus	302,441,690	22,072,000	324,513,690	308,252,468	(16,261,222)	
Capital expenditure	(298,414,000)	-	(298,414,000)	(106,332,818)	192,081,182	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	4,027,690	22,072,000	26,099,690	201,919,650	175,819,960	

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Reconciliation						
Basis difference						
Capital expenditure				106,332,818		
Actual Amount in the Statement of Financial Performance				308,252,468		

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	54,311,782	-	54,311,782	45,199,233	(9,112,549)	
Rental of facilities and equipment	202,580	-	202,580	235,851	33,271	
Other income	9,277,017	(7,710,000)	1,567,017	654,148	(912,869)	
Interest income: external investments	6,500,000	(1,720,000)	4,780,000	1,621,810	(3,158,190)	
Interest income: outstanding debtors	4,000,000	7,267,000	11,267,000	15,429,461	4,162,461	
Total revenue from exchange transactions	74,291,379	(2,163,000)	72,128,379	63,140,503	(8,987,876)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	767,209,000	56,096,000	823,305,000	779,382,725	(43,922,275)	
Public contributions and donations	2,491,000	-	2,491,000	-	(2,491,000)	
Fines, Penalties and Forfeits	-	250,000	250,000	-	(250,000)	
Total revenue from non-exchange transactions	769,700,000	56,346,000	826,046,000	779,382,725	(46,663,275)	
Total revenue	843,991,379	54,183,000	898,174,379	842,523,228	(55,651,151)	
Expenditure						
Employee Related Costs	(184,045,394)	(8,562,000)	(192,607,394)	(194,563,989)	(1,956,595)	
Remuneration of councillors	(10,348,371)	(1,990,000)	(12,338,371)	(8,738,479)	3,599,892	
Depreciation and amortisation	(57,130,700)	-	(57,130,700)	(57,210,058)	(79,358)	
Impairment loss & write off	-	-	-	(5,811,849)	(5,811,849)	
Finance costs	(1,700,000)	-	(1,700,000)	(3,172,280)	(1,472,280)	
Debt Impairment	(7,605,044)	-	(7,605,044)	(24,555,371)	(16,950,327)	
Repairs and Maintenance	(5,000,000)	(1,636,000)	(6,636,000)	(35,064,805)	(28,428,805)	
Bulk purchases	(147,667,181)	(12,696,000)	(160,363,181)	(109,339,031)	51,024,150	
Contracted Services	(84,395,000)	5,402,000	(78,993,000)	(63,094,936)	15,898,064	
General Expenses	(48,348,000)	(9,779,000)	(58,127,000)	(65,127,482)	(7,000,482)	
Total expenditure	(546,239,690)	(29,261,000)	(575,500,690)	(566,678,280)	8,822,410	
Operating surplus	297,751,689	24,922,000	322,673,689	275,844,948	(46,828,741)	
Capital expenditure	298,414,000	-	298,414,000	106,332,818	(192,081,182)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(662,311)	24,922,000	24,259,689	169,512,130	145,252,441	

Refer to appendix A for reasons of variances between budget and actual amounts presented.

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Reconciliation

Basis difference

Capital expenditure				106,332,818		
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Actual Amount in the Statement of Financial Performance

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Refer to appendix A for reasons of variances between budget and actual amounts presented.

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020	2021	2020

1. Presentation of Consolidated Annual Financial Statements

The consolidated 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 consolidated 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.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material 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.

1.4 Interests in other entities

Consolidated financial statements

The consolidated annual financial statements comprise the annual financial statements of uMkhanyakude District Municipality (Controlling entity) and uMhlosinga Development Agency (Municipal entity), which is controlled by the Municipality.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

The consolidated annual financial statements of the controlling entity and its controlled entity used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

The consolidated annual financial statements of the controlling entity and its controlled entity used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Definitions:

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1.4 Interests in other entities (continued)

Economic entity means a group of entities comprising a controlling entity and one or more controlled entities.

Controlling entity is an entity that has one or more controlled entities.

1.5 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables from exchange transactions is calculated on a portfolio basis, based on aging of the debtors and historical indicators collected by the economic entity over the years.

Allowance for damaged and obsolete inventory

The economic entity assesses the need to provide for allowance to write down inventory to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. In the event where inventory held is to be consumed, management uses the replacement value and/or costs to restore inventory to usable form in providing for allowance for write down of the inventory. The write down is recorded in surplus or deficit.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Long service awards provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Long service awards.

Useful lives of non-current assets

The municipality's management determines the estimated useful lives and related depreciation charges for non current assets. This estimate is based on industry norm and guidance from National Treasury. Management will change the depreciation charge where useful lives are different to previously estimated useful lives.

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the economic 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.

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.

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

Item	Depreciation method	Average useful life
Land	Not depreciated	
Buildings	Straight-line	
-Residential dwellings	Straight-line	10 - 30 years
-Non residential dwellings	Straight-line	15 - 30 years
Infrastructure	Straight-line	
- Electricity	Straight-line	5 - 60 years
-Water	Straight-line	5 - 100 years
-Sewerage	Straight-line	10 - 40 years
-Airports	Straight-line	15 - 30 years
-Stormwater	Straight-line	30 - 80 years
Other property, plant and equipment	Straight-line	
-Furniture and office equipment	Straight-line	5 - 10 years
-Computer equipment	Straight-line	3 - 5 years
-Transport assets	Straight-line	5 - 7 years
-Other machinery and equipment	Straight-line	5 - 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the economic entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

1.7 Intangible assets

Intangible assets are initially recognised at cost when they are identifiable.

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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.

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

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

Intangible assets are derecognised:

- 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 intangible assets is included in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

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Accounting Policies

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

The economic entity 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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 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.

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 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.

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

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Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Loans payable	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

1.10 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.

Operating leases - lessor

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

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. Operating lease asset or liability is recognised as asset or liability in the statement of financial position.

1.11 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 economic entity incurs to acquire the asset on the reporting date.

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

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

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Accounting Policies

1.11 Inventories (continued)

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

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

1.12 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.

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.

Identification

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

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

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 economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the economic entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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 economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity 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 economic 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.

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.

1.13 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.

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.

Identification

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

The economic entity 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 economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the economic 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.

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Accounting Policies

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

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 economic entity 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.

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 economic entity 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.

Reversal of an impairment loss

The economic entity 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 economic entity 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.

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.

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1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Pension Obligations

uMkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, Kwazulu-Natal Joint Municipal Provident Fund and GEPP which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No.24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

A contingent liability is:

(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the economic entity; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

1.16 Commitments

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

1.17 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.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service charges revenue comprises of electricity, water and sewer and is recognised based on consumption by consumers. Service revenue from prepaid electricity is recognised based on electricity purchase by consumers

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Recognition

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

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

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the economic entity 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 economic entity 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 economic entity and the fair value of the assets can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Interest income

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

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by the economic entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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

"Unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 1 I(3) of MFMA. and includes-

- overspending of the total amount 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;

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Accounting Policies

1.22 Unauthorised expenditure (continued)

- 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.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 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 that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure in relation to a municipality, means-

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

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of MFMA, and which has not been condoned in terms of section 170 of that Act;
- expenditure incurred by a municipality in contravention of or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Irregular expenditure that was incurred and identified during the current financial year and for which condonement 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 condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that 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 appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned 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 Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Segment information

A segment is an activity of the municipality:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

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Accounting Policies

1.25 Segment information (continued)

- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

1.26 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.27 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Losses on the disposal/impairment of non-current assets;
- Repairs and Maintenance - constitutes all costs of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk water and electricity;
- Contracted services – Includes all expenditure under long term contracts with suppliers except repairs and maintenance costs and bulk purchases as these are presented separately as material class of expenses. Further, legal costs are all presented under general expenses. Major costs included in contracted services are Consultancy fees, fleet management costs, IT services and system support, Communication costs, Cellular and data services and security services costs, Photocopies and office equipment rental and insurance.
- General Expenses which constitute several of all other expense items which are not individually significant.

1.28 Consumer deposits

Consumer deposits represents security held by the economic entity in respect of new consumer accounts opened. Once application for connection of services are made consumers are required to pay a nominal fee which is recognised as a Consumer deposit..

Consumer deposits are recognised at their nominal or carrying value.

Upon closure of a consumer's account the deposit is subsequently refunded by the economic entity to the consumer.

1.29 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

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Accounting Policies

1.30 Budget information

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

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

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

The approved budget covers the fiscal period from 01-Jul-20 to 30-Jun-21.

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

The consolidated 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.

Comparative information is not required.

1.31 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.

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

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

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

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.32 Events after reporting date

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

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

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

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

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Accounting Policies

1.33 Changes in accounting estimates and judgements

The economic entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assets Useful Lives

Plant and equipment is depreciated over its useful life. The actual useful lives of the assets are assessed annually and vary depending on a number of factors. In reassessing the assets' useful lives, factors such as technological innovation and maintenance programmes are taken into account.

1.34 VAT

The Municipality is a registered VAT vendor and accounts for declaration and submission of VAT returns on a cash basis.

VAT as disclosed in the annual financial statements is prepared on the accrual basis.

1.35 Water losses

Water losses are the sum of the real and apparent losses and are calculated from the difference between the system input volume and the authorised consumption. In most countries, the water losses were also considered to be unaccounted-for water.

Real losses are the physical water losses from the pressurised system, up to the point of measurement of customer use. In most cases, the real losses represent the unknown component in the overall water balance and the purpose of most water balance models is therefore to estimate the magnitude of the real losses so that the economic entity can gauge whether or not it has a serious leakage problem. The real losses are calculated as the difference between the total losses and the estimated apparent losses.

Apparent losses or commercial losses are made up from the unauthorised consumption (theft or illegal use), plus all technical and administrative inaccuracies associated with customer metering. While it should be noted that the apparent losses should not be a major component of the water balance in most developed countries, it can represent the major element of the total losses in many developing countries. A systematic estimate should be made from local knowledge of the system and an analysis of technical and administrative aspects of the customer metering system.

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 1 July, 2021 or later periods:

Standard/ Interpretation:

- GRAP 104 (amended): Financial Instruments

Effective date:

Years beginning on or after

To be determined

Expected impact:

Unlikely there will be a material impact

3. Inventories

Materials-water pipes	107,422,788	107,422,788	107,422,788	107,422,788
Work in progress: VIP toilets	85,427,491	16,308,619	85,427,491	16,308,619
Water	1,808,682	1,893,879	1,808,682	1,893,879
Water and electricity meters	4,549,380	4,549,380	4,549,380	4,549,380
	199,208,341	130,174,666	199,208,341	130,174,666

Inventory is carried at the lower of its original cost and net replacement value.

Inventory pledged as security

No inventory was pledged as security.

4. Receivables from non-exchange transactions

Department of Education	1,690,909	1,690,909	-	-
EDTEA: Mkuze Airfield Terminal Building Grant receivable	10,376,933	-	-	-
Impairment allowance: Department of Education	(1,690,908)	-	-	-
	10,376,934	1,690,909	-	-

Aging of receivables from non-exchange transactions:

Current (0 -30 days)	10,376,933	-	-	-
>120 days	1,690,908	1,690,908	-	-
	12,067,841	1,690,908	-	-

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
5. Other receivables from exchange transactions				
Interest receivable	427,970	86,911	427,970	86,911
Prepayments	7,933,652	8,032,607	7,915,603	8,014,521
Employee debtors	169,003	165,587	148,745	148,745
Airport debtors	11,542	11,542	-	-
Other receivables	620,846	482,067	545,317	482,067
Creditors with debit balances	590,590	1,790,671	418,548	1,790,671
Rental Deposit	20,600	-	-	-
Allowance for impairment	(7,900,000)	(7,900,000)	(7,900,000)	(7,900,000)
	1,874,203	2,669,385	1,556,183	2,622,915

Employee debtors relates to overpayment on employees for travel allowance and payment to former Municipal manager after his contract had ended.

Allowance for impairment relates to prepayment that was paid long time ago and no progress in receiving the goods paid for.

6. VAT receivable

VAT	62,523,864	40,750,845	57,985,177	40,139,009
The VAT receivable balance is comprised of:				
Input VAT claimed through VAT 201 returns	24,222,576	18,748,939	19,683,888	18,137,103
Undeclared VAT output	(19,474,727)	(15,450,576)	(19,474,727)	(15,450,576)
Undeclared VAT input	57,776,016	37,452,482	57,776,016	37,452,482
	62,523,865	40,750,845	57,985,177	40,139,009

VAT is payable on the payment basis. VAT is submitted to SARS only once payment has been made to suppliers and when money has been received from debtors.

VAT as disclosed in the annual financial statements is prepared on the accrual basis.

There were no late payments to SARS in the current year.

7. Receivables from exchange transactions

Gross balances				
Electricity	12,250,715	9,859,652	12,250,715	9,859,652
Water	125,359,117	85,897,417	125,359,117	85,897,417
Sewerage	45,848,296	43,788,808	45,848,296	43,788,808
	183,458,128	139,545,877	183,458,128	139,545,877
Less: Allowance for impairment				
Impairment on all Service charges	(103,547,197)	(78,991,826)	(103,547,197)	(78,991,826)
Net balance				
Receivables from exchange transactions	79,910,931	60,554,051	79,910,931	60,554,051

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
7. Receivables from exchange transactions (continued)				
Summary of debtors by customer classification				
Residential				
Current (0 -30 days)	1,393,030	4,377,700	1,393,030	4,377,700
31 - 60 days	1,391,811	365,948	1,391,811	365,948
61 - 90 days	1,364,751	365,122	1,364,751	365,122
91 - 120 days	1,692,157	1,463,423	1,692,157	1,463,423
> 120 days	96,990,130	74,996,240	96,990,130	74,996,240
	102,831,879	81,568,433	102,831,879	81,568,433
Less: Allowance for impairment	(77,549,558)	(60,045,512)	(77,549,558)	(60,045,512)
	25,282,321	21,522,921	25,282,321	21,522,921
Industrial/ commercial				
Current (0 -30 days)	1,364,010	3,199,883	1,364,010	3,199,883
31 - 60 days	1,135,174	98,129	1,135,174	98,129
61 - 90 days	2,814,110	110,101	2,814,110	110,101
91 - 120 days	1,154,540	777,571	1,154,540	777,571
> 120 days	44,445,915	33,236,626	44,445,915	33,236,626
	50,913,749	37,422,310	50,913,749	37,422,310
Less: Allowance for impairment	(25,997,643)	(18,946,314)	(25,997,643)	(18,946,314)
	24,916,106	18,475,996	24,916,106	18,475,996
National and provincial government				
Current (0 -30 days)	1,179,498	711,688	1,179,498	711,688
31 - 60 days	1,089,998	26,439	1,089,998	26,439
61 - 90 days	1,179,357	26,253	1,179,357	26,253
91 - 120 days	451,106	579,515	451,106	579,515
> 120 days	25,812,546	19,211,240	25,812,546	19,211,240
	29,712,505	20,555,135	29,712,505	20,555,135
Total				
Current (0 -30 days)	3,936,538	8,289,270	3,936,538	8,289,270
31 - 60 days	3,616,983	490,516	3,616,983	490,516
61 - 90 days	5,358,218	501,477	5,358,218	501,477
91 - 120 days	3,297,803	2,820,509	3,297,803	2,820,509
> 120 days	167,248,587	127,444,105	167,248,587	127,444,105
	183,458,129	139,545,877	183,458,129	139,545,877
Less: Allowance for impairment	(103,547,198)	(78,991,826)	(103,547,198)	(78,991,826)
	79,910,931	60,554,051	79,910,931	60,554,051
Less: Allowance for impairment				
Current (0 -30 days)	(3,613)	(13,546)	(3,613)	(13,546)
31 - 60 days	(3,602)	(3,388)	(3,602)	(3,388)
61 - 90 days	(3,587)	(586,386)	(3,587)	(586,386)
91 - 120 days	(679,009)	-	(679,009)	-
> 365 days	(102,857,386)	(78,388,506)	(102,857,386)	(78,388,506)
	(103,547,197)	(78,991,826)	(103,547,197)	(78,991,826)

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

7. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(78,991,826)	(64,968,747)	(78,991,826)	(64,968,747)
Contributions to allowance	(24,555,371)	(14,023,079)	(24,555,371)	(14,023,079)
	(103,547,197)	(78,991,826)	(103,547,197)	(78,991,826)

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired unless they are indigent. As at 30 June, 2021, R8,975,201 (2020: R 986,909) were past due but not impaired.

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

1 month past due	3,616,983	487,128	3,616,983	487,128
2 months past due	5,358,218	499,782	5,358,218	499,782

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,974	2,576	781	2,495
Bank balances: Current accounts	38,111,636	61,303,407	37,989,770	58,995,652
Call account balances	143,755,223	33,419,792	136,713,439	1,184,915
	181,868,833	94,725,775	174,703,990	60,183,062

Cash and cash equivalents pledged as collateral

The municipality does not hold any restricted cash and can freely realise the available balances.

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2021	30 June, 2020	30 June, 2019	30 June, 2021	30 June, 2020	30 June, 2019
First National Bank -Demand deposit - 62092993809	722,957	713,399	684,169	722,957	713,399	684,169
First National Bank -Demand deposit - 62027696478	104,499	104,292	101,036	104,499	104,292	101,036
First National Bank -Primary Account: 62026865321	9,341,803	9,644,035	22,561,976	9,341,803	9,644,035	22,561,976
ABSA Bank - 40-5310-7423	28,543,468	49,247,325	15,687,865	28,543,468	49,247,325	15,687,865
Ithala Bank -Club Account 23247671	-	-	658,547	-	-	658,547
ABSA Bank -Call Account - 91-1531-5268	451,219	436,245	410,710	451,219	436,245	410,710
First National Bank -Money Market Account -62263733258	32,732	32,157	31,561	32,732	32,157	31,561
First National Bank -Business Call Account -62309788498	3,191	3,114	2,963	3,191	3,114	2,963
ABSA Bank -Call Account- 93-6453-0392	135,503,340	-	-	135,503,340	-	-
Cash on hand	-	-	-	781	2,495	1,244
Municipal Entity Accounts						
Primary Bank : Nedbank Account number 1029736839	121,866	2,310,566	930,019	121,866	2,310,566	930,019
Nedbank - Call Account - 36990525	7,041,784	32,234,877	7,943	7,041,784	32,234,877	7,943
Cash on hand	-	-	-	1,193	81	59
Total	181,866,859	94,726,010	41,076,789	181,868,833	94,728,586	41,078,092

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

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9. Property, plant and equipment

Economic entity

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,157,250	-	1,157,250	1,157,250	-	1,157,250
Buildings	62,306,832	(23,231,791)	39,075,041	62,306,832	(20,496,245)	41,810,587
Infrastructure	2,528,801,893	(383,921,678)	2,144,880,215	2,386,298,426	(328,519,219)	2,057,779,207
Other property, plant and equipment	54,542,053	(36,776,427)	17,765,626	55,473,130	(31,654,691)	23,818,439
Total	2,646,808,028	(443,929,896)	2,202,878,132	2,505,235,638	(380,670,155)	2,124,565,483

Controlling entity

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,157,250	-	1,157,250	1,157,250	-	1,157,250
Buildings	62,306,832	(23,231,791)	39,075,041	62,306,832	(20,496,245)	41,810,587
Infrastructure	2,453,706,533	(380,783,993)	2,072,922,540	2,347,974,456	(326,578,370)	2,021,396,086
Other property, plant and equipment	54,057,825	(36,417,250)	17,640,575	54,907,745	(31,269,113)	23,638,632
Total	2,571,228,440	(440,433,034)	2,130,795,406	2,466,346,283	(378,343,728)	2,088,002,555

uMkhanyakude District Municipality and its Municipal entity

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2021

	Opening balance	Difference	Additions through acquisition	Additions through construction	Depreciation	Impairment loss	Write off	Closing balance
Land	1,157,250	-	-	-	-	-	-	1,157,250
Buildings	41,810,587	-	-	-	(2,187,009)	(548,537)	-	39,075,041
Infrastructure	2,057,779,207	-	1,054,267	141,694,441	(50,469,390)	(4,934,392)	(243,918)	2,144,880,215
Other property, plant and equipment	23,818,439	(2,227)	365,324	-	(5,785,590)	-	(630,320)	17,765,626
Undefined Difference	-	-	-	-	1	-	-	-
	2,124,565,483	(2,227)	1,419,591	141,694,441	(58,441,989)	(5,482,929)	(874,238)	2,202,878,132

uMkhanyakude District Municipality and its Municipal entity

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2020

	Opening balance	Additions	Donations	Assets handed over to the community	Depreciation	Impairment loss	Write off	Closing balance
Land	1,157,250	-	-	-	-	-	-	1,157,250
Buildings	43,997,783	-	-	-	(2,187,196)	-	-	41,810,587
Infrastructure	1,914,632,144	238,501,250	-	(6,127,017)	(50,376,670)	(33,921,322)	(4,929,178)	2,057,779,207
Other property, plant and equipment	19,189,272	4,523,309	5,450,000	-	(4,795,555)	-	(548,587)	23,818,439
	1,978,976,449	243,024,559	5,450,000	(6,127,017)	(57,359,421)	(33,921,322)	(5,477,765)	2,124,565,483

uMkhanyakude District Municipality and its Municipal entity

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2021

	Opening balance	Additions through construction	Additions through acquisition	Depreciation	Impairment loss	Write off	Closing balance
Land	1,157,250	-	-	-	-	-	1,157,250
Buildings	41,810,587	-	-	(2,187,009)	(548,537)	-	39,075,041
Infrastructure	2,021,396,086	104,923,051	1,054,267	(49,272,554)	(4,934,392)	(243,918)	2,072,922,540
Other property, plant and equipment	23,638,632	-	355,500	(5,723,237)	-	(630,320)	17,640,575
	2,088,002,555	104,923,051	1,409,767	(57,182,800)	(5,482,929)	(874,238)	2,130,795,406

uMkhanyakude District Municipality and its Municipal entity

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Donations	Assets handed over to the community	Depreciation	Impairment loss	Write off	Closing balance
Land	1,157,250	-	-	-	-	-	-	1,157,250
Buildings	43,997,783	-	-	-	(2,187,196)	-	-	41,810,587
Infrastructure	1,878,870,841	236,679,766	-	(6,127,017)	(49,177,004)	(33,921,322)	(4,929,178)	2,021,396,086
Other property, plant and equipment	19,073,982	4,405,225	5,450,000	-	(4,741,988)	-	(548,587)	23,638,632
	1,943,099,856	241,084,991	5,450,000	(6,127,017)	(56,106,188)	(33,921,322)	(5,477,765)	2,088,002,555

Pledged as security

Carrying value of assets pledged as security:

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

9. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Bulk pipeline from Mtubatuba to KwaMsane	18,956,352	17,244,847	18,956,352	17,244,847
Contractor has been on and off site due to late delivery of required materials, pipes, couplings and bends.				
Mpukunyoni Community Water Supply	33,650,572	22,591,983	33,650,572	22,591,983
Community unrest at KwaMshaya and Phaphasi Reservoirs. The community at KwaMshaya reservoir demanded a standpipe				
Jozini Regional Community Water Supply Scheme phase 1	86,216,815	83,583,027	86,216,815	83,583,027
Contract was terminated before the contractor could start any work on the ground. The portion of 80million from prior year is complete and will be capitalised in 2021				
Mkuze Water Treatment works Upgrade and refurbishment	38,543,460	38,543,460	38,543,460	38,543,460
The Electrical & Mechanical items are behind schedule as the subcontractor is off site due to non-payment by the main contractor				
Construction of Mkuze Terminal Building	39,364,209	3,169,228	-	-
This was due to delays caused by COVID cases that were reported last year and early this year. Heavy rains around Mkuze area also caused significant delays.				
	216,731,408	165,132,545	177,367,199	161,963,317

Included in property, plant and equipment is the following capital expenditure under construction:

Reconciliation of Work-in-Progress Economic entity - 2021

	Included within Infrastructure	Total
Opening balance	634,751,528	634,751,528
Additions/capital expenditure	141,118,033	141,118,033
Transferred to completed items	(6,490,442)	(6,490,442)
	769,379,119	769,379,119

Reconciliation of Work-in-Progress Economic entity - 2020

	Included within Infrastructure	Total
Opening balance	494,734,660	494,734,660
Additions/capital expenditure	238,501,252	238,501,252
Transferred to completed items	(98,484,384)	(98,484,384)
	634,751,528	634,751,528

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Controlling entity - 2021

	Included within Infrastructure	Total
Opening balance	631,582,300	631,582,300
Additions/capital expenditure	104,923,052	104,923,052
Transferred to completed items	(6,490,442)	(6,490,442)
	730,014,910	730,014,910

Reconciliation of Work-in-Progress Controlling entity - 2020

	Included within Infrastructure	Total
Opening balance	493,386,918	493,386,918
Additions/capital expenditure	236,679,766	236,679,766
Transferred to completed items	(98,484,384)	(98,484,384)
	631,582,300	631,582,300

Expenditure incurred to repair and maintain property, plant and equipment

Maintenance of property, plant and equipment

Refer to note 31 for details of expenditure to repair and maintain property plant, and equipment.

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.

uMkhanyakude District Municipality and its Municipal entity

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10. Intangible assets

Economic entity

2021			2020		
Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
983,330	(614,827)	368,503	983,330	(478,320)	505,010

Controlling entity

2021			2020		
Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
435,206	(367,240)	67,966	435,206	(339,982)	95,224

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Amortisation	Closing balance
Computer software	505,010	(136,507)	368,503

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Additions	Amortisation	Closing balance
Computer software	594,035	94,908	(183,933)	505,010

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10. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Amortisation	Closing balance
Computer software	95,224	(27,258)	67,966

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Additions	Impairment loss	Closing balance
Computer software	141,122	35,580	(81,478)	95,224

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.

uMkhanyakude District Municipality and its Municipal entity

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11. Heritage assets

Economic entity

2021			2020		
Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
586,000	-	586,000	586,000	-	586,000

Mayoral regalia

Controlling entity

2021			2020		
Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
586,000	-	586,000	586,000	-	586,000

Mayoral regalia

Reconciliation of heritage assets Economic entity - 2021

Mayoral regalia

Opening balance	Closing balance
586,000	586,000

Reconciliation of heritage assets Economic entity - 2020

Mayoral regalia

Opening balance	Closing balance
586,000	586,000

Reconciliation of heritage assets Controlling entity - 2021

Mayoral regalia

Opening balance	Closing balance
586,000	586,000

uMkhanyakude District Municipality and its Municipal entity

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11. Heritage assets (continued)

Reconciliation of heritage assets Controlling entity - 2020

	Opening balance	Closing balance
Mayoral regalia	586,000	586,000

Deemed costs

The deemed cost of the mayoral chain was determined using fair value. The fair value was determined by a Corlia Luyt, an independent jewellery designer and manufacturer, on 23 August 2016.

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.

uMkhanyakude District Municipality and its Municipal entity

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
12. Trade and other payables				
Trade payables	276,826,077	288,969,695	260,642,140	283,474,392
Debtor prepayments	3,413,583	4,228,389	3,413,583	4,228,389
Employee related deductions and suspense accounts	6,782,048	7,002,527	6,488,137	6,894,739
Accruals for 13th cheque payments	4,375,044	4,253,921	4,375,044	4,253,921
Accruals for leave pay	16,496,999	17,081,940	16,108,470	16,750,665
Retentions	21,660,640	15,054,413	18,286,647	14,859,891
Other payables- uMhlosinga Development Agency	-	-	6,325,270	8,966,080
	329,554,391	336,590,885	315,639,291	339,428,077

13. Consumer deposits and other deposits

Deposits	3,159,343	2,733,270	3,159,343	2,733,270
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14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

PIMMS/ NDT Operational Grant	300	300	300	300
Mkuze Airfield Terminal Building Grant	-	28,178,516	-	-
Kwadapha	578,891	578,891	578,891	578,891
Ndumo Learners Shelter Grant	9,441,505	9,441,505	9,441,505	9,441,505
Municipal Infrastructure Grant	24,105,151	55,994,313	24,105,151	55,994,313
Cathseta Bursary Grant	153,424	217,616	-	-
MTN Grant	515,703	515,703	-	-
Rural Road & Transport Management Grant	1,665,926	2,424	1,665,926	2,424
Waste Management Grant	145,566	145,566	145,566	145,566
Kwazibi National Lottery Grant	122,667	122,667	122,667	122,667
Mqobela National Lottery Grant	166,666	166,666	166,666	166,666
Mabibi National Lottery Grant	166,667	166,667	166,667	166,667
Public Participation Customer Satisfaction Survey	39,000	39,000	39,000	39,000
Water Services infrastructure Grant	44,968,989	1	44,968,989	1
IDC Grant	880,135	880,135	-	-
National Treasury : ILO	212,173	212,173	-	-
Disaster Management Grant	9,119	9,119	9,119	9,119
Lake Tete	81,301	81,301	81,301	81,301
Councillors Training Grant	11,300	11,300	11,300	11,300
Nyezi Community HIV Centre	303,570	303,570	303,570	303,570
Umkhombe Tours	908,690	908,690	908,690	908,690
Environmental Management Grant	206,984	206,984	206,984	206,984
ACIP Grant	4,695	4,695	4,695	4,695
Financial management grant	-	54	-	54
	84,688,422	98,187,856	82,926,987	68,183,713

Movement during the year

Balance at the beginning of the year	98,187,856	28,871,025	68,183,713	26,270,482
	(1,690,909)	(13,579,639)	-	-
Additions during the year	298,271,050	345,766,676	297,879,000	303,877,946
Income recognition during the year	(312,650,679)	(264,561,115)	(273,638,988)	(261,964,715)
Unspent grant withheld from equitable share	(9,496,738)	-	(9,496,738)	-
	12,067,842	1,690,909	-	-
	84,688,422	98,187,856	82,926,987	68,183,713

See note 23 for reconciliation of grants from National/Provincial Government.

uMkhanyakude District Municipality and its Municipal entity

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

15. Defined definition plan obligation

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial losses	Closing balance
Long service awards provision	9,726,000	882,000	1,203,000	(548,025)	1,125,025	12,388,000

Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial gains	Closing balance
Long service awards provision	8,792,000	857,000	852,000	(739,273)	(35,727)	9,726,000

Reconciliation of defined benefit obligation - Controlling entity - 2021

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial losses	Closing balance
Long service awards provision	9,726,000	882,000	1,203,000	(548,025)	1,125,025	12,388,000

Reconciliation of defined benefit obligation - Controlling entity - 2020

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial gains	Closing balance
Long service awards provision	8,792,000	857,000	852,000	(739,273)	(35,727)	9,726,000

Defined benefit plan obligation disclosed in the Statement of Financial Position as:

Non-current liabilities	11,706,000	9,261,000	11,706,000	9,261,000
Current liabilities	682,000	465,000	682,000	465,000
	12,388,000	9,726,000	12,388,000	9,726,000

Long service awards

Membership Data:

As at 30 June 2021, the number of members entitled to receive long service awards from the Municipality were:

Gender	Number of active employees	Salary weighted average age.	Weighted Average past service
Male	212	47	12
Female	113	44	12
Total	325	91	24

Long service awards Liabilities

Long service benefits are awarded in the form of a number of days awarded once an employee has completed a certain number of years in service. Awarded days are converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

15. Defined definition plan obligation (continued)

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The nominal and real zero curves as at 30 June 2021 supplied by the JSE were used to determine the discounted rates and CPI assumptions. As reflected below, the average age for mortality, retirements and withdrawals from service were also considered.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. It is further assumed that the current policy for awarding long service awards remains unchanged in the future.

The table below reflects a summary of the benefit policy:

Completed years of service	Total long service benefit awards (% of annual salary)	Formula used to calculate total long service benefit awards
10	4%	(10/250)*Annual salary
15	8%	(20/250)*Annual salary
20,25,30,35,40 and 45	12%	(30/250)*Annual salary
Valuation Assumptions - Key Financial Variables	Assumed value 30 June 2021	Assumed value 30 June 2020
Discount rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve**	Difference between nominal and real yield curve**
Normal salary increase	CPI + 1%	CPI + 1%
Net Effective Discount Rate	Yield Curve Based	Yield Curve Based
Average retirement age for all active employees	63	63
Mortality before retirement	SA 85-90	SA 85-90

The table below sets out the assumed rates of withdrawal from services:

Age band	Males %	Females %
Age 20 - 24	16	24
Age 25 - 29	12	18
Age 30 - 34	10	15
Age 35 - 39	8	10
Age 40 - 44	6	6
Age 45 - 49	4	4
Age 50 - 54	2	2
Age 55 - 59	1	1
	59	80

Valuation of assets

As at the valuation date, the long service liability award of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

Amounts recognised in the Statement of Financial Position

Accrued defined benefit obligation	12,388,000	9,726,000	12,388,000	9,726,000
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uMkhanyakude District Municipality and its Municipal entity

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
15. Defined definition plan obligation (continued)				
Reconciliation of accrued defined benefit obligations	Current valuation date 30 June 2021	Preceding valuation date 30 June 2020	Current valuation date 30 June 2021	Preceding valuation date 30 June 2020
Long service awards provision:				
Accrued liability as at preceding valuation date	9,726,000	8,792,000	9,726,000	8,792,000
Current service cost	882,000	857,000	882,000	857,000
Interest cost	1,203,000	852,000	1,203,000	852,000
Benefits paid	(548,025)	(739,273)	(548,025)	(739,273)
Actuarial (gains)/losses	1,125,025	(35,727)	1,125,025	(35,727)
Balance at end of year	12,388,000	9,726,000	12,388,000	9,726,000
Net amounts recognised in Statement of Financial Performance				
Current service cost	882,000	857,000	882,000	857,000
Interest cost	1,203,000	852,000	1,203,000	852,000
Benefits paid	(548,025)	(739,273)	(548,025)	(739,273)
Actuarial gains	1,125,025	(35,727)	1,125,025	(35,727)
	2,662,000	934,000	2,662,000	934,000
16. Loans				
Loans from DBSA				
Non-current portion of borrowings	2,755,283	3,630,271	2,755,283	3,630,271
Current portion of borrowings	926,897	961,265	926,897	961,265
	3,682,180	4,591,536	3,682,180	4,591,536
The municipality received two (2) loans from Development Bank of Southern Africa (DBSA) to fund the construction of the municipal buildings. The interest rates per each loan are as follows:				
Loan 61000800, fixed interest rate at 6.75%				
Loan 61000191, semi- floating interest rate. Interest reference is 6 Month Jibar (current base interest plus the margin).				
Loan repayments are due bi-annually (i.e. on 31 March and 30 September each calendar year) with the final redemption date being 30 September 2025.				
17. Long term Trade and other payables				
At amortised cost				
Trade and other payables	-	6,521,637	-	6,521,637
WSSA				
WSSA				
During the 2020 financial year, the economic entity entered into a settlement agreement with WSSA for the amount owing after court ruled in favour of the later. The amount is payable in variable capital repayments, at 5% interest for the first five months from January 2020 to 31 May 2020, thereafter 8% for 13 months. An amount of R6,521,637 in the prior financial year was payable after 12 months and was reclassified from current liabilities to non current liabilities and the balance of R8,475,833 (PY R19,641,762) is included in trade and other payables as current liabilities (Refer to note 12).				
Non-current liabilities				
At amortised cost	-	6,521,637	-	6,521,637
18. Other payables from non-exchange				
Cogta re-asset Facility	2,700,000	2,700,000	-	-

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

18. Other payables from non-exchange (continued)

Cogta entered into an agreement with UMHlosinga Development Agency. Cogta advanced R 3,000,000 to the entity at 10% commission. The facility is to be used to assist the farmers in receiving the payments on time. The entity is the agent between the market and the farmers. The entity uses the facility to pay the farmers within 7 days and collect the amount from the market within 30 days.

19. Service charges

Sale of electricity	3,941,003	4,603,847	3,941,003	4,603,847
Sale of water	40,520,536	33,832,704	40,520,536	33,832,704
Sewerage and sanitation charges	737,694	477,841	737,694	477,841
	45,199,233	38,914,392	45,199,233	38,914,392

20. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	255,851	181,560	235,851	181,560
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21. Other income

License fee	-	20,000	-	20,000
Connection fees	60,310	52,340	60,310	52,340
Sell of tender documents	1,304	-	-	-
Insurance payout	290,397	596,000	286,398	596,000
Commission	94,438	90,792	94,438	90,792
Airport fees	34,269	25,853	-	-
Refund from SETA	213,002	286,740	213,002	286,740
Administration fee (Cogta re-asset)	-	300,000	-	-
	693,720	1,371,725	654,148	1,045,872

22. Interest income

Bank	2,215,801	5,284,946	1,621,810	4,764,506
Interest charged on trade and other receivables	15,429,461	11,266,830	15,429,461	11,266,830
	17,645,262	16,551,776	17,051,271	16,031,336

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

23. Government grants and subsidies

Operating grants

Equitable share	505,743,737	412,178,000	505,743,737	412,178,000
Rural Road and Transport Management Grant	979,074	2,778,481	979,074	2,778,481
Expanded Public Works Programme	4,838,000	4,674,000	4,838,000	4,674,000
Cathseta Bursary Grant	456,241	774,917	-	-
Finance Management Grant	1,800,054	1,464,946	1,800,054	1,464,946
	513,817,106	421,870,344	513,360,865	421,095,427

Capital grants

Municipal infrastructure Grant	243,220,849	158,964,687	243,220,849	158,964,687
EDTEA Grant - Mkuze Terminal Building Grant	38,555,449	1,821,484	-	-
Water Services Infrastructure Grant	22,801,011	94,082,655	22,801,011	94,082,655
	304,577,309	254,868,826	266,021,860	253,047,342
	818,394,415	676,739,170	779,382,725	674,142,769

Total grants receipts

Included in above are the following grants and subsidies received:

Conditional grants received	298,271,050	345,766,676	297,879,000	303,877,946
Unconditional grants received	496,247,000	412,178,000	496,247,000	412,178,000
	794,518,050	757,944,676	794,126,000	716,055,946

PIMMS / NDT Operational Grant

Balance unspent at beginning of year	300	300	300	300
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Conditions still to be met - remain liabilities (see note 14).

EDTEA Grant -Mkuze Terminal Building Grant

Balance unspent at beginning of year	28,178,516	-	-	-
Current-year receipts	-	30,000,000	-	-
Conditions met - transferred to revenue	(38,555,449)	(1,821,484)	-	-
	(10,376,933)	28,178,516	-	-

Refer to note 4 for grant receivable in the current year. For prior year unspent grant, refer to note 14.

Kwadapha Grant

Balance unspent at beginning of year	578,891	578,891	578,891	578,891
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Conditions still to be met - remain liabilities (see note 14).

Ndumo Learners Shelter Grant

Balance unspent at beginning of year	9,441,505	9,441,505	9,441,505	9,441,505
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Conditions still to be met - remain liabilities (see note 14).

Municipal infrastructure Grant

uMkhanyakude District Municipality and its Municipal entity

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
23. Government grants and subsidies (continued)				
Balance unspent at beginning of year	55,994,313	-	55,994,313	-
Current-year receipts	220,826,000	214,959,000	220,826,000	214,959,000
Conditions met - transferred to revenue	(243,220,848)	(158,964,687)	(243,220,848)	(158,964,687)
Unspent grant withheld from equitable share	(9,494,314)	-	(9,494,314)	-
	24,105,151	55,994,313	24,105,151	55,994,313

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

CATHSETA Bursary Grant

Balance unspent at beginning of year	217,616	992,532	-	-
Opening balance receivable (refer to note 3)	-	(501,200)	-	-
Current-year receipts	392,050	501,200	-	-
Conditions met - transferred to revenue	(456,242)	(774,916)	-	-
	153,424	217,616	-	-

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

MTN Grant

Balance unspent at beginning of year	515,703	515,703	-	-
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Conditions still to be met - remain liabilities (see note 14).

National Schools Nutrition Programme Grant

Balance unspent at beginning of year	(1,690,909)	(13,078,439)	-	-
Current-year receipts	-	11,387,530	-	-
	(1,690,909)	(1,690,909)	-	-

Refer to note 4 for grants receivable from non-exchange transactions.

Rural Road & Transport Management Grant

Balance unspent at beginning of year	2,424	905	2,424	905
Current-year receipts	2,645,000	2,780,000	2,645,000	2,780,000
Conditions met - transferred to revenue	(979,075)	(2,778,481)	(979,075)	(2,778,481)
Unspent grant withheld from equitable share	(2,423)	-	(2,423)	-
	1,665,926	2,424	1,665,926	2,424

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

Waste Management Grant

Balance unspent at beginning of year	145,566	145,566	145,566	145,566
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Conditions still to be met - remain liabilities (see note 14).

Expanded Public Works Programme

Current-year receipts	4,838,000	4,674,000	4,838,000	4,674,000
Conditions met - transferred to revenue	(4,838,000)	(4,674,000)	(4,838,000)	(4,674,000)
	-	-	-	-

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
23. Government grants and subsidies (continued)				
Kwazibi National Lottery Grant				
Balance unspent at beginning of year	122,667	122,667	122,667	122,667
Conditions still to be met - remain liabilities (see note 14).				
Mqobela National Lottery Grant				
Balance unspent at beginning of year	166,666	166,666	166,666	166,666
Conditions still to be met - remain liabilities (see note 14).				
Mabibi National Lottery Grant				
Balance unspent at beginning of year	166,667	166,667	166,667	166,667
Conditions still to be met - remain liabilities (see note 14).				
Public Participation & Customer Satisfaction Survey Grant				
Balance unspent at beginning of year	39,000	39,000	39,000	39,000
Conditions still to be met - remain liabilities (see note 14).				
Water Service Infrastructure Grant				
Balance unspent at beginning of year	1	14,082,656	1	14,082,656
Current-year receipts	67,770,000	80,000,000	67,770,000	80,000,000
Conditions met - transferred to revenue	(22,801,012)	(94,082,655)	(22,801,012)	(94,082,655)
	44,968,989	1	44,968,989	1
Conditions still to be met - remain liabilities (see note 14).				
IDC Grant				
Balance unspent at beginning of year	880,135	880,135	-	-
Conditions still to be met - remain liabilities (see note 14).				
National Treasury : ILO				
Balance unspent at beginning of year	212,173	212,173	-	-
Conditions still to be met - remain liabilities (see note 14).				
Disaster Management Grant				
Balance unspent at beginning of year	9,119	9,119	9,119	9,119
Conditions still to be met - remain liabilities (see note 14).				
Lake Tete Grant				

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
23. Government grants and subsidies (continued)				
Balance unspent at beginning of year	81,301	81,301	81,301	81,301
Conditions still to be met - remain liabilities (see note 14).				
Councillors Training Grant				
Balance unspent at beginning of year	11,300	11,300	11,300	11,300
Conditions still to be met - remain liabilities (see note 14).				
Nyezi Community HIV Centre Grant				
Balance unspent at beginning of year	303,570	303,570	303,570	303,570
Conditions still to be met - remain liabilities (see note 14).				
Umkhombe Tours Grant				
Balance unspent at beginning of year	908,690	908,690	908,690	908,690
Conditions still to be met - remain liabilities (see note 14).				
Environmental Management Grant				
Balance unspent at beginning of year	206,984	206,984	206,984	206,984
Conditions still to be met - remain liabilities (see note 14).				
ACIP Grant				
Balance unspent at beginning of year	4,695	4,695	4,695	4,695
Conditions still to be met - remain liabilities (see note 14).				
Finance Management Grant				
Balance unspent at beginning of year	54	-	54	-
Current-year receipts	1,800,000	1,465,000	1,800,000	1,465,000
Conditions met - transferred to revenue	(1,800,054)	(1,464,946)	(1,800,054)	(1,464,946)
	-	54	-	54
24. Public contributions and donations				
Donations in kind	-	5,450,000	-	5,450,000
Cash donations	-	140,000	-	-
	-	5,590,000	-	5,450,000

The municipality received trucks and plant and machinery in 2020 financial year. Refer to note 9.

uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
25. Employee related costs				
Basic salaries and wages	140,469,054	127,833,637	133,800,296	122,510,219
Directors emoluments	1,368,085	1,203,008	-	-
Bonus	9,542,566	8,666,312	9,542,566	8,666,312
Contributions to pensions, medical aids and UIF and other allowances	30,848,341	27,814,703	30,011,146	27,161,816
Travel, motor car, subsistence and other allowances	12,103,167	10,606,317	11,534,728	10,372,787
Overtime payments	7,699,368	5,223,562	7,699,368	5,223,562
Housing benefits and allowances	2,108,488	1,930,796	2,108,488	1,930,796
Leave expense	23,076	2,750,655	(132,603)	2,474,107
	204,162,145	186,028,990	194,563,989	178,339,599

Included in employee costs are the following for senior management:

Remuneration of municipal manager

Annual Remuneration	1,043,371	1,043,371	1,043,371	1,043,371
Travel, housing and other allowances	307,998	335,498	307,998	335,498
Reimbursement of KM	56,508	151,795	56,508	151,795
Contributions to UIF, Medical and Pension Funds	20,297	14,681	20,297	14,681
	1,428,174	1,545,345	1,428,174	1,545,345

The Municipal Manager was suspended in August 2021 and the General Manager Technical was appointed to Act as the Municipal Manager.

Remuneration of chief finance officer

Annual Remuneration	264,433	836,882	264,433	836,882
Travel, housing and other allowances	47,566	272,987	47,566	272,987
Contributions to UIF, Medical and Pension Funds	2,449	11,070	2,449	11,070
Acting allowance	57,385	-	57,385	-
	371,833	1,120,939	371,833	1,120,939

The CFO was in the employ of the Municipality for 2 months, the rest of the year, 2 Acting CFO's were in this position.

Remuneration of General Manager - Corporate Service

Annual Remuneration	785,491	785,491	785,491	785,491
Travel, housing and other allowances	440,610	440,610	440,610	440,610
Reimbursement of KM	-	34,383	-	34,383
Contributions to UIF, Medical and Pension Funds	15,301	11,956	15,301	11,956
	1,241,402	1,272,440	1,241,402	1,272,440

Remuneration of General Manager - Community Services and Planning & Economic Development

Annual Remuneration	694,305	677,549	694,305	677,549
Travel, housing and other allowances	302,211	240,052	302,211	240,052
Reimbursement of KM	38,463	55,418	38,463	55,418
Contributions to UIF, Medical and Pension Funds	13,586	9,698	13,586	9,698
	1,048,565	982,717	1,048,565	982,717

Remuneration of General Manager - Technical Services

Annual Remuneration	541,453	88,583	541,453	88,583
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uMkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June, 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
25. Employee related costs (continued)				
Travel, housing and other allowances	422,181	74,778	422,181	74,778
Reimbursement of KM	63,413	-	63,413	-
Contributions to UIF, Medical and Pension Funds	11,865	753	11,865	753
	1,038,912	164,114	1,038,912	164,114
Remuneration of the Chief Executive Officer - uMhlosinga Development Agency				
Annual Remuneration	723,461	739,300	-	-
Travel, motor car, accommodation, subsistence and expense reimbursive	358,004	483,337	-	-
Contributions to UIF, Medical and Pension Funds	-	65,625	-	-
	1,081,465	1,288,262	-	-
Remuneration of Chief Finance Officer - uMhlosinga Development Agency				
Annual Remuneration	915,333	798,097	-	-
Travel, motor car, accommodation, telephone and expense reimbursive	324,559	246,047	-	-
Contributions to UIF, Medical and Pension Funds	16,343	100,603	-	-
	1,256,235	1,144,747	-	-
26. Remuneration of councillors				
Mayor	938,151	906,470	938,151	906,470
Deputy Mayor	828,745	835,720	828,745	835,720
Speaker	847,712	815,867	847,712	815,867
Mayoral Committee Members	2,184,015	2,267,005	2,184,015	2,267,005
Councillors	3,939,856	4,484,402	3,939,856	4,484,402
	8,738,479	9,309,464	8,738,479	9,309,464
Mayor				
Mayoral allowance	750,225	718,711	750,225	718,711
Travel allowance	140,760	140,760	140,760	140,760
Cellphone allowance	40,800	40,800	40,800	40,800
Contributions to UIF, Medical and Pension Funds	6,366	6,199	6,366	6,199
	938,151	906,470	938,151	906,470
Deputy Mayor				
Annual remuneration	629,973	574,967	629,973	574,967
Travel allowance	122,028	112,608	122,028	112,608
Cellphone allowance	40,800	40,800	40,800	40,800
Reimbursive claim	30,662	102,219	30,662	102,219
Contributions to UIF, Medical and Pension Funds	5,282	5,126	5,282	5,126
	828,745	835,720	828,745	835,720
Speaker				
Annual remuneration	600,178	574,967	600,178	574,967
Travel allowance	148,060	112,608	148,060	112,608
Cellphone allowance	40,800	40,800	40,800	40,800
Reimbursive allowance	52,172	81,630	52,172	81,630
Contributions to UIF, Medical and Pension Funds	6,502	5,863	6,502	5,863
	847,712	815,868	847,712	815,868

uMkhanyakude District Municipality and its Municipal entity

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

26. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time.

The Mayor, Deputy Mayor and Speaker are provided with offices and secretarial support at the cost of the Council.

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

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Mayor and Speaker have two full-time bodyguards and one relief bodyguard.

The Chief Whip received security services paid for at the cost of the municipality to the amount of R429,244 including VAT during the 2020 financial year.

27. Depreciation and amortisation

Depreciation Property, plant and equipment	58,441,990	57,359,421	57,182,800	56,106,188
Amortisation intangible assets	136,507	183,932	27,258	81,477
	58,578,497	57,543,353	57,210,058	56,187,665

28. Impairment of assets and write off

Impairments

Property, plant and equipment	5,482,928	33,921,322	5,482,928	33,921,322
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Write off of assets

Property, plant and equipment	328,921	11,172,401	328,921	11,172,401
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Write off for assets is reported net of proceeds from insurance of R545,317 (PY R432,381). Included in write off is R328,921 (PY R5,045,384), resulting from assets written off due to either theft, obsolete, damage and/or replaced.

The further write off amounting to R6,127,017 in prior year relates to assets that were handed over to the community.

Total impairment and write off recognised	5,811,849	45,093,723	5,811,849	45,093,723
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29. Finance costs

Trade and other payables	2,940,497	2,513,488	2,940,497	2,513,488
Loans	231,783	423,870	231,783	423,870
	3,172,280	2,937,358	3,172,280	2,937,358

30. Debt impairment

Contributions to debt impairment provision	26,246,279	21,923,079	24,555,371	21,923,079
Bad debts written off	-	2,858,417	-	2,858,417
	26,246,279	24,781,496	24,555,371	24,781,496

Last year allowance for impairment includes R7,900,000 for other receivables. Refer to note 5

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
31. Repairs and Maintenance				
Electricity infrastructure	2,218,775	743,259	2,218,775	743,259
Furniture and equipment	-	172,850	-	172,850
Buildings	16,629	38,615	-	-
Water distribution and sanitation infrastructure	32,846,030	31,988,250	32,846,030	31,988,250
	35,081,434	32,942,974	35,064,805	32,904,359
32. Bulk purchases				
Electricity - Eskom	12,998,265	19,015,915	12,998,265	19,015,915
Water	96,340,766	104,514,531	96,340,766	104,514,531
	109,339,031	123,530,446	109,339,031	123,530,446
33. Contracted services				
Presented previously				
Total contracted services	63,525,686	86,822,272	63,094,936	86,689,955
Contracted services consists of:				
Financial consulting	11,340,069	10,701,620	11,340,069	10,701,620
Technical consulting	292,000	5,415,851	292,000	5,415,851
Fleet Services	13,469,869	23,772,797	13,469,869	23,772,797
Legal fees	7,469,775	16,774,667	7,469,775	16,774,667
Property, photocopies & office equipment rental	1,751,409	1,284,177	1,509,915	1,195,836
Insurance	2,109,396	2,116,029	2,048,111	2,079,523
Cellular and data services	1,630,614	2,630,539	1,502,643	2,623,069
IT services and system support	238,296	238,739	238,296	238,739
Internal audit services	4,013,638	3,561,758	4,013,638	3,561,758
Communication	1,471,945	1,602,948	1,471,945	1,602,948
Security services	15,531,234	18,715,494	15,531,234	18,715,494
Other services	7,514	7,653	7,514	7,653
Web hosting	401,730	-	401,730	-
Meter installation and replacement	3,798,197	-	3,798,197	-
	63,525,686	86,822,272	63,094,936	86,689,955

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	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
34. General expenses				
Audit committee fees	506,837	510,545	288,565	246,683
Advertising	157,313	489,955	-	332,919
Auditors remuneration	5,045,922	4,487,495	4,561,403	3,983,534
Bank charges	368,362	146,965	343,969	132,865
Rural Transport Management	851,369	2,416,070	851,369	2,416,070
Legal fees	57,060	43,672	-	-
Internal audit fees	46,208	205,395	-	-
Fines and penalties	1,078,317	53,745	754,930	-
Court litigation expenses	5,517,988	37,743,808	5,517,988	37,743,808
Community development and training	2,814,000	450,018	2,814,000	450,018
Licences	287,397	1,711,334	286,157	1,661,426
Transport hire	63,700	-	63,700	-
Fuel and oil	86,195	13,930	81,030	5,250
Postage and courier	-	87	-	-
Printing, stationery and cleaning materials	512,343	1,278,352	424,575	1,225,399
Conference and seminars	780	952,999	-	34,900
Sports DC27	1,989,858	6,173,524	1,989,858	6,173,524
Security costs	7,533	6,845	-	-
Systems Support and IT expenses	488,031	830,146	-	223,917
Telephone and fax	25,028	40,520	-	-
Training	68,592	43,249	68,592	43,249
Tourism Projects	8,000	567,933	8,000	567,933
Municipal Health	22,514	24,725	22,514	24,725
Electricity	32,180,612	39,519,518	32,180,612	39,519,518
Uniforms and protective clothing	645,640	510,654	642,106	483,729
Publicity	2,434,350	3,529,121	2,434,350	3,529,121
Consumables and spare parts	384,297	729,153	309,295	666,101
Other expenses	3,206	2,400	3,206	2,400
Community and Social services	423,353	1,088,780	423,353	1,088,780
Grants and subsidies paid: Bursaries	456,241	232,517	-	-
Professional and consulting fees	912,705	1,747,497	20,000	845,552
Events Organisation and catering	1,148,557	3,828,955	1,148,557	3,828,955
Accommodation	688,026	4,017,923	389,353	3,661,596
Grants & donations - uMhlosinga Development Agency	-	-	9,500,000	7,100,000
	59,280,334	113,397,830	65,127,482	115,991,972
35. Auditors' remuneration				
Fees	5,045,922	4,487,495	4,561,403	3,983,534

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
36. Cash generated from operations				
Surplus	308,252,468	56,960,717	275,844,948	59,999,892
Adjustments for:				
Depreciation and amortisation	58,578,497	57,543,353	57,210,058	56,187,665
Impairment loss and write off of assets	5,811,849	45,093,723	5,811,849	45,093,723
Debt impairment	26,246,279	24,781,496	24,555,371	24,781,496
Movements in long service awards	2,662,000	934,000	2,662,000	934,000
Insurance payout receivable (loss of stolen car)	545,317	432,381	545,317	432,381
Donations received in kind	-	(5,450,000)	-	(5,450,000)
Movement in interest on loan accrual	(42,328)	(23,102)	(42,328)	(23,102)
Changes in working capital:				
Inventories	(69,033,675)	(3,984,861)	(69,033,675)	(3,984,861)
Receivables from non-exchange transactions	(8,686,025)	11,888,731	-	-
Receivables from exchange transactions	(45,603,159)	(40,918,043)	(43,912,251)	(40,918,043)
Other receivables from exchange transactions	795,182	6,579,864	1,066,732	6,626,334
Trade and other payables	(7,036,494)	98,719,500	(23,788,786)	103,611,242
VAT	(21,773,019)	(24,084,474)	(17,846,168)	(24,337,075)
Unspent conditional grants and receipts	(13,499,434)	69,316,831	14,743,274	41,913,231
Consumer deposits	426,073	1,987,260	426,073	1,987,260
Movement in long term payables	(6,521,637)	(4,831,858)	(6,521,637)	(4,831,858)
	231,121,894	294,945,518	221,720,777	262,022,285

37. Commitments

Authorised capital expenditure

Approved and contracted for

• Property, plant and equipment	377,707,927	536,893,393	351,216,969	471,832,278
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Total capital commitments

Approved and contracted for	377,707,927	536,893,393	351,216,969	471,832,278
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This committed expenditure relates to property and will be financed by retained surpluses, existing cash resources, funds internally generated, and/or government grants etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1,207,198	1,207,198	1,207,198	1,207,198
- in second to fifth year inclusive	1,106,598	2,313,796	1,106,598	2,313,796
	2,313,796	3,520,994	2,313,796	3,520,994

Operating lease payments represent rentals payable by the economic entity for photocopier machines. Leases are contracted for a period of three (3) years. No contingent rent is payable. Lease rentals are charged at a fixed amount of R100,600(2020: 15% acceleration rate annually).

uMkhanyakude District Municipality and its Municipal entity

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38. Contingencies

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Supplier disagreements

As at 30 June 2021, the municipality had pending court cases with suppliers. Refer to the table below for details:

Supplier name and details of the case	Amount claimed/in dispute
	30-June 2021
Mageba: The supplier claims that they did engineering consulting services which the municipality disputes	4,124,993
Nxumalo & Partners: Disputed invoices for investigation service rendered	21,325,978
Ziqoqe Construction: Disputed invoices for service rendered	2,850,973
Duyaza Construction: Cancellation of contract	4,829,429
Sakhokuhle: Disputed invoices for service rendered	3,040,000
	36,171,373

39. Related parties

Related party

uMhlosinga Development Agency

uMhlosinga Development Agency is a municipal entity under the control of uMkhanyakude District Municipality to spearhead the economic development within the district.

Related party balances

Payables - Owing to related parties

uMhlosinga Development Agency	6,325,270	8,966,080
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Related party transactions

Expenditure incurred and Transfers paid to related parties

uMhlosinga Development Agency: Expenditure incurred (Excl VAT)	9,500,000	7,100,000
uMhlosinga Development Agency: Transfers paid (Incl VAT)	13,565,810	8,085,975

Key management information

Mayor	1
Councillors	30
Municipal Managers	1

Remuneration of management

Refer to note 25 "Employee costs" and note 26 "Remuneration of councillors" and note 48 for Councillors with arrear accounts.

40. Change in estimate

Property, plant and equipment

During the current year, management revised the useful life of some items of plant and equipment and also for intangible assets. The effect of this revision resulted in the decrease in depreciation charges for the current and future periods by 14,387 for property plant and equipment, and R57,044 for intangible assets.

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41. Comparative figures

Impairment loss and write off for property, plant and equipment was reclassified from depreciation and amortisation. A separate note for Impairment loss and write off was disclosed to income statement.

The effects of the reclassification are as follows:

Statement of financial performance

Depreciation and amortisation	-	(45,093,723)	-	(45,093,723)
Impairment loss and write off	-	45,093,723	-	45,093,723
	-	-	-	-

42. Prior period errors

Error 1

Trade and other payables were understated by R49,144,497 as a result of invoices that were not correctly accrued for. Other suppliers were overstated by R452,042 in total due to invalid invoice that were raised in prior years.

Receivables from exchange transactions were overstated by R57,220 as a result of incorrect billing from prior years.

All these transactions were corrected retrospectively to avoid misstatement on comparative figures to the financial statements.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in property, plant and equipment (Infrastructure work in progress)	-	3,873,187	-	3,873,187
Increase in VAT	-	5,930,989	-	5,930,989
Increase in trade payables	-	(48,692,455)	-	(48,692,455)
Increase in retentions	-	(19,398)	-	(19,398)
Decrease in receivables from exchange transactions	-	(57,220)	-	(57,220)
Decrease in opening Accumulated Surplus or Deficit	-	757,508	-	757,508

uMkhanyakude District Municipality and its Municipal entity

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42. Prior period errors (continued)

Statement of financial performance

Increase in bulk purchases: water	-	28,890,509	-	28,890,509
Increase in repairs and maintenance (Electricity infrastructure)	-	292,965	-	292,965
Increase in repairs and maintenance (Water distribution infrastructure)	-	6,846,979	-	6,846,979
Increase in contracted services (Legal)	-	66,238	-	66,238
Decrease in contracted services (Security)	-	(45,021)	-	(45,021)
Increase in contracted services (Fleet)	-	18,244	-	18,244
Increase in general expenses (Accommodation)	-	2,258	-	2,258
Increase in general expenses (Training)	-	15,312	-	15,312
Increase in general expenses (DC Sports)	-	2,119,140	-	2,119,140
Increase in general expenses (Printing, stationery and cleaning materials)	-	765	-	765

Error 2

Repair expenditure to the value of R7,831,355 was incorrectly classified as property, plant and equipment in prior year. This was corrected in the current year by reclassifying all repair expenditure incorrectly included under assets to expenses retrospectively

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in property, plant and equipment (Infrastructure work in progress)	-	(6,726,957)	-	(6,726,957)
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Statement of financial performance

Increase in repairs and maintenance (Water distribution infrastructure)	-	6,726,957	-	6,726,957
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Error 3

Errors made by the municipal entity

During the prior year, there some supplier invoices were not raised on the accounting system of the municipal entity. The total adjustment of R312,295 was done to decrease general expenses and reduce the trade payables.

Retention liability for airport fencing was erroneously not recognised in prior years. The error was corrected by debiting infrastructure assets and recognising corresponding retention liability of R194,521.42. The increase in assets resulted in increase in depreciation expense for prior year by R7,781 and R14,913 for the periods before prior year.

Repairs and maintenance for air conditioners was erroneously capitalised to furniture and fittings. The resulted in overstatement of assets and related depreciation expense for prior year. The error was corrected by debiting repairs and maintenance and reducing the cost of furniture and fittings by R2,527. Depreciation expense amounting to R791 that was erroneously recognised on the repairs was also reversed.

Administration fee of R300,000 received from Cogta was not recognised as revenue in the prior year. The adjustment was done to recognise revenue and reducing the unspent facility by R300, 000.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in property, plant and equipment	-	170,092	-	-
Increase in VAT receivable	-	46,358	-	-
Decrease in cash and cash equivalents	-	(2,810)	-	-
Increase in payables from non exchange transactions	-	(2,700,000)	-	-
Increase in trade payables	-	(355,843)	-	-
Increase in retention liability	-	(194,521)	-	-
Decrease in unspent grant	-	3,000,000	-	-

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42. Prior period errors (continued)

Decrease in opening accumulated surplus

-	14,913	-	-
-	(21,811)	-	-

Statement of financial performance

Increase in other income: administration fee

Increase in depreciation expense

Decrease in finance costs

Increase in repairs and maintenance

Increase in contracted expenses

Increase in general expenses

-	(300,000)	-	-
-	6,990	-	-
-	(7,652)	-	-
-	2,527	-	-
-	7,470	-	-
-	312,477	-	-
-	21,812	-	-

43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Economic entity - 2020

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	4	60,611,271	(57,220)	60,554,051
VAT receivable	6	34,773,498	5,977,347	40,750,845
Cash and cash equivalents	8	94,728,586	(2,810)	94,725,776
Property plant and equipment	9	2,127,249,161	(2,683,678)	2,124,565,483
Trade and other payables	12	(287,328,666)	(49,262,218)	(336,590,884)
Payables from non-exchange transactions	18	-	(2,700,000)	(2,700,000)
Unspent conditional grants	14	(101,187,856)	3,000,000	(98,187,856)
Accumulated surplus		(2,040,899,518)	45,728,579	(1,995,170,939)
		(112,053,524)	-	(112,053,524)

Controlling entity - 2020

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	4	60,611,271	(57,220)	60,554,051
VAT receivable	6	34,208,020	5,930,989	40,139,009
Property plant and equipment	9	2,090,856,325	(2,853,770)	2,088,002,555
Trade and other payables	12	(290,716,223)	(48,711,854)	(339,428,077)
Accumulated surplus		(1,996,865,100)	45,691,855	(1,951,173,245)
		(101,905,707)	-	(101,905,707)

Statement of financial performance

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43. Prior-year adjustments (continued)

Economic entity - 2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Other income	21	1,071,725	300,000	-	1,371,725
Depreciation and amortisation	27	(102,630,086)	(6,990)	45,093,723	(57,543,353)
Impairment loss and write off	28	-	-	(45,093,723)	(45,093,723)
Finance costs	29	(2,945,010)	7,652	-	(2,937,358)
Repairs and maintenance	32	(19,073,547)	(13,869,427)	-	(32,942,974)
Bulk purchases	32	(94,639,937)	(28,890,509)	-	(123,530,446)
Contracted services	33	(86,775,341)	(46,931)	-	(86,822,272)
General expenditure	34	(110,947,878)	(2,449,952)	-	(113,397,830)
Deficit for the year		(415,940,074)	(44,956,157)	-	(460,896,231)

Controlling entity - 2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation and amortisation	27	(101,281,388)	-	45,093,723	(56,187,665)
Impairment loss and write off	28	-	-	(45,093,723)	(45,093,723)
Repairs and maintenance	31	(19,037,459)	(13,866,900)	-	(32,904,359)
Bulk purchases	32	(94,639,937)	(28,890,509)	-	(123,530,446)
Contracted services	33	(86,650,494)	(39,461)	-	(86,689,955)
General expenditure	34	(113,854,498)	(2,137,475)	-	(115,991,973)
Surplus for the year		(415,463,776)	(44,934,345)	-	(460,398,121)

Cash flow statement

Economic entity - 2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Grants and subsidies receipts		760,944,676	(3,000,000)	757,944,676
Other receipts		645,744	896,000	1,541,744
Payments to Suppliers		(294,476,205)	(3,423,418)	(297,899,623)
Payments for finance costs		(1,402,880)	(31,687)	(1,434,567)
		465,711,335	(5,559,105)	460,152,230
Cash flow from investing activities				
Purchase of property, plant and equipment		(245,880,856)	2,856,298	(243,024,558)
Cash flow from financing activities				
Advance from Cogta		-	2,700,000	2,700,000

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43. Prior-year adjustments (continued)

Controlling entity - 2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Other receipts		631,432	596,000	1,227,432
Payments to Suppliers		(292,381,046)	(3,410,429)	(295,791,475)
Payments for finance costs		(1,395,228)	(39,339)	(1,434,567)
		(293,144,842)	(2,853,768)	(295,998,610)
Cash flow from investing activities				
Purchase of property, plant and equipment		(243,938,761)	2,853,769	(241,084,992)

44. Risk management

Financial risk management

uMkhanyakude District Municipality and its Municipal entity

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44. Risk management (continued)

Liquidity risk

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

Yearly cash flow forecasts are prepared to monitor the municipality's liquidity commitments.

The table below analyses the economic entity's 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.

Economic entity

At 30 June, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	874,195	882,737	1,872,392	-
Interest accrual on long term loan	52,738	-	-	-
Trade and other payables	329,554,391	-	-	-
Consumer and other deposits	3,159,353	-	-	-
Unspent conditional grants	84,688,422	-	-	-
Other payables from non-exchange	2,700,000	-	-	-
At 30 June, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	866,202	874,195	2,676,224	79,757
Interest accrual on long term loan	95,064	-	-	-
Trade and other payables	336,590,885	6,521,637	-	-
Consumer and other deposits	2,733,270	-	-	-
Unspent conditional grants	98,187,856	-	-	-
Other payables from non-exchange	2,700,000	-	-	-

Controlling entity

At 30 June, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	874,195	-	-	-
Interest accrual on long term loan	52,738	-	-	-
Trade and other payables	315,639,291	-	-	-
Consumer and other deposits	3,159,353	-	-	-
Unspent conditional grants	82,926,987	-	-	-
Other payables from non-exchange	2,700,000	-	-	-
At 30 June, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	866,202	874,195	2,676,224	79,757
Interest accrual on long term loan	95,064	-	-	-
Trade and other payables	315,639,291	6,521,637	-	-
Consumer and other deposits	2,733,270	-	-	-
Unspent conditional grants	68,183,713	-	-	-
Other payables from non-exchange	2,700,000	-	-	-

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44. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Receivables from exchange transactions are settled on a monthly basis, however some customers are not paying in time. Upon the new connections the consumers pays deposit in advance.

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

Financial instrument	Economic entity - 2021	Economic entity - 2020	Controlling entity - 2021	Controlling entity - 2020
Receivables from non-exchange transactions	10,376,933	1,690,908	-	-
Receivables from exchange transactions	79,910,931	60,554,051	79,910,931	60,554,051
Other receivables from exchange transactions	1,874,203	2,669,385	1,137,635	2,622,915
Bank balances- ABSA	164,498,028	49,683,570	164,498,028	49,683,570
Bank balances- FNB	10,205,182	10,496,997	10,205,182	10,496,997
Bank balances- Nedbank	7,163,649	34,542,632	-	-

Market risk

Interest rate risk

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

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

The municipality's interest rate risk arises from long-term borrowings from DBSA. At year end, financial instruments exposed to interest rate risk were as follows:

- A portion of the loan from Development Bank of South Africa that has semi- floating interest rate linked to Jibar. The municipality does not have any hedge cover for the risk of changes in interest rate, however it invests all its surplus funds from time to time during the year with banks, which yield interest income to help cover for any losses from change in interest rate.
- FNB Bank and ABSA deposits: The municipality invests surplus funds from time to time to earn interest income. Interest earned on surplus funds is variable bases on the changes in prime rate. The municipality does not have any cover for the risk of changes interest in interest rate.

45. Going concern

As at 30 June, 2021, the economic entity's had an accumulated surplus of R 2,227,018,196 (Controlling entity R2,227,018,196) and that the municipality's current assets exceeded its current liabilities by R 114,052,053 (Controlling entity R110,030,104) . However, the municipality's cash resources are significantly less than unspent grants payable and trade and other payables and this may cast doubt upon the municipality's ability to meet its liquid obligations.

The consolidated 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.

The ability of the economic entity's to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the economic entity's and that the Provincial Governments has neither the intention nor the need to liquidate or curtail materially the scale of the economic entity's.

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46. Events after the reporting date

The municipality was not aware of any material events that may have occurred between 30 June 2021 and the date when the annual financial statements were authorised.

47. Unauthorised expenditure

Opening balance as previously reported	423,299,536	377,749,634	423,299,536	377,749,634
Opening balance as restated	423,299,536	377,749,634	423,299,536	377,749,634
Add: Unauthorised expenditure for the year	31,857,680	45,549,902	31,857,680	45,549,902
Closing balance	455,157,216	423,299,536	455,157,216	423,299,536

Unauthorised expenditure in the current financial year was incurred as a result of expenditure which exceeded the approved budget.

48. Fruitless and wasteful expenditure

Opening balance as previously reported	81,536,157	79,993,649	81,071,613	79,573,998
Opening balance as restated	81,536,157	79,993,649	81,071,613	79,573,998
Add: Fruitless and wasteful expenditure for the year	10,107,236	1,542,508	9,784,620	1,497,615
Less: Amount written off - current	(44,893)	-	-	-
Closing balance	91,598,500	81,536,157	90,856,233	81,071,613

Fruitless and wasteful expenditure comprise of interest and penalties relating to SARS EMP declarations and late payment of creditors, payments to employees whose contracts had ended and payments for cancellation of contracts for service providers.

Fruitless expenditure also includes infrastructure expenditure that was incurred in prior years but could not be identified during verification and inventory that was written off as impairment in prior years.

49. Irregular expenditure

Opening balance as previously reported	2,819,739,823	2,342,911,036	2,803,908,179	2,328,925,446
Opening balance as restated	2,819,739,823	2,342,911,036	2,803,908,179	2,328,925,446
Add: Irregular Expenditure - prior year contracts	191,910,692	389,327,892	191,910,692	389,327,892
Add: Irregular Expenditure - current year contracts	1,433,702	81,991,942	1,433,702	80,145,888
Add: Irregular Expenditure - from quotations	288,554	5,508,953	-	5,508,953
Less: Amount written off - current	(1,846,054)	-	-	-
Closing balance	3,011,526,717	2,819,739,823	2,997,252,573	2,803,908,179

Disciplinary steps taken/criminal proceedings

No disciplinary actions or criminal proceedings was instituted as a result of irregular expenditure incurred.

50. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	30,101	268,817	30,101	268,817
Current year fees	5,832,446	5,096,490	5,284,635	4,592,259
Amount paid - current year	(4,790,474)	(5,066,384)	(5,284,635)	(4,562,153)
Amount paid - previous years	(30,101)	(268,817)	(30,101)	(268,817)
	1,041,972	30,106	-	30,106

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

PAYE and UIF

Opening balance	2,405,928	2,602,789	2,405,928	2,122,400
Current year deductions withheld	28,995,088	28,177,519	32,045,603	27,612,515
Amount paid - current year	(26,589,160)	(25,771,591)	(32,527,424)	(25,206,587)
Amount paid - previous years	(2,405,928)	(2,602,789)	(2,405,928)	(2,122,400)
	2,405,928	2,405,928	(481,821)	2,405,928

Pension and Medical Aid Deductions

Opening balance	3,417,977	3,047,541	3,417,977	3,065,919
Current year deductions withheld	42,805,463	39,762,823	42,402,586	38,893,359
Amount paid - current year	(40,461,660)	(36,326,468)	(40,058,783)	(35,475,382)
Amount paid - previous years	(3,417,977)	(3,065,919)	(3,417,977)	(3,065,919)
	2,343,803	3,417,977	2,343,803	3,417,977

VAT

VAT receivable	83,699,373	56,477,007	77,459,904	55,589,585
VAT payable	21,175,509	15,726,162	19,474,727	15,450,576
	104,874,882	72,203,169	96,934,631	71,040,161

VAT output payables and VAT input receivables are shown in note .

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

SALGA Fees

Fees paid	-	1,773,392	-	1,773,392
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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June, 2021:

30 June, 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Moodley GP	-	232,534	232,534
Zungu MC	-	36,510	36,510
Gina MA	-	1,840	1,840
	-	270,884	270,884
30 June, 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Moodley GP	-	232,534	232,534
Zungu MC	-	36,510	36,510
Gina MA	-	1,840	1,840
	-	270,884	270,884

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

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.

Items of goods and services were procured during the current financial year which deviated from the provisions of paragraph 12(1)(d)(i) as reflected above. As at 30 June 2021, deviations from Municipal Supply Chain Management Regulations for the year are as follows:

Incident

Total deviations for the year	297,751	4,276,444	-	4,231,733
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51. Distribution losses

Electricity distribution losses

	15,573,381	16,317,685	15,573,381	16,317,685
	2021		2020	
Electricity distribution loss calculated as:	kWh units	Rand	kWh units	Rand
Electricity purchases	13,313,924	19,646,750	12,816,252	21,347,699
Electricity sales	(2,462,164)	(4,073,369)	(2,828,188)	(5,030,014)
	10,851,760	15,573,381	9,988,064	16,317,685

Water distribution loss calculated as:

	2021		2020	
	Kl	Rand	Kl	Rand
Water distribution losses	6,982,077	48,176,329	4,972,518	34,310,377
Water Loss %	37	37	27	27
	6,982,114	48,176,366	4,972,545	34,310,404