KING CETSHWAYO

DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

GENERAL INFORMATION

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water, sanitation & waste management) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1996) Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 1 of 2007)
Mayor	His Worship Councillor AT Ntuli
Municipal Manager	Mr PP Sibiya
Deputy Municipal Manager Finance	Mrs MC Reddy
Registered office	King Cetshwayo District Municipality Prince Mangosuthu Buthelezi House Krugerrand, CBD RICHARDS BAY 3900
Business address	King Cetshwayo District Municipality Prince Mangosuthu Buthelezi House Krugerrand, CBD RICHARDS BAY 3900
Postal address	Private Bag X1025 RICHARDS BAY 3900
Bankers	FirstRand Bank
Auditors	Auditor-General of South Africa
Senior Legal Advisor	Mr G Dlamini
Municipal demarcation code and grade	DC 28 / Grade 5
Members of the audit committee	Mr D Naicker - Chairperson Mr HGS Mpungose CA (SA) Mr AD Gonzalves Dr MJ Ndlovu Miss CN Mhlongo Miss SX Khanyile

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The reports and statements set out below comprise the annual financial statements for the year ended 30 June 2023 presented to the Council:

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Abbreviations used:

AUC	Assets Under Construction
COVID - 19	Corona Virus Disease of 2019
DWS	Department of Water and Sanitation
EQS	Equitable Share
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Sector Education and Training Authority
MDRG	Municipal Disaster Relief Grant
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
NRV	Net Realisable Value
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Roads Asset Management Systems
RUL	Remaining Useful Lives
SARS	South African Revenue Services
VAT	Value Added Tax Act (Act No. 89 of 1991)
WSIG	Water Services Infrastructure Grant

STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I would like to bring your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 27 and 41 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act no. 20 of 1998) and the Minister of Provincial and Local Government determination in accordance with this Act.

Municipal Manager
Mr PP Sibiya
31 August 2023

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Figures in Rands	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	153 376 211	371 332 253
Receivables from exchange transactions - consumer debtors	3	80 240 856	53 453 471
Inventories	4	6 064 210	6 075 916
Exchange transactions - VAT	5	120 691 782	106 287 784
Receivables from exchange transactions - other	6	13 775 397	13 118 224
Current portion of long-term receivables from exchange transactions	7	-	6 680
		374 148 456	**550 274 328**
Non-Current Assets			
Property, plant and equipment	8	3 135 533 714	2 894 462 559
Intangible assets	9	3 630 074	7 289 195
Heritage assets	10	1 487 200	700 000
		3 140 650 988	**2 902 451 754**
Total Assets		**3 514 799 444**	**3 452 726 082**
Liabilities			
Current Liabilities			
Current portion of borrowings	11	6 285 648	9 563 780
Payables from exchange transactions	12	210 278 451	384 383 605
Consumer deposits	13	10 991 054	10 122 867
Current portion of employee benefit obligation	14	2 232 000	2 181 000
Trade and other payables from non-exchange transactions	15	4 805 144	2 903 927
Current portion of provisions	16	2 927 919	1 839 345
		237 520 216	**410 994 524**
Non-Current Liabilities			
Borrowings	11	-	6 285 648
Employee benefit obligations	14	36 951 000	37 755 000
Provisions	16	62 516 734	103 971 011
		99 467 734	**148 011 659**
Total Liabilities		**336 987 950**	**559 006 183**
Net Assets		**3 177 811 494**	**2 893 719 899**
Accumulated surplus		3 177 811 494	2 893 719 899
Total Net Assets		**3 177 811 494**	**2 893 719 899**

* See Note 48

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rands	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	111 653 312	102 009 644
Sale of goods and rendering of services	18	416 068	479 401
Licences and permits	19	122 372	139 197
Rental income	20	357 770	463 910
Operational income	21	1 807 292	6 158 294
Ïnterest on receivables from exchange transactions	22	3 905 190	2 338 860
Interest on receivables from investments and bank accounts	23	25 802 133	19 312 043
Actuarial gains	14	7 836 880	403 265
Gain on adjustment to rehabilitation provision	16	3 429 681	-
Total revenue from exchange transactions		**155 330 698**	**131 304 614**
Revenue from non-exchange transactions			
Transfers and subsidies	24	1 135 764 783	868 366 420
Fines, penalties and forfeits	25	430 664	25 160
Donations	4&8	1 649 202	40 722
Total revenue from non-exchange transactions		**1 137 844 649**	**868 432 302**
Total revenue		**1 293 175 347**	**999 736 916**
Expenditure			
Employee related costs	26	(301 718 720)	(254 016 385)
Remuneration of councillors	27	(15 273 741)	(12 014 343)
Depreciation and amortisation	28	(109 202 694)	(108 581 600)
Finance costs	29	(14 881 910)	(9 762 094)
Debt Impairment	3&6	(6 142 540)	(3 285 682)
Bad debts written off	3	(3 163 449)	(4 922 012)
Inventory consumed	30	(154 063 936)	(119 181 332)
Contracted services	31	(247 772 848)	(296 317 865)
Transfers and subsidies	32	(2 400 000)	-
Loss on disposal of property, plant and equipment	8	(268 167)	(742 431)
Impairment on property, plant and equipment	8	(3 634 198)	(704 296)
Operational costs	33	(106 519 728)	(94 002 781)
Water losses	34	(43 898 199)	(47 484 290)
Inventories write-downs	4	(143 622)	-
Total expenditure		**(1 009 083 752)**	**(951 015 111)**
Surplus for the year		**284 091 595**	**48 721 805**

* See Note 48

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rands	Accumulated surplus	Total net assets
Restated balance at 01 July 2021	**2 844 998 094**	**2 844 998 094**
Restated surplus for the year - refer to note 48	48 721 805	48 721 805
Restated balance at 01 July 2022	**2 893 719 899**	**2 893 719 899**
Surplus for the year	284 091 595	284 091 595
Balance at 30 June 2023	**3 177 811 494**	**3 177 811 494**

* See Note 48

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rands	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Consumers and other		78 036 932	95 710 168
Transfers and subsidies	15	1 137 666 000	870 262 000
Interest		29 707 323	21 650 903
		1 245 410 255	987 623 071
Payments			
Employee		(309 155 581)	(265 627 463)
Suppliers		(739 255 650)	(489 232 874)
		(1 048 411 231)	(754 860 337)
Net cash flows from operating activities	36	**196 999 024**	**232 762 734**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles assets		(406 129 064)	(219 730 440)
Proceeds from sale of property, plant and equipment		2 417 800	-
Proceeds from long-term receivables		6 680	59 029
Net cash flows from investing activities		**(403 704 584)**	**(219 671 411)**
Cash flows from financing activities			
Repayment of current portion of borrowings	11	(9 563 780)	(8 485 501)
Finance costs	29	(1 686 702)	(2 764 981)
Net cash flows from financing activities		**(11 250 482)**	**(11 250 482)**
Net (decrease)/increase in cash and cash equivalents		**(217 956 042)**	**1 840 841**
Cash and cash equivalents at the beginning of the year		371 332 253	369 491 412
Cash and cash equivalents at the end of the year	2	**153 376 211**	**371 332 253**

* See Note 48

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges - water	67 964 735	-	**67 964 735**	65 860 186	**(2 104 549)**	
Service charges - waste water management	9 341 790	-	**9 341 790**	9 158 730	**(183 060)**	
Service charges - waste management	37 743 519	-	**37 743 519**	36 634 396	**(1 109 123)**	
Sale of goods and rendering of services	3 728 386	-	**3 728 386**	416 068	**(3 312 318)**	42.1
Interest earned from receivables	2 513 121	-	**2 513 121**	3 905 190	**1 392 069**	42.2
Licences and permits	-	-	**-**	122 372	**122 372**	
Rental from fixed assets	229 272	-	**229 272**	357 770	**128 498**	
Interest earned from current and non-current assets	21 530 809	-	**21 530 809**	25 802 133	**4 271 324**	42.3
Operational revenue	714 610	15 385 203	**16 099 813**	1 807 292	**(14 292 521)**	42.4
Other gains	-	-	**-**	11 266 561	**11 266 561**	42.5
Total revenue from exchange transactions	**143 766 242**	**15 385 203**	**159 151 445**	**155 330 698**	**(3 820 747)**	
Revenue from non-exchange transactions						
Licenses and permits	50 000	24 328	**74 328**	-	**(74 328)**	
Transfers and subsidies	698 537 000	18 207 392	**716 744 392**	714 721 620	**(2 022 772)**	
Donations	-	-	**-**	1 649 202	**1 649 202**	42.6
Fines, penalties and forfeits	10 752	800 000	**810 752**	430 664	**(380 088)**	
Total revenue from non-exchange transactions	**698 597 752**	**19 031 720**	**717 629 472**	**716 801 486**	**(827 986)**	
Total revenue	**842 363 994**	**34 416 923**	**876 780 917**	**872 132 184**	**(4 648 733)**	
Expenditure						
Employee related costs	(346 547 912)	26 099 139	**(320 448 773)**	(301 718 720)	**18 730 053**	
Remuneration of councillors	(16 128 911)	-	**(16 128 911)**	(15 273 741)	**855 170**	
Inventory consumed	(139 312 359)	(34 401 335)	**(173 713 694)**	(154 063 936)	**19 649 758**	42.7
Depreciation and amortisation	(137 432 218)	-	**(137 432 218)**	(109 202 694)	**28 229 524**	42.8
Interest	(3 208 205)	(10 741 987)	**(13 950 192)**	(14 881 910)	**(931 718)**	
Contracted services	(218 780 987)	(59 431 538)	**(278 212 525)**	(247 772 848)	**30 439 677**	42.9
Transfers and subsidies	(5 400 000)	3 000 000	**(2 400 000)**	(2 400 000)	**-**	
Irrecoverable debts written off	(8 783 156)	(561 660)	**(9 344 816)**	(9 305 989)	**38 827**	
Operational costs	(115 485 255)	(1 134 115)	**(116 619 370)**	(106 519 728)	**10 099 642**	
Loss on disposal of assets	-	(268 168)	**(268 168)**	(268 167)	**1**	
Other losses	-	(47 910 629)	**(47 910 629)**	(47 676 019)	**234 610**	
Total expenditure	**(991 079 003)**	**(125 350 293)**	**(1 116 429 296)**	**(1 009 083 752)**	**107 345 544**	
Operating deficit	**(148 715 009)**	**(90 933 370)**	**(239 648 379)**	**(136 951 568)**	**102 696 811**	
Transfers and subsidies - capital (monetary allocation)	432 213 000	(8 465 908)	**423 747 092**	421 043 163	**(2 703 929)**	
Surplus for the year	**283 497 991**	**(99 399 278)**	**184 098 713**	**284 091 595**	**99 992 882**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	373 964 918	(4 160 397)	**369 804 521**	153 376 211	**(216 428 310)**	42.10
Trade and other receivables from exchange transactions	112 075 668	-	**112 075 668**	94 016 253	**(18 059 415)**	42.11
Current portion of non current receivables	723 406	729 639	**1 453 045**	-	**(1 453 045)**	42.12
Inventories	8 416 300	-	**8 416 300**	6 064 210	**(2 352 090)**	42.13
VAT	40 748 234	-	**40 748 234**	120 691 782	**79 943 548**	42.14
Other current assets	749 051	-	**749 051**	-	**(749 051)**	42.15
	536 677 577	**(3 430 758)**	**533 246 819**	**374 148 456**	**(159 098 363)**	
Non-Current Assets						
Property, plant and equipment	3 095 329 160	(13 067 835)	**3 082 261 325**	3 135 533 714	**53 272 389**	
Heritage assets	5 200 000	(3 230 000)	**1 970 000**	1 487 200	**(482 800)**	
Intangible assets	4 479 874	200 000	**4 679 874**	3 630 074	**(1 049 800)**	42.16
	3 105 009 034	**(16 097 835)**	**3 088 911 199**	**3 140 650 988**	**51 739 789**	
Total Assets	**3 641 686 611**	**(19 528 593)**	**3 622 158 018**	**3 514 799 444**	**(107 358 574)**	
Liabilities						
Current Liabilities						
Financial liabilities	-	6 285 648	**6 285 648**	6 285 648	**-**	
Consumer deposits	10 116 848	-	**10 116 848**	10 991 054	**874 206**	
Trade and other payables from exchange transactions	189 953 975	-	**189 953 975**	210 278 451	**20 324 476**	42.17
Trade and other payables from non-exchange transactions	-	(241 484)	**(241 484)**	4 805 144	**5 046 628**	42.18
Provisions	2 392 930	-	**2 392 930**	2 927 919	**534 989**	42.19
VAT	(68 110 480)	-	**(68 110 480)**	-	**68 110 480**	42.14
Other non-current liabilities	28 456 525	-	**28 456 525**	2 232 000	**(26 224 525)**	42.20
	162 809 798	**6 044 164**	**168 853 962**	**237 520 216**	**68 666 254**	
Non-Current Liabilities						
Provisions	84 294 060	50 621 187	**134 915 247**	62 516 734	**(72 398 513)**	42.19
Other current liabilities	-	-	**-**	36 951 000	**36 951 000**	42.20
	84 294 060	**50 621 187**	**134 915 247**	**99 467 734**	**(35 447 513)**	
Total Liabilities	**247 103 858**	**56 665 351**	**303 769 209**	**336 987 950**	**33 218 741**	
Net Assets	**3 394 582 753**	**(76 193 944)**	**3 318 388 809**	**3 177 811 494**	**(140 577 315)**	
Accumulated surplus	3 394 582 753	(76 193 944)	**3 318 388 809**	3 177 811 494	**(140 577 315)**	
Total community wealth / equity	**3 394 582 753**	**(76 193 944)**	**3 318 388 809**	**3 177 811 494**	**(140 577 315)**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Services charges	103 545 040	-	**103 545 040**	75 516 245	**(28 028 795)**	
Other revenue	4 733 020	25 709 531	**30 442 551**	2 520 687	**(27 921 864)**	
Transfers and subsidies - operational	653 138 000	-	**653 138 000**	716 622 842	**63 484 842**	
Transfers and subsidies - capital	477 612 000	9 500 000	**487 112 000**	421 043 158	**(66 068 842)**	
Interest	21 530 809	-	**21 530 809**	29 707 323	**8 176 514**	
	1 260 558 869	**35 209 531**	**1 295 768 400**	**1 245 410 255**	**(50 358 145)**	
Payments						
Suppliers and employees	(820 222 424)	(24 766 969)	**(844 989 393)**	(1 046 011 231)	**(201 021 838)**	
Finance charges	(3 208 205)	1 521 498	**(1 686 707)**	(1 686 702)	**5**	
Transfers and subsidies	(5 400 000)	3 000 000	**(2 400 000)**	(2 400 000)	**-**	
	(828 830 629)	**(20 245 471)**	**(849 076 100)**	**(1 050 097 933)**	**(201 021 833)**	
Net cash flows from operating activities	**431 728 240**	**14 964 060**	**446 692 300**	**195 312 322**	**(251 379 978)**	42.21
Cash flows from investing activities						
Capital assets	(483 080 000)	27 741 637	**(455 338 363)**	(406 129 064)	**49 209 299**	
Proceeds on disposal of PPE	-	-	**-**	2 417 800	**2 417 800**	
Decrease / (increase) in non-current receivables	-	-	**-**	6 680	**6 680**	
Net cash flows from investing activities	**(483 080 000)**	**27 741 637**	**(455 338 363)**	**(403 704 584)**	**51 633 779**	42.22
Cash flows from financing activities						
Repayments of borrowings	-	-	**-**	(9 563 780)	**(9 563 780)**	42.23
Net (decrease) in cash held	(51 351 760)	42 705 697	**(8 646 063)**	(217 956 042)	**(209 309 979)**	
Cash and cash equivalents at the beginning of the year	352 308 192	-	**352 308 192**	371 332 253	**19 024 061**	
Cash and cash equivalents at the end of the year	**300 956 432**	**42 705 697**	**343 662 129**	**153 376 211**	**(190 285 918)**	

Variances greater than 10% with a value greater than R500 000 are explained in note 42.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

1. Presentation of Annual Financial Statements

The annual financial statements for the year ended 30 June 2023 have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands and the amounts have been rounded to the nearest rand.

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

1.1 Significant judgements and sources of estimation uncertainty

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

1.1.1 Provisions

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

1.1.2 Useful lives of property, plant, equipment and intangible assets

As described in accounting policies 1.7&1.9 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 Defined benefit plan liabilities

As described in accounting policy 1.5, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 14 to the financial statements.

1.1.4 Impairment of financial assets

The accounting policy 1.4 on financial instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period.

On receivables from exchange transactions consumer debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

The calculation in respect of the impairment of consumer debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per the approved council policy on credit control and debt collection.

1.1 Basis of preparations (continued)

1.1.5 Revenue recognition

Accounting policy 1.13 on Revenue from Exchange Transactions and accounting policy 1.14 on Revenue from Non - Exchange Transactions describe the conditions under which revenue is recorded by the management of the municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non-Exchange Transactions and in particular, whether the service has been rendered.

1.1.6 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is outlined in 1.4. below and is based on management's judgement.

1.1.7 Impairment of property, plant and equipment, intangible assets, heritage assets and write down of inventory

The accounting policies on impairment of non-cash generating assets 1.10 as well as inventory 1.12 describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of inventories to the lower of cost and net realisable values (NRV).

1.1.8 Inventory water

Water inventory is considered to be inventory at the point of extraction from natural water sources or at the point where water passes into the municipal network provided by bulk water suppliers.

1.2 New standards of GRAP, guidelines and interpretations

GRAP standards revised and not yet effective

The following Standards have been revised with their amendments being effective from financial years commencing from 1 April 2023:

-Revised GRAP 25 on Employee Benefits and related IGRAP 7 on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

-Amendments to GRAP 1 on Presentation of Financial Statements as a result of changes agreed as part of developing the Guideline on The Application of Materiality to Financial Statements.

The following Standards have been revised with their amendments being effective from financial years commencing from 1 April 2025:

-Revised GRAP 104 on Financial Instruments.

The municipality expects that the above standards would not have a material impact on the annual financial statements.

Guidelines approved and not yet effective

Accounting for Landfill Sites

The guideline for Landfill Sites is not yet effective, however the effective date is financial years commencing from 1 April 2023.

The municipality expects that the above guideline would not have a material impact on the annual financial statements.

1.2 New standards of GRAP, guidelines and interpretations (continued)

Interpretations of the Standards of GRAP not yet effective

The following Interpretation Standards have been revised with their amendments being effective from financial years commencing from 1 April 2023:

-iGRAP 21 - The Effect of Past Decisions on Materiality

-iGRAP 7 - On the limit on a defined benefit asset, minimum funding requirements and their interaction.

The municipality expects that the above interpretations would not have a material impact on the annual financial statements.

1.3 Offsetting

Assets and liabilities, as well as revenue and expenses, are offset and the net amount is reported in the financial statements when there is an agreement to offset the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Financial instruments

Classification

The municipality 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
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions (excluding statutory receivables i.e. VAT)	Financial asset measured at amortised cost

The municipality 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
Borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost except for investments in financial assets measured at fair value through surplus or deficit.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The amount of the reversal is recognised in surplus or deficit.

1.5 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included in payables from exchange transactions.

Defined contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined benefit plans

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Other defined benefit plans

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 14 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged to surplus or deficit in the year they become payable. These defined benefit funds are actuarially valued on the discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

These contributions are recognised in the statement of financial performance when employees have rendered the service entitling them to the contribution.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

1.6 Provisions

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. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

1.7 Property, plant and equipment

All property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation on assets other than land is calculated using the Straight-line method.

The depreciation rates are based on the following estimated useful lives:

Item	Useful life
Buildings -other	30 years
Buildings - permanent	30 - 50 years
Plant and equipment	2 - 15 years
Furniture	10 years
Motor vehicles	5 - 15 years
Office equipment	5 years
IT equipment	5 years
Infrastructure - plant and equipment	15 years
Infrastructure - sewerage services	50 years
Infrastructure - solid waste and cemetery services	15 years
Infrastructure - water services	20 - 50 years

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.

1.8 Heritage assets

A class of heritage assets is carried at its cost less any accumulated impairment losses.

The gain or loss arising from the derecognition of a heritage asset should be 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 item is derecognised.

1.9 Intangible assets

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

Amortisation is on assets calculated using the straight line method.

The amortisation rates are based on the following useful lives:

Item	Useful life
Computer software, other	3-5 years

1.10 Impairment of non-cash-generating assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. All other assets are classified as non-cash generating assets. The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable (service) amount of an asset is the higher of its fair value less costs to sell and its value in use.

For non-cash generating assets the value in use is determined using the Depreciated Replacement Cost approach. An impairment loss is recognised immediately in Surplus or Deficit. An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable (service) amounts of those assets are estimated. 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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss is recognised immediately in Surplus or Deficit.

1.11 Leases

Operating leases - The municipality as a 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 - The municipality as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

1.12 Inventories

Consumables and maintenance materials are inventories used by the municipality which are not sold and thus measured at the lower of cost and current replacement cost. The cost of these inventory items are assigned using the first-in, first out (FIFO) formula.

Water for distribution is measured using the weighted average formula. Additions to water for distribution is accounted for in two ways i.e. bulk purchases and own production (natural sources). Bulk purchases are capitalised in inventory based on actual costs from the service provider and own production is capitalised based on costs associated with the production of naturally sourced water. Water is sold and thus subsequently valued at the lower of cost and net realisable value.

1.13 Revenue from exchange transactions

Measurement

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

Sale of goods

Charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Other revenue from exchange transactions

Interest and rentals are recognised on a time proportion basis.

1.14 Revenue from non-exchange transactions

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

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

1.15 Tax

Tax expenses

The municipality is exempt from income tax in terms of section 10(1)(A) of the Income Tax Act.

VAT

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality. Permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

1.16 Transfers and subsidies

The municipality transfers money to individuals, organisations and other sectors of government from time to time.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.17 Statutory receivables

The municipality has the following categories under the ambit of statutory receivables:

-Receivables from exchange transactions - consumer debtors (Air quality licences)

-VAT receivable

The municipality measures statutory receivables using the cost method.

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

1.18 Budget information

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The annual financial statements for the year ended 30 June 2023 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. Explanatory comments are provided in note 42 of the annual financial statements for a variance of 10% and greater than R500 000, providing reasons for the variance between actuals and budget.

1.19 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), 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;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in 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.

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:

“fruitless and wasteful expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in 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.

1.21 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means—

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipal entity 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 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 of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

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

1.22 Related parties

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

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

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

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

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

1.23 Segment information

The amount of each segment item reported is the per measure reported to management. Management applies the measurement requirements per GRAP for the respective segment items and thus aligned to the entity's financial statements measurement basis.

Adjustments and eliminations made in preparing an entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit where relevant. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities are reported for that segment.

Amounts allocated to reported segment surplus or deficit, assets or liabilities, are allocated on total segment expenses or total segment assets or liabilities basis. Revenues are segment specific and are not allocated.

The municipality is organised and operates in six key functional segments being community and public safety, economic and environmental services, trading services water, trading services waste water, trading services waste management and governance and administration. The segment information is outlined in note 47.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

2. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Cash on hand	5 800	5 800
Cash book balances	93 370 411	251 326 453
Call investment deposits	60 000 000	120 000 000
	153 376 211	**371 332 253**

Call investment deposits with financial institutions

Financial institution	Maturity	2023	2022
Absa	On call	60 000 000	-
Nedbank	On call	-	20 000 000
Standard bank	15 July 2022	-	30 000 000
Standard bank	15 August 2022	-	70 000 000
		60 000 000	**120 000 000**

An average interest rate of 6.83% and 4.64% was received on investments placed for the year ended 30 June 2023 and 30 June 2022 respectively. The detailed investment register is available at the registered office of the municipality.

No cash and cash equivalents have been pledged as security.

2. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
NEDBANK						
Primary Account Account No 145 408 8885	-	229 745 420	105 808 468	-	229 743 524	105 807 700
Billing Account Account No 145 408 8893	-	1 387 500	533 134	-	763 694	253 139
Expenditure Account Account No 145 408 9016	-	18 905 203	3 424 773	-	18 905 203	3 424 773
FirstRand Bank Limited						
Primary Account Account No 629 434 44109	63 351 103	1 914 032	-	63 350 411	1 914 032	-
Billing Account Account No 629 434 44125	20 000	-	-	20 000	-	-
Expenditure Account Account No 629 434 44117	30 000 000	-	-	30 000 000	-	-
Total	**93 371 103**	**251 952 155**	**109 766 375**	**93 370 411**	**251 326 453**	**109 485 612**

2022/2023

Detailed bank reconciliation's in support of the cash book balances are available at the registered office of the municipality.

The municipality had changed bankers from Nedbank to FirstRand Bank Limited in the 2021/2022 reporting period.

The municipality finalised the transition and closure of the Nedbank accounts and as at 30 June 2023 the Nedbank accounts had been closed.

The difference between the cash book balance and bank statement as at 30 June 2023 for the FNB main account amounted to R692 is attributable to unallocated deposits.

2021/2022

The difference in the reporting period between the cash book balance and the bank statement balance for the Nedbank Primary Account is attributable to unallocated deposits on the bank account amounting to R1 896.

The difference in the reporting period between the cash book balance and the bank statement balance for the Nedbank Billing Account amounts to R623 806. The difference is attributable to timing differences of cash received in the bank on 30 June 2022, which is then receipted in July 2022.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

3. Receivables from exchange transactions - consumer debtors

Gross balances		
Water	88 747 474	76 435 189
Sanitation	20 404 078	15 660 131
Solid waste	21 138 011	5 626 638
	130 289 563	**97 721 958**
Less: Allowance for impairment		
Water	(42 174 360)	(31 926 667)
Sanitation	(6 489 985)	(10 634 904)
Solid waste	(1 384 362)	(1 706 916)
	(50 048 707)	**(44 268 487)**
Net balance		
Water	46 573 114	44 508 522
Sanitation	13 914 093	5 025 227
Solid waste	19 753 649	3 919 722
	80 240 856	**53 453 471**

Aged summary of debtors by service type

Water		
Current (0 - 30 days)	4 680 001	6 054 695
31 - 60 days	4 377 394	3 035 768
61 - 90 days	1 907 034	1 915 251
91 - 120 days	2 381 927	1 525 574
> 120 days	75 401 118	63 903 901
Less: Allowance for impairment	(42 174 360)	(31 926 667)
	46 573 114	**44 508 522**

Sanitation		
Current (0 - 30 days)	737 592	661 818
31 - 60 days	583 108	482 028
61 - 90 days	416 176	325 105
91 - 120 days	381 384	278 537
> 120 days	18 285 818	13 912 643
Less: Allowance for impairment	(6 489 985)	(10 634 904)
	13 914 093	**5 025 227**

Solid Waste		
Current (0 - 30 days)	5 152 763	3 623 121
31 - 60 days	1 432 955	15 595
61 - 90 days	1 741 629	17 449
91 - 120 days	1 495 614	17 626
> 120 days	11 315 050	1 952 847
Less: Allowance for impairment	(1 384 362)	(1 706 916)
	19 753 649	**3 919 722**

Figures in Rands	2023	2022

3. Receivables from exchange transactions - consumer debtors (continued)

Aged summary of debtors by customer classification

Domestic Consumers		
Current (0 - 30 days)	8 016 511	4 441 663
31 - 60 days	979 558	736 752
61 - 90 days	1 059 677	1 081 767
91 - 120 days	1 360 658	1 092 176
> 120 days	70 843 803	61 915 546
	82 260 207	69 267 904
Less: Allowance for impairment	(48 664 345)	(42 934 594)
	33 595 862	**26 333 310**
Industrial/Commercial Consumers		
Current (0 - 30 days)	3 989 425	5 242 940
31 - 60 days	3 595 139	1 173 582
61 - 90 days	2 176 565	431 070
91 - 120 days	2 167 935	306 720
> 120 days	22 904 075	8 773 403
	34 833 139	15 927 715
Less: Allowance for impairment	(1 384 362)	(1 333 893)
	33 448 777	**14 593 822**
National and Provincial Government Consumers		
Current (0 - 30 days)	2 656 970	3 255 405
31 - 60 days	1 818 760	1 623 057
61 - 90 days	828 597	744 968
91 - 120 days	730 332	422 841
> 120 days	7 161 557	6 480 068
	13 196 216	**12 526 339**
Aged summary of total debtors in:		
Current (0 - 30 days)	14 662 907	12 940 008
31 - 60 days	6 393 457	3 533 391
61 - 90 days	4 064 839	2 257 805
91 - 120 days	4 258 925	1 821 737
> 120 days	100 909 435	77 169 017
	130 289 563	97 721 958
Less: Allowance for impairment	(50 048 707)	(44 268 487)
	80 240 856	**53 453 471**
Aged summary of allowance for impairment		
Current (0 - 30 days)	(1 351 603)	(1 648 071)
31 - 60 days	(657 219)	(612 130)
61 - 90 days	(644 311)	(680 720)
91 - 120 days	(621 358)	(639 180)
> 120 days	(46 774 216)	(40 688 386)
	(50 048 707)	**(44 268 487)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

3. Receivables from exchange transactions - consumer debtors (continued)

Aged debtors past due but not impaired		
31 - 60 days	5 736 238	2 921 261
61 - 90 days	3 420 528	1 577 085
91 - 120 days	3 637 567	1 182 557
> 120 days	54 135 219	36 480 631
	66 929 552	**42 161 534**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(44 268 487)	(40 982 806)
Contributions	(5 780 220)	(3 285 681)
	(50 048 707)	**(44 268 487)**

The movement in debt impairment to an amount of R5 780 220 has been recognised in the statement of financial performance.

In the determination of the amounts deemed to be impaired at 30 June 2023, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.

- Category A - Regular payers, government accounts, consumers with amounts owing not older than 60 days.
- Category B - Irregular payers.
- Category C - Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

- Category A - 0% of consumer's total debt.
- Category B - 50% of consumer's debt less or equal to 180 days, 100% of consumer's debt > than 180 days.
- Category C - 100% of consumer's total debt.

As at 30 June 2023 and 30 June 2022, the collection rate from consumer debtors was 74% and 93%, respectively. The 74% is as a result of the outstanding balance for solid waste services to the local Municipality due to the bulk tariff dispute. The collection rate would be 89% if the Municipality had settled the outstanding amount at year end. The outstanding balance has been settled on 30 August 2023. In accordance with Council resolution KCDMC:1056/2023 and the approved Council incentive policy, the municipality has written off R 3 163 449 as at 30 June 2023.

Statutory receivables general information

Transaction(s) arising from statute

The municipality raises charges for the issuance of atmospheric emission licenses in terms of the National Environmental Management; Air Quality Act No. 39 of 2004. Upon the issuance of the license the municipality records all atmospheric licenses in the National atmospheric emissions database. These fees are received in full prior to the issuance of the license and thus no debtors are outstanding at the reporting date.

Figures in Rands	2023	2022

3. Receivables from exchange transactions - consumer debtors (continued)

Determination of transaction amount

The air quality license amount is determined by the Minister of Environmental Affairs as issued through government gazette no. 39805 dated 11 March 2016. The revenue recognised as at 30 June 2023 and 30 June 2022 is included in note 19.

Interest or other charges levied/charged

The municipality does not charge interest on the determined charges as all fees must be paid in full before the issuance of the license.

4. Inventories

	2023	2022
Consumable stores	633 476	478 129
Maintenance materials	2 562 733	2 385 739
Water - static tanks	956 055	1 099 677
Water stock	1 911 946	2 112 371
	6 064 210	**6 075 916**

	2023	2022
Write - down of inventories - water static tanks	143 622	-

2022/2023

The comparative figure for water stock has been restated by an amount of R2 135 297 from R4 247 668 to R2 112 371 - refer to note 48.

The donations received amounting to R40 722 for relief efforts pertaining to the floods in April 2022 were distributed to the affected citizens during the reporting period.

2021/2022

The municipality received donations from an organisation amounting to R40 722 to assist with relief efforts to citizens affected by the flooding in April 2022.

No inventory was pledged as security.

5. Exchange transactions - VAT

	2023	2022
VAT	**120 691 782**	**106 287 784**

	2023	2022
VAT accrual	90 594 341	88 768 710
VAT receivable	30 097 441	17 519 074
	120 691 782	**106 287 784**

Statutory receivables general information

Transaction(s) arising from statute

The municipality raises input and output value added tax in terms of the Value Added Tax Act no. 89 of 1991.

Figures in Rands	2023	2022

5. Exchange transactions - VAT (continued)

Determination of transaction amount

The municipality raises output VAT on services rendered and claims input VAT on qualifying purchases. As the municipality receives grant funding that is predominately zero rated, VAT claimed against these grants thus results in the municipality being in a net refund status at reporting year end.

6. Receivables from exchange transactions - other

Deposits	9 072 054	9 119 304
Employee, councillor account and other transactions	450 732	131 395
Investment interest accrual	160 932	331 397
King Cetshwayo Fresh Produce Market	408 513	770 832
Payments in advance	3 683 166	2 765 296
	13 775 397	**13 118 224**

Deposits disclosed above relate to Eskom electricity connections at municipal plants as well as staff rentals.

Payments in advance relate to South African Local Government Association membership fees.

The receivable pertaining to the King Cetshwayo Fresh Produce Market has been disclosed net off impairments amounting to R362 320.

7. Long-term receivables from exchange transactions

Current portion of long - term receivables	-	**6 680**

Staff home loans

Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually.

2022/2023

The claim for the staff member that passed away had been lodged with the Natal Joint Pension Fund and was settled on 17 February 2023, which resulted in the home loan being settled.

2021/2022

Two(2) of the home loans were settled by 30 June 2022 and the remaining one(1) loan was repayable in accordance with the home loan agreement, ending December 2023, however the incumbent had passed away and a claim will be lodged with the Natal Joint Pension Fund.

The interest received from these loans amounts to R28 as at 30 June 2023 (R2 683 - 30 June 2022) - refer to note 22.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment

	2023			2022		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	77 624 484	(29 968 114)	47 656 370	76 040 726	(27 944 517)	48 096 209
Community assets	28 775 026	(10 199 189)	18 575 837	28 775 025	(8 303 719)	20 471 306
Computer equipment	18 148 464	(13 211 049)	4 937 415	16 565 226	(12 006 086)	4 559 140
Furniture	7 557 861	(5 845 578)	1 712 283	7 208 543	(5 504 639)	1 703 904
Infrastructure	3 892 064 478	(888 014 674)	3 004 049 804	3 562 962 179	(793 962 288)	2 768 999 891
Motor vehicles	90 041 219	(36 029 261)	54 011 958	72 375 781	(24 754 462)	47 621 319
Office equipment	9 153 560	(7 330 564)	1 822 996	8 730 805	(6 983 302)	1 747 503
Plant and Machinery	5 917 727	(3 150 676)	2 767 051	4 168 110	(2 904 823)	1 263 287
Total	**4 129 282 819**	**(993 749 105)**	**3 135 533 714**	**3 776 826 395**	**(882 363 836)**	**2 894 462 559**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2023

	Opening balance	Additions	Additions - AUC	Disposals	Donations	Depreciation capitalised	Rehabilitation adjustment	Depreciation	Impairment loss	Total
Buildings	48 096 209	652 174	-	-	931 584	-	-	(2 023 597)	-	47 656 370
Community assets	20 471 306	-	-	-	-	-	-	(1 895 469)	-	18 575 837
Computer equipment	4 559 140	1 849 673	-	(55 527)	-	-	-	(1 415 871)	-	4 937 415
Furniture	1 703 904	394 508	-	(8 228)	-	-	-	(377 901)	-	1 712 283
Infrastructure	2 768 999 891	43 540 728	336 789 811	(2 561)	-	(284 915)	(51 219 805)	(90 139 147)	(3 634 198)	3 004 049 804
Motor vehicles	47 621 319	16 947 820	-	-	717 618	-	-	(11 274 799)	-	54 011 958
Office equipment	1 747 503	564 552	-	(16 979)	-	-	-	(472 080)	-	1 822 996
Plant and Machinery	1 263 287	1 775 696	-	(5 601)	-	-	-	(266 331)	-	2 767 051
	2 894 462 559	**65 725 151**	**336 789 811**	**(88 896)**	**1 649 202**	**(284 915)**	**(51 219 805)**	**(107 865 195)**	**(3 634 198)**	**3 135 533 714**

During the year a donated water tanker from DWS was taken on upon finalisation of licensing and registration. Furthermore, a house registered at the deeds office has been recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2022 restated

	Opening balance	Additions	Additions - AUC	Disposals	Depreciation capitalised	Rehabilitation adjustment	Depreciation	Impairment loss	Total
Buildings	50 885 154	-	187 440	-	-	-	(2 976 385)	-	48 096 209
Community assets	22 626 271	-	-	-	-	-	(2 154 965)	-	20 471 306
Computer equipment	4 890 446	1 141 097	-	(45 662)	-	-	(1 426 741)	-	4 559 140
Furniture	2 210 232	6 170	-	(15 478)	-	-	(497 020)	-	1 703 904
Infrastructure	2 610 214 464	46 888 083	158 670 240	(397 870)	(295 653)	41 840 475	(87 215 552)	(704 296)	2 768 999 891
Motor vehicles	58 611 115	694 206	-	(84 098)	-	-	(11 599 904)	-	47 621 319
Office equipment	2 072 774	256 161	-	(8 346)	-	-	(573 086)	-	1 747 503
Plant and machinery	1 344 789	210 656	-	(19 674)	-	-	(272 484)	-	1 263 287
	2 752 855 245	**49 196 373**	**158 857 680**	**(571 128)**	**(295 653)**	**41 840 475**	**(106 716 137)**	**(704 296)**	**2 894 462 559**

Prior year adjustments

The comparative figures for infrastructure additions and additions - AUC have been restated by an amount of R505 990 from R46 382 093 and R159 176 230 to R46 888 083 and R158 670 240 respectively. Further to this, minor reclassifications on additions were done between various asset classes, with no impact to the total additions for the year. In addition, depreciation was restated by an amount of R216 563 from R106 499 574 to R106 716 137. The solid waste rehabilitation adjustment was restated by an amount of R7 341 462 from R34 499 013 to R41 840 475. The total adjustments to PPE amounts to R6 829 245 - refer to note 48.

8. Property, plant and equipment (continued)

(Loss) / gain on disposal of property, plant and equipment

	30 June 2023	30 June 2022
Computer equipment	(55 527)	(45 662)
Computer software & other	(2 597 071)	(171 304)
Furniture	(8 228)	(15 478)
Infrastructure	(2 561)	(397 870)
Motor vehicles	-	(84 098)
Office equipment	(16 979)	(8 346)
Plant and machinery	(5 601)	(19 674)
Proceeds from the sale of property, plant and equipment	2 417 800	-
	(268 167)	**(742 431)**

Change in estimates

The changes in estimates are evaluated at each financial year end.

In the financial year the review of the useful lives of assets resulted in the changes in estimates and the effects of the changes are as outlined below:

Asset class	Change in estimates	Effect in depreciation change
Buildings	(R701 442)	Decrease
Computer equipment	R338 261	Increase
Furniture	R20 175	Increase
Infrastructure	(R1 781 330)	Decrease
Community	R53 522	Increase
Office equipment	R16 579	Increase
Plant and machinery	R15 915	Increase

8. Property, plant and equipment (continued)

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

2022/2023

The assets under construction (infrastructure) carrying values includes delayed water infrastructure projects amounting to R192.4m. The delays are mainly due to completed project phases awaiting the bulk water supply.

2021/2022

The assets under construction (infrastructure) carrying values includes delayed water infrastructure projects amounting to R159.7 m. The delays are mainly due to completed project phases awaiting the bulk water supply.

Assets under construction 30 June 2023

	Included within Infrastructure	Included within Community assets	Included with operational buildings	Total
Opening carrying value	987 990 520	935 015	1 087 623	990 013 158
Additions/capital expenditure	380 982 710	-	-	380 982 710
Transferred to completed items	(171 571 089)	-	-	(171 571 089)
	1 197 402 141	**935 015**	**1 087 623**	**1 199 424 779**

Reconciliation of Work-in-Progress 30 June 2022 - restated

	Included within Infrastructure	Included within Community assets	Included with operational buildings	Total
Opening carrying value	949 799 384	935 015	900 183	951 634 582
Additions/capital expenditure	159 176 230	-	187 440	159 363 670
Transferred to completed items	(120 985 094)	-	-	(120 985 094)
	987 990 520	**935 015**	**1 087 623**	**990 013 158**

Expenditure incurred to repair and maintain property, plant and equipment

	30 June 2023	30 June 2022
Community assets	2 663 845	140 495
Computers	690 090	856 236
Furniture	-	9 051
Infrastructure	130 792 959	165 379 094
Motor vehicles	19 073 189	6 872 211
Plant and machinery	3 706 183	2 174 950
	156 926 266	**175 432 037**

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.

9. Intangible assets

	2023			2022		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software and other	6 866 444	(3 236 370)	3 630 074	14 165 065	(6 875 870)	7 289 195

Reconciliation of intangible assets - June 2023

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software and other	7 289 195	275 449	(2 597 071)	(1 337 499)	3 630 074

Reconciliation of intangible assets - June 2022

	Opening balance	**Additions**	**Disposals**	**Additions - AUC**	**Amortisation**	**Total**
Computer software and other	7 326 883	821 250	(171 304)	1 177 829	(1 865 463)	7 289 195

Intangible assets in the process of being constructed or developed

Expenditure recognised in the carrying value of Intangible assets	**30 June 2023**	**30 June 2022**
Computer software	1 177 829	1 177 829

Change in estimates

The changes in estimates are evaluated at each financial year end, and in the year the review of the useful lives of assets resulted in the changes in estimates and the effects of the changes are as outlined below:

Asset class	Change in estimates	Effect in amortisation charge
Intangibles	(R41 728)	Decrease

10. Heritage assets

	2023			2022		
	Cost	**Accumulated impairment losses**	**Carrying value**	**Cost**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	1 487 200	-	1 487 200	700 000	-	700 000

Reconciliation of heritage assets - June 2023

	Opening balance	Additions	Total
Historical monuments	700 000	787 200	1 487 200

Reconciliation of heritage assets - June 2022

	Opening balance	Total
Historical monuments	700 000	700 000

Historical monument

2022/2023

In the year the municipality commissioned a historical statue of Prince Mangosuthu Buthelezi and as such deemed this as a cultural heritage asset.

Prior years

The municipality commissioned a historical statue of King Cetshwayo in the 2016/2017 financial year and as such deemed this as a cultural heritage asset.

A register containing the information required by section 63 of the Municipal Finance Management Act (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

11. Borrowings

<u>At amortised cost</u>

ABSA Bank 12.6% The loan was raised originally for the development of the King Cetshwayo House building and the Greater Mthonjaneni Bulk Water Scheme. Subsequently infrastructure for the landfill site and sewer treatment plants were constructed there from. The original loan is repayable after a 14 year period (remaining period 1 year). Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.	6 285 648	11 849 312
INCA 11.95% The loan was raised to finance extensions to King Cetshwayo House and the development of the Regional Solid Waste Site cell 2. The original loan is repayable after a 14 year period with the final payment made in June 2023. Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.	-	4 000 116
	6 285 648	15 849 428

<u>Non-current liabilities</u>		
At amortised cost	-	**6 285 648**
<u>Current liabilities</u>		
At amortised cost	**6 285 648**	**9 563 780**

12. Payables from exchange transactions

Accrued bonus	7 036 626	6 545 663
Accrued leave pay	19 955 538	18 009 675
Amounts received in advance	4 611 027	4 659 260
Employee payable transactions	-	219 419
Retention payables	58 649 999	55 489 969
Trade payables and accruals	119 525 305	298 959 663
Trade payables King Cetshwayo Fresh Produce Market	499 956	499 956
	210 278 451	**384 383 605**

<u>2022/2023</u>

The comparative figure for accrued bonus has been restated by an amount of R313 247 from R6 858 910 to R6 545 663 - refer to note 48

13. Consumer deposits

Water and sanitation	**10 991 054**	**10 122 867**

Consumer deposits are paid by consumers on application for new water and sanitation connections. The deposits are repaid when the accounts are terminated.

In terms of Council's by-laws no interest is raised or paid on consumer deposits.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

14. Employee benefit obligations

Employee benefit obligations comprises of two benefit categories, i.e. post retirement health care benefits and long service awards. A detailed breakdown of these obligations have been disclosed below.

Post retirement health care benefit liability

The municipality provides post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds with which the municipality is affiliated, a member (who is on the current condition of service) may continue to be a member of the medical aid fund upon retirement, in which case the municipality is liable for a portion of the medical aid contributions.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2023 by Zaq Consultants and Actuaries, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation and the related current service cost, were measured using the projected unit credit funding method. No other post retirement benefits are provided by the municipality.

The municipality subsidies monthly contributions to the following medical aid schemes:

Bonitas, Keyhealth, Hosmed, Samwumed, and LA Health.

The post employment health care benefit plan is a defined benefit plan, of which the members as per the most recent valuation as at 30 June 2023 are made up of 319 in-service member employees (2022: 307), 125 in-service non-member employees (2022: 118) and 6 (2022: 6) continuation members - retirees, widowers and orphans .

<u>Estimated liability in respect of past services</u>		
In service members (Employees)	22 172 000	22 051 000
In-service non-members (Employees)	415 000	493 000
Continuation members (Retirees, widowers and orphans)	2 319 000	2 624 000
	24 906 000	**25 168 000**

Long service awards

Employees are eligible for a long service award per the long service award policy after completing fixed periods of continuous service (every five years, from five to forty-five years) with the municipality, which includes their uninterrupted service with the former Local Authorities that were amalgamated in December 2000. The aforementioned award consists of a certain number of vacation leave days that, depending on the beneficiary employee's election, can be converted into an amount based on his or her basic salary at the time the award became payable, or alternatively, credited to the employee's vacation leave accrual.

The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2023 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2023 by Zaq Consultants and Actuaries, a member of the Actuarial Society of South Africa.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

14. Employee benefit obligations (continued)

The present value of the defined benefit obligation and the related current service cost, were measured using the projected unit credit funding method.

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

	2023	2022
Present value of the defined benefit obligation - post employment medical aid benefits (PEMAB)	(24 906 000)	(25 168 000)
Present value of the defined benefit obligation - long service awards(LSA)	(14 277 000)	(14 768 000)
	(39 183 000)	(39 936 000)
Non-current liabilities	**(36 951 000)**	**(37 755 000)**
Current liabilities	**(2 232 000)**	**(2 181 000)**
	(39 183 000)	(39 936 000)

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

	2023	2022
Opening balance	40 339 265	35 445 000
Net expense recognised in the statement of financial performance - total included in employee related costs	7 083 880	4 894 265
	47 423 145	**40 339 265**

Net expense recognised in the statement of financial performance

	2023	2022
Post employment medical aid benefit - current service cost	1 748 000	1 418 000
Long service awards - current service cost	1 617 000	1 478 000
Post employment medical aid benefit - interest cost	3 393 000	2 286 000
Long service awards - interest cost	1 700 000	1 210 000
Post employment medical aid benefit - actual benefits paid	(266 716)	(251 944)
Long service awards - actual benefits paid	(1 107 404)	(1 245 791)
	7 083 880	**4 894 265**

Calculation of actuarial gains and losses

	2023	2022
Post employment medical aid benefit - actuarial (gain)	(5 136 284)	(136 056)
Long service awards - actuarial (gain)	(2 700 596)	(267 209)
	(7 836 880)	**(403 265)**

2022/2023

The comparative figure for net expenses recognised in the statement of financial performance - total included in employee related costs has been restated by an amount of R403 265 from R4 4491 000 to R4 894 265. The actuarial gain has been reflected on the statement of financial performance - refer to note 48.

Figures in Rands	2023	2022

14. Employee benefit obligations (continued)

Expected future service and interest costs

Post employment medical aid benefits

Based on the most recent actuarial valuation as at 30 June 2023, the estimated future service cost for the 2023/2024 financial year was established to be R1 491 000, whereas the interest cost is estimated to be R3 302 000 (2023 - R1 748 000 and R3 393 000) respectively.

The municipality expects to make a contribution of R370 000 (2023 - R 354 000) to the defined benefit plans during the 2023/2024 financial year.

As at 30 June 2023 benefits paid amount to R266 716.

Long service awards

Based on the most recent actuarial valuation as at 30 June 2023, the estimated future service cost for the 2023/2024 financial year was established to be R1 534 000, whereas the interest cost is estimated to be R1 615 000 (2023 - R1 617 000 and R1 700 000) respectively.

The municipality expects to make a contribution of R1 862 000, (2023 - R1 827 000) to the defined benefit plans during the 2023/2024 financial year.

As at 30 June 2023 benefits paid amount to R1 107 404.

Key assumptions used

Assumptions used at the last actuarial valuation as at 30 June 2023.

Post employment medical aid benefits		
Discount rate	12,96 %	13,12 %
Medical aid contribution inflation rate	9,37 %	10,47 %
Net effective discount rate	3,29 %	2,39 %
Maximum subsidy inflation rate	6,65 %	7,48 %
Net effective subsidy inflation rate	5,92 %	5,25 %
Continuation of membership at retirement	75,00 %	75,00 %
Proportion of in-service non-members joining a scheme by retirement	15,00 %	15,00 %
Long service awards		
Discount rate	11,44 %	11,45 %
Normal salary increase rate	7,31 %	8,62 %
Net effective discount rate	3,85 %	2,60 %
Consumer price inflation	6,31 %	7,62 %
Other assumptions		
Normal retirement age	65 years	65 years
Average retirement age for females and males	63 years	63 years
Mortality rate - males per SA	85 - 90	85-90
Mortality rate - females per SA	85 - 90	85 - 90

14. Employee benefit obligations (continued)

2022/2023

The basis on which the discount rate and medical aid inflation rate has been determined are as follows for post employment medical aid benefits:

The yield curves as at 30 June 2023 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration. The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years.

The 12.96% discount rate was obtained by means of an iterative process where the implied duration of the liabilities was matched to the corresponding rates on the yield curve at that duration. The yield curve used to obtain the rates was provided by the JSE as at 30 June 2023 and do not contain any adjustments for taxation. The liability-weighted implied duration for both components (In-Service and Continuation members) of the liability was used to determine the appropriate discount rate used for the purposes of this valuation.

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

The inflation assumption is required to reflect future changes to health care costs. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1,5% per annum over the foreseeable future.

The next contribution increase was assumed to occur on 1 January 2024.

The CPI assumption was obtained by using the differential between the nominal yield (earned on fixed-interest bonds) and the index-linked yield on the yield curve, as this effectively represents the market's expectation of future inflation. The index-linked yield used was 7.87%, which was also obtained by using the rate on the yield curve that corresponds to the calculated implied duration.

The maximum subsidy inflation rate assumption is the rate at which the subsidy cap amount is expected to increase with in the future. These annual increases are specified periodically by the local government bargaining council. The next increase expected to occur on 30 June 2024. The increases are assumed to increase with 75% of salary inflation each year, with salary inflation assumed to be equal to CPI + 1%. This gives rise to a subsidy cap inflation of 6.65%.

The rate at which cashflows would effectively be discounted at after allowing for the 12.96% discount rate and 9.37% medical aid inflation rate is 3.29% which is derived from: ((1+12.96%)/(1+9.37%)) – 1.

The basis on which the discount rate and salary inflation has been determined as follows for long service awards:

The yield curves as at 30 June 2023 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration. The actuaries have derived the underlying future rate of consumer index inflation (CPI inflation) from the relationship between (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) inflation linked bond rate for each relevant time period.

The 11.44% discount rate was obtained by means of an iterative process where the implied duration of the liabilities was matched to the corresponding rates on the yield curve at that duration. The yield curve used to obtain the rates was provided by the JSE as at 30 June 2023 and do not contain an adjustments for taxation.

14. Employee benefit obligations (continued)

The CPI assumption was obtained by using the differential between the nominal yield (earned on fixed interest bonds) and the index-linked yield on the yield curve, as this effectively represents the market's expectation of future inflation. The index-linked yield used was 3.85%, which was also obtained by using the rate on the yield curve that corresponds to the calculated implied duration.

The rate at which cashflows would effectively be discounted at after allowing for the 11.44% discount rate and 7.31% salary inflation rate is 3.85% which is derived from ((1+11.44%)/(1+7.31%))-1.

Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2023 of 5.4%. The next salary increase was assumed to take place on 01 July 2023.

2021/2022

The basis on which the discount rate and medical aid inflation rate has been determined are as follows for post employment medical aid benefits:

The yield curves as at 30 June 2022 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration. The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years.

The 13,12% discount rate was obtained by means of an iterative process where the implied duration of the liabilities was matched to the corresponding rates on the yield curve at that duration. The yield curve used to obtain the rates was provided by the JSE as at 30 June 2022 and do not contain any adjustments for taxation. The liability-weighted implied duration for both components (In-Service and Continuation members) of the liability was used to determine the appropriate discount rate used for the purposes of this valuation.

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

The inflation assumption is required to reflect future changes to health care costs. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1,5% per annum over the foreseeable future.

The next contribution increase was assumed to occur on 1 January 2023.

The CPI assumption was obtained by using the differential between the nominal yield (earned on fixed-interest bonds) and the index-linked yield on the yield curve, as this effectively represents the market's expectation of future inflation. The index-linked yield used was 4.15%, which was also obtained by using the rate on the yield curve that corresponds to the calculated implied duration.

The maximum subsidy inflation rate assumption is the rate at which the subsidy cap amount is expected to increase with in the future. These annual increases are specified periodically by the local government bargaining council. The next increase expected to occur on 30 June 2024. The increases are assumed to increase with 75% of salary inflation each year, with salary inflation assumed to be equal to CPI + 1%. This gives rise to a subsidy cap inflation of 7.48%.

The rate at which cashflows would effectively be discounted at after allowing for the 13.12% discount rate and 10.47% medical aid inflation rate is 2.39% which is derived from: ((1+13,12%)/(1+10.47%)) – 1.

14. Employee benefit obligations (continued)

The basis on which the discount rate and salary inflation has been determined as follows for long service awards:

The yield curves as at 30 June 2022 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration. The actuaries have derived the underlying future rate of consumer index inflation (CPI inflation) from the relationship between (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) inflation linked bond rate for each relevant time period.

The 11.45% discount rate was obtained by means of an iterative process where the implied duration of the liabilities was matched to the corresponding rates on the yield curve at that duration. The yield curve used to obtain the rates was provided by the JSE as at 30 June 2022 and do not contain an adjustments for taxation.

The CPI assumption was obtained by using the differential between the nominal yield (earned on fixed interest bonds) and the index-linked yield on the yield curve, as this effectively represents the market's expectation of future inflation. The index-linked yield used was 3.83%, which was also obtained by using the rate on the yield curve that corresponds to the calculated implied duration.

The rate at which cashflows would effectively be discounted at after allowing for the 11.45% discount rate and 8.62% salary inflation rate is 2.6% which is derived from ((1+11.45%)/(1+8.62%))-1.

Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2022 of 4.9%. The next salary increase was assumed to take place on 01 July 2022.

Figures in Rands	2023	2022

14. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends, salary(general earnings) inflation rates and deviations from assumed level of mortality experience of the current employees and continuation members, amongst others will have a large impact on the actual cost to the municipality, with a significant effect on the amounts recognised in surplus or deficit. A change in assumed healthcare cost trends, salary inflation rates, mortality rates and withdrawal rates and other assumptions would have the following effects:

Increase of 1% / (Decrease of 1 %) - Health care cost trends		
Effect on the post employment medical aid	3 129 000	2 945 000
Effect on aggregate of the service cost and interest cost	652 000	647 000
Effect on the post employment medical aid	(3 193 000)	(3 220 000)
Effect on aggregate of the service cost and interest cost	(675 000)	(717 000)
Increase of 1% / (Decrease of 1 %) - General earnings inflation rate		
Effect on the long service awards	1 018 000	1 099 000
Effect on aggregate of the service cost and interest cost	252 000	274 000
Effect on the long service awards	(920 000)	(988 000)
Effect on aggregate of the service cost and interest cost	(225 000)	(244 000)
(Increase of 1 year)/ Decrease of 1 year in post employment mortality		
Effect on the post employment medical aid	(701 000)	(753 000)
Effect on the post employment medical aid	697 000	749 000
(Increase of 1%) / Decrease of 1 % in discount rates		
Effect on the post employment medical aid	(3 412 000)	(3 635 000)
Effect on the post employment medical aid	4 273 000	4 593 000
Effect on the long service awards	(880 000)	(956 000)
Effect on the long service awards	988 000	1 080 000
Increase of 2 years/(Decrease of 2 years) in average retirement age		
Effect on the long service awards	1 176 000	1 256 000
Effect on the long service awards	(1 279 000)	(1 334 000)
Decrease of 1 year in average retirement age		
Effect on the post employment medical aid	2 492 000	2 554 000
(Increase of x 2)/Decrease of x 0,5 in withdrawal rates		
Effect on the long service awards	(2 746 000)	(3 000 000)
Effect on aggregate of the service cost and interest cost	(706 000)	(777 000)
Effect on the long service awards	1 835 000	2 044 000
Effect on aggregate of the service cost and interest cost	487 000	544 000
(Decrease by 10%) of membership continuation		
Effect on the post employment medical aid	(2 884 000)	(2 829 000)

The assumptions are as per the most recent valuations as at 30 June 2023.

14. Employee benefit obligations (continued)

The history of the accrued liability is outlined below:

	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
Present value of post employment medical aid benefit	24 906 000	25 168 000	21 852 000	28 875 000	27 868 707
Present value of long service awards	14 277 000	14 768 000	13 593 000	9 751 000	8 763 169

Defined benefits obligations

The municipality's employees are members of one of the three(3) KwaZulu Natal Joint Municipal Pension Funds i.e (Superannuation, Provident and Retirement). An amount of R30 381 505 (June 2022 - R28 047 343) was contributed by Council towards employment retirement funding. These contributions have been expensed as at 30 June 2023.

Description of fund	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000
March 2022			
Government Employees Pension Fund	March 2022	2 304 711	2 304 711
KwaZulu Natal Joint Municipal Provident Fund	March 2022	9 271 834	9 271 834
KwaZulu Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2022	15 645 648	15 645 648
KwaZulu Natal Joint Municipal Pension Fund (Retirement)	March 2022	5 414 053	5 414 053
March 2021			
Government Employees Pension Fund	March 2021	2 103 729	2 103 729
KwaZulu Natal Joint Municipal Provident Fund	March 2021	7 547 393	7 547 393
KwaZulu Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2021	14 146 612	14 146 612
KwaZulu Natal Joint Municipal Pension Fund (Retirement)	March 2021	4 889 402	4 889 402

Municipal employees have joined the Old Mutual Group Life scheme from 1 November 2015 which includes family cover, life insurance and group income protection. The municipality and employee each contribute to the scheme based on a percentage of the employees pensionable earnings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

15. Trade and other payables from non-exchange transactions

Unspent conditional transfers and subsidies comprises of:

Department of Water and Sanitation	2 691 833	-
Department of Transport	-	2 584 000
Department of Co-operative Governance and Traditional Affairs	2 049 867	-
KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs	-	241 483
KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs	63 444	63 444
Public contributions	-	15 000
	4 805 144	**2 903 927**

Transfers and subsidies movement during the year

Balance at the beginning of the year	2 903 927	1 008 347
Amounts received during the year	1 137 666 000	870 262 000
Revenue recognised for the year	(1 135 764 783)	(868 366 420)
	4 805 144	**2 903 927**

The unspent conditional grants amounting to R4 805 144 are cash backed and included in cash and cash equivalents - refer to note 2.

The comparative figure for the KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs unspent transfers and subsidies was restated by an amount of R412 665 from R654 148 to R241 483 - refer to note 48.

The comparative figure for the KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs unspent transfers and subsidies was restated by an amount of R290 755 from R354 199 to R63 444 - refer to note 48.

16. Provisions

Reconciliation of provisions - 30 June 2023

	Opening Balance	Additions	Adjustments change in estimates of provision	Unwinding of discount & other charges	Total
Performance bonus	1 839 345	1 088 574	-	-	2 927 919
Rehabilitation of landfill site	103 971 011	-	(54 649 486)	13 195 209	62 516 734
	105 810 356	**1 088 574**	**(54 649 486)**	**13 195 209**	**65 444 653**

Reconciliation of provisions - 30 June 2022 restated

	Opening Balance	Additions	Adjustments change in estimates of provision	Unwinding of discount & other charges	Total
Performance bonus	2 497 233	886 697	(1 544 585)	-	1 839 345
Rehabilitation of landfill site	55 133 424	-	41 840 474	6 997 113	103 971 011
	57 630 657	**886 697**	**40 295 889**	**6 997 113**	**105 810 356**

Non-current liabilities	**62 516 734**	**103 971 011**
Current liabilities	**2 927 919**	**1 839 345**
	65 444 653	105 810 356

16. Provisions (continued)

Performance bonus

2022/2023

Performance bonuses are usually paid after the financial year end in arrears as the assessment of eligible employees usually only takes place after the year and upon approval of the Council following the tabling of the oversight report. The performance achievements relating to the provision for 2020/2021and 2021/2022 have yet to be evaluated, however provision was made as per the performance agreements. Furthermore, provision was made for the 2022/2023 financial year with exception for the Deputy Municipal Manager Technical Services and Deputy Municipal Manager Planning and Economic Development, as the incumbents were not in the position for a full financial year.

2021/2022

Performance bonuses are usually paid after the financial year end in arrears as the assessment of eligible employees usually only takes place after the year and upon approval of the Council following the tabling of the oversight report. The assessments for the 2017/2018, 2018/2019 and 2019/2020 financial years was finalised by the performance evaluation committee(PEC) on 29 July 2021 for all managers with exception of the evaluation for the Municipal Manager. Thus, the provision as at 30 June 2021 had been adjusted to best reflect the PEC outcome.

Subsequently, on 30 August 2022, Council resolved per KCDMC: 563/2022 to write off the bonus provision for the period 2017/2018, 2018/2019 and 2019/2020. The provision was reversed to reflect the Council resolution.

The performance achievements related to the provision for 2020/2021 had yet to be evaluated, however provision was made as per the performance agreements. Furthermore, provision was made for the 2021/2022 financial year with exception for the Deputy Municipal Manager Technical Services and Deputy Municipal Manager Corporate Services and Municipal Manager, as the positions were vacant for the period or the incumbent was not in the position for a full financial year.

Rehabilitation of refuse landfill site

The comparative figure for the rehabilitation of landfill site provision - adjustments change in estimates of provision, has been restated by an amount of R7 341 463 from R34 499 013 to R41 840 476, thus restating the provision from R96 629 550 to R103 971 011 - refer to note 48.

The provision for rehabilitation is calculated for the existing Empangeni Landfill Site, situated on Lot 11425 Richards Bay. The site is classified as a G:M:B+, which implies it is a site which may only be used for general waste between 150 to 500 tons per day. In terms of the permit as issued by the Department of Water Affairs and Forestry (DWAF) and the conditions of the permit requires the municipality to rehabilitate the site at the end of its useful life in order to obtain a closure permit.

2022/2023

In terms of licensing of the landfill refuse site, the provision for rehabilitation costs was R62.5m as at 30 June 2023 (R104m as at 30 June 2022) to restore the remaining portions of the old Empangeni refuse site at the end of their useful lives. Provision has been made at best estimate based on the current rehabilitation rate costs, determined by an independent professional engineer for the current solid waste (Cell 1 & Cell 2) at the old Empangeni Site.

The rehabilitation rate cost was escalated over the current developed waste footprint to determine the future liability and discounted using the cost of capital rate. Rehabilitation will take place as cells are fully utilised and per the site design of the cells which at the current used footprint and available airspace is expected to be approximately July 2028. The expected timing is subject to any significant changes to waste strategies of major customers. Based on the best estimate provided by the engineers, an applicable inflation rate of 4.8% (16.2% for 2021/2022) has been determined and a discount rate of 12.69% (12,69% for 2021/2022) has been utilised.

16. Provisions (continued)

The rehabilitation provision adjustment resulted in a downward adjustment of R15 581 175 and the remaining adjustment of R3 429 681 was adjusted to profit and loss as the adjustment to the asset is limited to the carrying value of the asset as at 30 June 2023.

Change in estimates

GRAP 19 requires that provisions be reviewed at each period end. The following changes transpired during the financial year, due to a decrease in the rehabilitation of the landfill site as a result of escalation rates applied in calculating the future obligation.

Decreased adjustment to provision by R54 649 486.

2021/2022

In terms of licensing of the landfill refuse site, the provision for rehabilitation costs was R104m as at 30 June 2022 (R55m as at 30 June 2021) to restore the remaining portions of the old Empangeni refuse site at the end of their useful lives. Provision has been made at best estimate based on the current rehabilitation rate costs, determined by an independent professional engineer for the current solid waste (Cell 1 & Cell 2) at the old Empangeni Site.

The rehabilitation rate cost was escalated over the current developed waste footprint to determine the future liability and discounted using the cost of capital rate. Rehabilitation will take place as cells are fully utilised and per the site design of the cells which at the current used footprint and available airspace is expected to be approximately July 2028. The expected timing is subject to any significant changes to waste strategies of major customers. Based on the best estimate provided by the engineers, an applicable inflation rate of 16.2% (8% for 2020/2021) has been determined and a discount rate of 12.69% (12,69% for 2020/2021) has been utilised.

Figures in Rands	2023	2022

17. Revenue from exchange transactions - Service charges

Sanitation revenue	9 158 730	8 575 291
Solid waste revenue	36 634 396	33 320 782
Water revenue	65 860 186	60 113 571
	111 653 312	**102 009 644**

The comparative figure for water revenue has been restated by an amount of R25 160 from R60 138 731 to R60 113 571 as a result of reclassifying penalty fees to non-exchange revenue - refer to note 25 and note 48. Air quality and food premises license revenue of R139 197 has been separately disclosed on the statement of financial performance - refer to note 19. In addition, cemetery revenue amounting to R469 303 has been reclassified to sale of goods and rendering of services - refer to note 18.

The municipality has registered indgents who qualify for free water as outlined in the municipal policy amounting to 6Kl per month of 562 (2023) and 746 (2022). The revenue forgone amounts to R261 730 (2023) and R662 494 (2022).

18. Revenue from exchange transactions - Sale of goods and rendering of services

Cemetery income	408 085	469 303
Sale of publication - tender documents	7 983	10 098
	416 068	**479 401**

The comparative figure has been reclassified from service charges and operational revenue - refer to note 48.

19. Revenue from exchange transactions - Licences and permits

Air quality licenses	45 000	110 000
Food premises	77 372	29 197
	122 372	**139 197**

Revenue from licenses and permits has been separately disclosed on the statement of financial performance - refer to note 17.

20. Revenue from exchange transactions - Rental income

Lease income - community assets	311 509	414 606
Rental income - parking	46 261	49 304
	357 770	**463 910**

21. Revenue from exchange transactions - Operational income

Administrative fees	146 363	106 718
Bursary refunds and other	455 101	1 315 569
Insurance claim proceeds	1 205 828	4 736 007
	1 807 292	**6 158 294**

The comparative figure for tender deposits and sale of maps amounting to R10 098 has been reclassified to sale of goods and rendering of services - refer to note 18 and 48.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

22. Interest on receivables from exchange transactions

Outstanding debtors	3 905 162	2 336 177
Interest on receivables from long term exchange transactions	28	2 683
	3 905 190	**2 338 860**

Interest on receivables from exchange transactions has been disclosed separately in the statement of financial performance, previously disclosed as interest received income.

23. Interest on receivables from investments and bank accounts

Bank accounts	21 174 474	6 808 420
External investments	4 627 659	12 503 623
	25 802 133	**19 312 043**

Interest on receivables from investments and bank accounts have been disclosed separately in the statement of financial performance, previously disclosed as interest received income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

24. Revenue from non-exchange transactions - Transfers and subsidies

Operating grants		
Levy Replacement Grant	342 609 000	319 462 000
Equitable Share	304 587 000	271 387 000
Department of Water and Sanitation	1 598 166	5 131 418
Department of Co-operative Governance and Traditional Affairs	54 573 838	43 457 756
Department of Public Works Grant	4 742 000	4 619 000
Department of Transport	2 705 000	-
National Treasury	1 200 000	1 200 000
KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs	241 483	-
KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs	-	703 420
Public Contributions	15 000	-
Department of Co-operative Governance and Traditional Affairs	2 450 133	-
	714 721 620	**645 960 594**

Capital grants		
Department of Water and Sanitation	279 273 001	84 868 582
Department of Co-operative Governance and Traditional Affairs	141 770 162	137 537 244
	421 043 163	**222 405 826**
	1 135 764 783	**868 366 420**

Summary of grants per funder

National Government - Levy Replacement Grant (Unconditional Grant)

Current-year receipts	342 609 000	319 462 000
Transferred to revenue	(342 609 000)	(319 462 000)
	-	-

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is a measure to ensure the financial stability of district municipalities while National government is currently defining the overall fiscus streams to local government.

National Government - Equitable Share Grant (Unconditional Grant)

Current-year receipts	304 587 000	271 387 000
Transferred to revenue	(304 587 000)	(271 387 000)
	-	-

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water per household to registered indigents.

Figures in Rands	2023	2022

24. Revenue from non-exchange transactions - Transfers and subsidies (continued)

Department of Water and Sanitation

Current year receipts: WSIG	70 000 000	70 000 000
Conditions met - transferred to revenue: WSIG	(67 308 167)	(70 000 000)
Current year receipts: RBIG	213 563 000	20 000 000
Conditions met - transferred to revenue : RBIG	(213 563 000)	(20 000 000)
	2 691 833	**-**

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

These grants are used for:

- restoration of water & wastewater infrastructural services damaged by floods - WSIG;
- water infrastructure and sanitation projects;
- the reduction of water and sanitation backlogs;
- the sustainability of water and sanitation infrastructure;
- the upgrading and development of regional bulk water infrastructure; and
- the implementation of water conservation and water demand management programmes.

Refer to note 45.

Department of Co-operative Governance and Traditional Affairs

Current year receipts: MIG	196 344 000	180 995 000
Conditions met - transferred to revenue: MIG	(196 344 000)	(180 995 000)
	-	-

This grant is used for:

- restoration of water and wastewater infrastructure services damaged by floods;
- the construction of water and sanitation infrastructure;
- the reduction of water and sanitation backlogs;
- the sustainability of water and sanitation infrastructure, and
- the upgrading and development of regional bulk infrastructure.

Refer to note 45.

Figures in Rands	2023	2022

24. Revenue from non-exchange transactions - Transfers and subsidies (continued)

Department of Public Works Grant

Current year receipts: EPWP	4 742 000	4 619 000
Conditions met - transferred to revenue: EPWP	(4 742 000)	(4 619 000)
	-	-

This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

The following areas have been identified:

- basic services infrastructure, including water and sanitation reticulation;
- parks and beautification;
- sustainable land based livelihoods, and
- social services programmes.

Department of Transport

Balance unspent at beginning of the year	2 584 000	-
Transferred to funder	(2 584 000)	-
Current year receipts : RRAMS	2 705 000	2 584 000
Conditions met - transferred to revenue: RRAMS	(2 705 000)	-
	-	**2 584 000**

An amount of R2 584 000 that was received in the 2021/2022 financial year was not approved for roll over and was offset against the EQS tranche received in December 2022.

The Department of Transport grant is used to co-ordinate Rural Roads Asset Management Systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

National Treasury

Current year receipts: FMG	1 200 000	1 200 000
Conditions met - transferred to revenue: FMG	(1 200 000)	(1 200 000)
	-	-

National Treasury financial management grants are used:

- to promote and support reforms to municipal financial management,and
- for the implementation of the Municipal Finance Management Act(Act no. 56 of 2003).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

24. Revenue from non-exchange transactions - Transfers and subsidies (continued)

KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs

Balance unspent at beginning of the year	241 483	654 148
Conditions met - transferred to revenue : Capacity building	(241 483)	(412 665)
	-	**241 483**

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

The comparative figure for conditions met has been restated by an amount of R412 665 resulting in the unspent balance being restated from R654 148 to R241 483 - refer to note 15 and note 48.

The grants received from the Department of Economic Development Tourism and Environmental Affairs is for development of the Tourism Sector Strategy to provide support to municipality and the facilitation of tourism development initiatives within the district that are aligned to Tourism Master Plan.

KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of the year : Spatial Development Framework	-	87 130
Conditions met - transferred to revenue : Spatial Development Framework	-	(87 130)
Balance unspent at beginning of the year : Planning Shared Services	63 405	63 405
Balance unspent at beginning of the year :Feasibility study to establish the district shared legal service	39	39
Balance unspent at beginning of the year : Expanded Richards Bay Industrial Development Zone	-	203 625
Conditions met - transferred to revenue : Expanded Richards Bay Industrial Development Zone	-	(203 625)
	63 444	**63 444**

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

The comparative figure for conditions met for spatial development framework and expanded Richards Bay industrial development zone has been restated by an amount of R290 755 resulting in the unspent balance being restated from R354 199 to R63 444 - refer to note 15.

These grants are used:

- to build planning capacity within the district in order to enable effective performance of planning legislative mandates in line with the powers and functions of municipalities;
- for disaster programmes, fire fighting equipment, water service delivery planning,shared services unit and infrastructure;
- to supply portable water to specific areas per agreements;
- to provide for identified feasibility studies and to enable the development of critical nodal plans for orderly planning of current and future expansions areas in the municipality; and
- to enable the legislative review of the spatial development framework to promote orderly development in compliance with all applicable legislation.

Figures in Rands	2023	2022

24. Revenue from non-exchange transactions - Transfers and subsidies (continued)

Public contributions

Balance unspent at beginning of the year	15 000	-
Current-year receipts	-	15 000
Conditions met - transferred to revenue	(15 000)	-
	-	**15 000**

Department of Co-operative Governance and Traditional Affairs

Current-year receipts: Municipal Disaster Relief	4 500 000	-
Conditions met - transferred to revenue - Municipal Disaster Relief	(2 450 133)	-
	2 049 867	**-**

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

A municipal disaster relief grant was received in the current year. This grant is used to reconstruct and rehabilitate damaged municipal infrastructure due to the 2022 storms. The grant has been identified for the refurbishment of the Regional Solid Waste Site Empangeni infrastructure damaged by the April 2022 floods.

25. Revenue from non-exchange transactions - Fines, penalties and forfeits

Air quality fines	400 000	-
Penalty fees non-compliance	30 664	25 160
	430 664	**25 160**

The comparative figure for penalty fees non-compliance has been restated by an amount of R25 160 refer to note 17 and 48.

Figures in Rands	2023	2022

26. Employee related costs

Employee related costs - salaries and wages	185 473 159	153 371 307
Employee related costs - contributions for UIF, pensions and medical aid	43 976 733	40 167 588
Travel allowances	16 773 011	15 638 572
Bonuses	13 270 101	10 556 857
Housing and cellphone allowances	8 071 162	6 536 967
Defined employee benefit obligations: post employment medical aid benefits and long service awards	7 083 883	4 894 265
Overtime payments	13 695 629	11 875 591
Acting allowances	1 740 667	867 390
Leave pay provision charge	5 205 874	4 879 870
Scarcity allowance	6 428 501	5 227 978
	301 718 720	**254 016 385**

The comparative figures for employee related costs has been restated by an amount of R7 130 478 (salaries and wages - R7 220 496, bonuses - R313 247 and defined employee benefit obligations - R403 265) from R261 146 863 to R254 016 385 - refer to note 48. Furthermore, employee related costs have been disclosed more relevantly by nature to enhance presentation.

2022/2023

As at 30 June 2023, a 1.5% percent cost of living adjustment(effective 1 July 2021) and a once off gratuity of R1695 per month (1 July 2021 to 30 June 2022)was gazetted in the period per gazette No. 48789 dated 14 June 2023.

2021/2022

As at 30 June 2022, a zero percent cost of living adjustment was gazetted in the financial year per gazette No. 46062 dated 18 March 2022, for these categories of staff.

Included in the employee related costs are the salaries, allowances and benefits for the Municipal Manager and Deputy Municipal Managers, and are outlined below:

Remuneration of Municipal Manager - PP Sibiya

Annual remuneration	1 290 490	686 926
Backpay	74 549	-
Cellphone and data allowance	39 656	18 452
Contributions to UIF	2 125	1 125
Travel allowance	501 850	185 958
	1 908 670	**892 461**

2022/2023

The incumbent was employed on a contract effective 01 August 2022.

2021/2022

Council appointed an acting municipal manager to the position on 5 January 2022 per KCDMC:31/2022 and the incumbent commenced duties from 6 January 2022.

The acting municipal manager was permanently appointed to the position effective 01 August 2022.

Figures in Rands	2023	2022

26. Employee related costs (continued)

Remuneration of Previous Municipal Manager - MTB Ndlovu

Annual remuneration	-	1 152 134
Contributions to UIF	-	1 499
Leave pay	-	217 450
Separation settlement	-	484 300
Travel allowance	-	19 213
	-	**1 874 596**

2021/2022

Council resolved on 26 February 2022 per KCDMC:154/2022 to mutually agree to separate relations with the incumbent effective 28 February 2022. The parties reached a settlement agreement which included three(3) months all inclusive salary payout of R484 300.

Remuneration of Deputy Municipal Manager - Planning & Economic Development - Z Mbonane

Annual remuneration	918 963	1 094 547
Acting allowance	19 418	-
Backpay	31 012	-
Cellphone and data allowance	29 470	33 712
Contributions to UIF	1 771	2 249
Gratuity	20 340	-
Travel allowance	306 321	364 849
	1 327 295	**1 495 357**

2022/2023

The incumbent's contract came to an end on 30 April 2023. An acting allowance was paid to an incumbent for operational reasons.

Remuneration of Deputy Municipal Manager - Technical Services - S Mbambo

Annual remuneration	847 120	175 847
Acting allowance	26 644	54 279
Backpay	9 234	-
Cellphone and data allowance	29 470	4 250
Contributions to UIF	1 771	375
Gratuity	3 390	-
	917 629	**234 751**

2022/2023

The incumbent resigned effective 30 April 2023. An acting allowance was paid to an incumbent for operational reasons.

26. Employee related costs (continued)

2021/2022

The position was vacant from 1 July 2021 to 31 April 2022. An incumbent was appointed to act in the position from 1 November 2021 to 31 March 2022 and was paid an acting allowance. Council appointed an incumbent to the position effective 01 May 2022.

Remuneration of Deputy Municipal Manager - Corporate Services - S Sibisi

	2023	2022
Annual remuneration	606 323	-
Acting allowance	-	64 068
Backpay	47 193	-
Cellphone and data allowance	29 470	-
Contributions to UIF, medical and provident	143 667	-
Travel allowance	140 732	-
	967 385	**64 068**

2022/2023

The position was advertised and Council appointed an incumbent to the position effective 01 September 2022.

2021/2022

During the financial year the position was vacant from 1 July 2021 to 30 June 2022. An incumbent was appointed to act in the position from 1 November 2021and has was paid an acting allowance amounting to R64 068.

Remuneration of Deputy Municipal Manager - Community Services - TF Mnguni

	2023	2022
Annual remuneration	945 695	937 492
Backpay	128 873	-
Cellphone and data allowance	35 364	33 712
Contributions to UIF, medical, provident and retirement	179 328	175 616
Gratuity	20 340	-
Travel allowance	280 543	277 840
	1 590 143	**1 424 660**

Remuneration of Chief Operating Officer - CK M'Maretel

	2023	2022
Annual Remuneration	1 328 135	1 316 615
Backpay	107 714	-
Cellphone and data allowance	35 364	33 712
Contributions to UIF, provident and retirement	243 918	239 240
Gratuity	20 340	-
Travel allowance	197 267	189 180
	1 932 738	**1 778 747**

Figures in Rands	2023	2022

26. Employee related costs (continued)

Remuneration of Deputy Municipal Manager - Financial Services - MC Reddy

Annual remuneration	1 230 631	1 219 956
Backpay	110 442	-
Cellphone and data allowance	35 364	33 712
Contributions to UIF	2 125	2 249
Gratuity	20 340	-
Travel allowance	535 571	522 828
	1 934 473	**1 778 745**

27. Remuneration of councillors

Mayor	828 130	818 848
Deputy Mayor	939 904	846 246
Speaker	531 065	549 597
Chief Whip	617 065	493 689
MPAC Chair	653 252	438 887
Executive Committee	4 793 494	3 665 817
Councillors	6 396 509	4 490 848
Councillors' pension contribution	514 322	710 411
	15 273 741	**12 014 343**

In-kind benefits

A new Council was elected on 9 November 2021.

The Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chair and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council, which is included with expenditure items in the statement of financial performance. The remuneration of councillors includes remuneration, cellular allowance, backpay, sitting allowance, pension and travel. The pension for all councillors is disclosed under the line item councillors pension contribution.

The Mayor, Deputy Mayor and Speaker have the use of a Council owned vehicle together with a driver for official duties, and security. Furthermore, personal security is provided for some EXCO and Council members based on security assessments, as outlined in the Government Gazette on the Determination of upper limits of salaries, allowances and benefits of municipal councils.

Councillors receive the benefit of special risk insurance cover (SASRIA) as provided for in terms of the upper limits of salaries,allowances and benefits of the different members of municipal councils,as determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act,1998. South African Special Risk Insurance Association (SASRIA) covers the loss of damage to a councillor's personal immovable and movable property and assets, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder.

The full breakdown of the councillor remuneration by nature is disclosed under the note on related parties - refer to note 41.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

28. Depreciation and amortisation

Depreciation - property, plant and equipment	107 865 195	106 716 137
Amortisation - intangible assets	1 337 499	1 865 463
	109 202 694	**108 581 600**

The comparative figure has been restated by an amount of R216 563 from R106 499 574 to R106 716 137 - refer to note 48.

Furthermore, impairment on property, plant and equipment amounting to R704 296 has been disclosed separately in the statement of financial performance - refer to note 48.

29. Finance charges

Interest paid - borrowings	1 686 702	2 764 981
Provision for landfill site rehabilitation	13 195 208	6 997 113
	14 881 910	**9 762 094**

Finance costs relate to the two annuity loans held with ABSA and INCA during the year with balances as at 30 June 2023 of R6 285 649(2021/2022 - R11 849 312) and R0 (2021/2022 - R4 000 117). Refer to note 11.

30. Inventory consumed

Consumables	64 439 349	33 682 919
Materials and supplies	9 144 121	3 552 754
Water	80 480 466	81 945 659
	154 063 936	**119 181 332**

<u>2022/2023</u>

The comparative figure for consumables and water has been restated by an amount of R155 990 and R39 774 128 from R33 838 909 to R33 682 919 and R121 719 787 to R81 945 659 respectively, resulting in inventory consumed being restated from R159 111 450 to R119 181 332 - refer to note 48.

The prior year disputes as disclosed below are still ongoing - refer to note 40.

<u>2021/2022</u>

In the financial year the municipality aligned the nature of the expense to the mSCOA chart version 6.5. The alignment resulted in bulk purchases expenditure being included and classified as inventory consumed. Thus the inventory consumed note now includes expenditure previously reported under bulk purchases of R129 360 773 and operational costs of R23 542 938, with sub categories of consumables, materials & supplies and water of. Refer to notes 33 and 48.

In the previous financial years the municipality had lodged a dispute with the bulk water service provider regarding the tariff being applied to the municipality's account.

A further contingent liability has been raised in respect of the charges levied by the bulk water service provider in the current financial year as the dispute is still ongoing. - refer to note 40.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

31. Contracted services

Outsourced Services		
Burial services	56 850	155 773
Business and advisory	813 586	1 728 515
Catering services	4 150 206	1 923 788
Cleaning services	324 576	67 430
Hygiene services	30 364 954	28 931 104
Internal auditors	2 127 226	440 588
Meter management	707 842	1 023 043
Medical services (medical health services & support)	99 130	141 315
Mini dumping sites	11 522 248	14 936 338
Professional staff	202 239	545 263
Security services	9 620 798	1 267 472
Transport services	1 974 509	962 868
Consultants and Professional Services		
Business and advisory	2 242 825	1 496 297
Infrastructure and planning	2 724 000	554 108
Laboratory services	5 900 800	2 923 117
Legal cost	4 430 615	11 076 753
Contractors		
Artists and performers	1 206 311	563 170
Auctioneers	128 399	-
Event promoters	7 470 074	3 080 979
Exhibit installations	173 504	-
Inspection fees	58 435	235 478
Maintenance and operations	95 029 180	125 009 514
Medical Services	46 148	4 021
Pest control and fumigation	5 950	8 845
Safeguard and security	7 360 568	9 294 882
Sports and recreation	93 200	-
Stage and sound crew	753 706	810 165
Transportation	58 184 969	89 137 039
	247 772 848	**296 317 865**

32. Transfer and subsidies

Transfers to organisations	2 400 000	-

During the year under review, the Municipality supported social cohesion initiatives in the form of monetary transfers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

33. Operational Costs

Achievements and awards	47 905	-
Advertisements and publicity	10 419 256	7 258 674
Archives	343 343	308 605
Bank charges	131 040	411 206
Bursaries	132 830	139 973
Courier and delivery services	2 732	14 448
Deeds	12 723	13 536
Delegations	332 040	68 477
Entrance fees	60 870	12 000
External audit fees	4 252 667	4 472 084
Insurance	9 457 811	11 788 046
Licenses	6 989 108	7 290 930
Municipal services	38 741 484	37 642 421
Operating leases	17 510 703	11 681 314
Personal protective equipment	2 562 512	1 287 084
Postage	472 895	562 318
Professional and regulatory bodies fees	2 570 509	2 650 096
Skills development levy	2 435 608	2 148 357
Small tools	56 625	107 826
Subsistence and travel	7 665 730	3 975 551
Telephone	2 213 894	2 109 607
Vehicle tracking services	107 443	60 228
	106 519 728	**94 002 781**

<u>2022/2023</u>

The comparative figure for subsistence and travelling has been restated by an amount of R155 990 from R3 819 562 to R3 975 551 resulting in operational costs being restated from R 93 846 802 to R 94 002 781 - refer to note 48.

Figures in Rands	2023	2022

34. Water distribution losses

Apparent losses: unauthorised consumption	7 176 626	3 465 492
Apparent losses: customer meter inaccuracies	1 596 085	1 734 198
Real losses: leakage on transmission and distribution mains	28 774 477	34 699 786
Real losses: leakage and overflows at storage tanks/reservoirs	175 456	211 566
Real losses: leakage on service connections	6 140 895	7 404 821
Subtotal	43 863 539	47 515 863
Pipeline capacity and reservoir level storage	34 660	(31 573)
	43 898 199	**47 484 290**

2022/2023

The Department of Water and Sanitation considers any losses below that of 25% as an acceptable norm while National Treasury circular 71 of the Municipal Finance management act 53 of 2006 prescribes a norm of 15% to 30%. The calculated non-revenue water of 51.6% (9 721 527 kl) includes water losses of 35.3% (6 652 942 kl) is therefore not within the acceptable norm. The project to reduce waste losses will be ongoing, aimed at isolating the root causes (like metering, illegal connections, leak detection and pressure reduction) in order to assist the municipality to calculate water losses and to implement water reducing loss strategies.

2021/2022

The Department of Water and Sanitation considers any losses below that of 25 % as an acceptable norm while National Treasury circular 71 of the Municipal Finance management act 53 of 2006 prescribes a norm of 15% to 30 %. The calculated non-revenue water of 49.6% (8 978 222 kl) includes water losses of 36.7% (6 641 071 kl) is therefore not within the acceptable norm. The project will be ongoing, aimed at isolating the root causes (like metering, illegal connections, leak detection and pressure reduction) in order to assist the municipality to calculate water losses and to implement water reducing loss strategies. 2022/2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

35. Commitments

Authorised capital expenditure

	2023	2022
Approved and contracted for:		
• Infrastructure	543 366 040	337 009 018
• Intangible assets	3 006 976	3 006 976
	546 373 016	**340 015 994**
This expenditure will be financed from:		
Transfers and subsidies	543 305 780	336 948 757
Internal funding	3 067 236	3 067 237
	546 373 016	**340 015 994**

Total commitments

	2023	2022
Authorised capital expenditure	546 373 016	340 015 994

The outstanding commitments exclusive of VAT, relate to capital projects and other assets that have been committed by the supply chain management processes prior to 30 June 2023.

The comparative figure for commitments was restated by an amount of R3 006 976 from R337 009 018 to R340 015 994. The restatement was due to a contract value not incorporated in the commitments register - refer to note 48.

Operating leases - as lessee (expense)

	2023	2022
Minimum lease payments due		
- not later than one year	17 243 745	24 452 926
- later than one year and not later than five years	318 165	16 944 414
	17 561 910	**41 397 340**

2022/2023

Operating lease payments represent payments for the leasing of vehicles and commercial property by the municipality. Lease contracts for vehicles are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. The commercial property leases are for business operations.

2021/2022

Operating lease payments represent payments for the leasing of vehicles and commercial property by the municipality. Lease contracts for vehicles are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. The current lease agreements were extended in the reporting period via section 116 of the Municipal Finance Management Act on a month to month basis until such time that the newly appointed service provider is able to deliver the full fleet consignment. The commercial property leases are for business operations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

36. Cash generated from operations

Surplus	284 091 595	48 721 805
Adjustments for:		
Depreciation and amortisation	109 202 694	108 581 600
Loss on disposal of property, plant and equipment	268 167	742 431
Gain on adjustment to rehabilitation provision	(3 429 681)	-
Impairment on property, plant and equipment	3 634 198	704 296
Finance costs	14 881 910	9 762 094
Debt impairment	6 142 540	3 285 682
Bad debts written off	3 163 449	4 922 012
Movements in employee benefit obligations	(753 000)	4 491 000
Movements in provisions	(53 560 911)	41 182 586
Adjustment for provision - landfill	54 649 486	(41 840 474)
Donations	(1 649 202)	(40 722)
Changes in working capital:		
Inventories	11 706	439 824
Receivables from exchange transactions - other	(1 019 492)	(271 210)
Receivables from exchange transactions - consumer debtors	(35 731 054)	(13 294 228)
Payables from exchange transactions	(171 268 787)	61 972 933
Exchange transactions - VAT	(14 403 998)	1 500 555
Trade and other payables from non-exchange transactions	1 901 217	1 895 580
Consumer deposits	868 187	6 970
	196 999 024	**232 762 734**

37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto. The deviations greater than R 200 000 are listed individually below for the year ended 30 June 2023 in categories as follows:

- 36(1)(a)(i) - in an emergency
- 36(1)(a)(ii) - if such goods and services are produced or available from a single service provider
- 36(1)(a)(iii) - for the acquisition of special works of art or historical objects where specifications are difficult to compile
- 36(1)(a)(v) - dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement process
- 36(1)(b) - dispense with the official procurement processes to ratify minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature

Project description	Nature	2023	2022
Security services (guarding) for KCDM	36(1)(a)(i)	613 295	-
Management development program	36(1)(a)(ii)	250 000	-
Transportation - IDP roadshows	36(1)(a)(ii)	291 000	-
Manufacture and installation of statue at KCDM building	36(1)(a)(iii)	870 000	-
Internal audit fees	36(1)(a)(v)	1 223 600	-
Sports attire - golden games	36(1)(a)(v)	226 355	-
Financial system fault investigation	36(1)(a)(v)	207 000	-
Transportation event	36(1)(a)(v)	375 800	-
Sports attire - SALGA games	36(1)(a)(v)	599 500	-
Events management - KCDM lecture and impi yesesandlwana	36(1)(a)(v)	760 955	-
Booking of outside broadcast with Ukhozi FM for the renaming of building event	36(1)(a)(v)	391 000	-
Security services	36(1)(a)(v)	593 510	-
KCDM/RBIG/06/2022 - Kwahlokohloko SSA1 - Bulk Water Supply	36(1)(a)(v)	53 450 458	-
KCDM/MIG/01/2023 - Construction of Middledrift Water Reticulation Sub Supply	36(1)(a)(v)	24 996 554	-
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	575 562	-
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	395 767	-
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	250 833	-
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	636 038	-
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	242 070	-
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	617 760	-
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	314 548	-
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	287 830	-
Rudimentary water supply projects	36(1)(a)(v)	-	667 054
Rudimentary water supply projects	36(1)(a)(v)	-	802 404

37. Deviation from supply chain management regulations (continued)

Panel of contractors for maintenance and support for water & sanitation works	36(1)(a)(v)	-	1 437 474
Panel of contractors for maintenance and support for water & sanitation works	36(1)(a)(v)	-	672 060
Panel of contractors for maintenance and support for water & sanitation works	36(1)(a)(v)	-	1 897 224
Panel of contractors for maintenance and support for water & sanitation works	36(1)(a)(v)	-	1 810 585
Panel of contractors for maintenance and support for water & sanitation works	36(1)(a)(v)	-	228 426
Panel of contractors for maintenance and support for water & sanitation works	36(1)(a)(v)	-	1 426 933
Panel of contractors for maintenance and support for water & sanitation works	36(1)(a)(v)	-	1 293 981
Events management	36(1)(a)(v)	-	3 081 057
Events management	36(1)(a)(v)	-	2 500 000
Panel of contractors for maintenance and support for water & sanitation works	36(1)(a)(v)	-	608 003
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	658 441
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	1 380 772
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	261 879
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	501 915
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	410 770
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	200 462
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	1 816 404
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	6 205 668
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	1 859 135
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	1 196 764
Panel of contractors for maintenance and support for water & sanitation works	36(1)(b)	-	1 016 819
Total deviations greater than R200,000		**88 169 435**	**31 934 230**
Total deviations less than R200,000 aggregated	Various	9 362 071	6 148 051
Total deviations for the year		**97 531 506**	**38 082 281**

38. Awards to close family members of persons in the service of the state

The Municipal Finance Management Act, 2003 (Act no. 56 of 2003); Municipal Supply Chain Management Regulation 45 states that the particulars of any award more that R 2000 made to a person who is a spouse, child or parent of a person in the service of the state , or has been in the service of the state in the previous twelve (12) months must be disclosed as a note in the financial statements. The details are listed below for the year ended 30 June 2023:

Name of person	T Jordan
Relation	Spouse
Capacity	Director Development Facilitation Western Cape Government
Service provider	Audio Computer World
Number of transactions	12 (2022: 29)
Total amount	R126 773 (2022: R260 760)
Declaration by supplier	MBD4, Annexure D

Name of person	N Reddy
Relation	Spouse
Capacity	Prosecutor - NPA Verulam Court
Service provider	Fana Manufacturing cc
Number of transactions	34 (2022: 69)
Total amount	R1 320 031 (2022: R1 281 996)
Declaration by supplier	MBD4, Annexure D

Name of person	Z Buthelezi
Relation	Mother
Capacity	Librarian - uMhlathuze Local Municipality
Service provider	Zidane Management Trading
Number of transactions	11 (2022: 11)
Total amount	R568 229 (2022: R233 080)
Declaration by supplier	MBD4, Annexure D

Name of person	Mrs Msomi and Miss Msomi
Relation	Spouse and daughter
Capacity	Department of Education and Ethekwini Municipality
Service provider	Ngubane and Co.
Number of transactions	1 (2022: 3)
Total amount	R1 223 600 (2022: R1 512 966)
Declaration by supplier	MBD4, Annexure D

Figures in Rands	2023	2022

39. Additional disclosure in terms of Municipal Finance Management Act No 56 of 2003

Contributions to organised local government

Current year membership fee	2 546 291	2 437 738
Amount paid - current year	(2 546 291)	(2 437 738)
	-	-

Audit fees

Current year fee	4 252 667	4 360 366
Amount paid - current year	(4 252 667)	(4 360 366)
	-	-

PAYE and UIF

Current year fee	51 119 352	45 905 729
Amount paid - current year	(51 119 352)	(45 905 729)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	37 842 608	35 269 438
Amount paid - current year	(37 842 608)	(35 269 438)
	-	-

VAT

VAT accrual	90 594 341	88 768 710
VAT receivable	30 097 441	17 519 074
	120 691 782	**106 287 784**

2022/2023

All the VAT 201 returns have been submitted by the due date throughout the 12 months. The VAT 201 returns for the months of May and June 2023 had not been settled as at 30 June 2023.

2021/2022

All the VAT 201 returns have been submitted by the due date throughout the 12 months. The VAT 201 returns for the months of May and June 2022 had not yet been settled as at year end.

Councillors arrear consumer accounts

At the reporting date no Councillors had arrear accounts outstanding for more than 90 days.

Figures in Rands	2023	2022

40. Contingent liabilities

A -Legal matters potential claims		
1. Service provider 4	27 804 000	27 804 000
2. Public member 2	102 858	102 858
3. Service provider 5	193 844	193 844
4. Service provider 6	680 058	680 058
5. Ex-employee 3	880 196	812 489
6. Public member 3	155 776	155 776
7. Ex-employee 5	2 177 970	-
	31 994 702	**29 749 025**

1. Service provider 4

This is a Section 197 labour related claim by a service provider. The matter is currently before the Labour Appeal Court and the amount disclosed above is p.a.

2. Public member 2

This is a claim made against the municipality as a result of a contested cession agreement. The municipality is defending this claim.

3. Service provider 5

This claim relates to a service provider demanding payment for work allegedly done, which the municipality is defending. The amount is exclusive of interest that may become due in the event the matter is not defended.

4. Service provider 6

This claim relates to a service provider demanding payment for work allegedly done, which the municipality is defending. The amount above excludes interest which will be applied in the event the matter is not defended successfully,

5. Ex-employee 3

The employee has lodged a labour dispute against the municipality.

6. Public member 3

This claim relates to a public member claiming damages to property.

7. Ex-employee 5

The employee has lodged a claim against the municipality relating to the employee's dismissal and in this year an amount has been quantified and reflected above excluding interest which may become due in the event the matter is not defended..

8. Ex-employee 6

The employee has lodged a claim against the municipality relating to the employee's dismissal and no amount has yet been quantified therefore.

The contingent liabilities above relates to plaintiff's claims and does not include legal fees thereto.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

40. Contingent liabilities (continued)

B - Dispute with the Department of Water and Sanitation (DWS)

Total raised by DWS since dispute	81 358 593	74 982 163
Less: pre 2012 invoices to be credited by DWS as per motivational correspondence from Provincial Treasury	(7 554 689)	(7 554 689)
Less: interest to be reversed on disputed invoices	(16 142 054)	(16 033 189)
Less: charges raised without supporting documentation	(15 632 517)	(6 650 759)
Accrued expenses	(8 223 920)	(12 750 937)
	33 805 413	**31 992 589**

A dispute has arisen between the municipality and the DWS with regard to charges which have been levied by the department against the municipality pertaining to raw water abstraction.

The dispute has arisen due to the department charging the municipality for water abstracted from the abstraction points under the control of the municipality, when no water was available due to the ongoing drought in the region. The municipality believes that it should not be charged for water that could not be delivered due to the drought. Emanating from numerous meetings with DWS, the department has requested the municipality to make a formal application to the department, requesting the reversal of all interest charges, the crediting of erroneous invoices and the substitution of corrected invoices based on actual water abstracted from the various abstraction points. The readings have been forwarded to the department for the process to be concluded.

In light of the above, an accrual has been made on the basis of the application being accepted by the department.

C - Dispute with the Bulk water service provider

Total raised by service provider	499 860 758	272 340 028
Revised rate applied by KCDM to invoices	(257 505 925)	(145 170 648)
	242 354 833	**127 169 380**

A dispute has arisen with the service provider regarding the tariff being applied to the municipality account. In this regard the municipality has paid and accrued at a rate being charged by the service provider to all other customers and raised an amount of R242 354 833 for the difference between the charged rate and the rate charged by the service provider to other customers.

The municipality has raised the dispute with the service provider accordingly.

Figures in Rands	2023	2022

40. Contingent liabilities (continued)

D - Dispute with bulk water service provider

Total raised by service provider	-	208 775 341
Total owing as per KCDM	-	(1 018 248)
	-	**207 757 093**

In the prior years under review, the municipality had lodged a dispute with the bulk water service provider regarding the tariff being applied to the municipality account. After numerous extensive engagements with the supplier, consensus was reached whereby the supplier resolved to reduce the tariff applied for the period 01 July 2017 to 30 June 2023. Due to the dispute being resolved whereby the future economic outflows as a result of past events could be reliably measured, the monetary impact has been effected in the current year with the contingency being removed.

41. Related parties

Municipal entities and other relationships

Members of key management	Refer to note 26
Members of council	Refer to note 27

Management class: Councillors

30 June 2023

	Remuneration	Cellular	Sitting	Backpay	Pension	Travel	Total
Mayor - AT Ntuli	828 130	-	-	-	-	-	828 130
Deputy Mayor - SZ Dlamini	895 504	44 400	-	-	-	-	939 904
Speaker - IJ Naidoo	527 209	-	-	3 856	27 566	-	558 631
Chief Whip - AM Mtshali	548 283	-	-	-	-	68 782	617 065
MPAC Chair - M Mtshali	460 670	-	-	-	-	192 582	653 252
EXCO							
Cllr SW Mgenge	841 700	44 400	-	-	-	5 856	891 956
Cllr PPC Cele	841 700	44 400	-	-	-	90 653	976 753
Cllr SL Magubane	841 700	44 400	-	-	-	43 938	930 038
Cllr PP Xulu	742 819	44 400	-	-	98 883	115 182	1 001 284
Cllr NM Madida	414 842	-	-	(9 931)	-	104 380	509 291
Cllr IN Zwane	487 457	-	-	-	-	95 598	583 055
COUNCIL							
Cllr NR Xulu	272 072	35 397	-	-	-	-	307 469
Cllr MT Mthiyane	354 243	44 400	-	-	-	-	398 643
Cllr NN Lembede	316 343	44 400	-	-	37 899	6 583	405 225
Cllr ZL Mfusi	309 729	44 400	-	-	44 514	-	398 643
Cllr PH Khuzwayo	59 352	8 880	-	-	8 904	15 086	92 222
Cllr ME Mthethwa	309 729	44 400	-	-	44 514	-	398 643
Cllr ES Mbatha	314 763	44 400	-	-	39 481	110 522	509 166
Cllr F Mndaba	309 729	44 400	-	-	44 514	97 484	496 127
Cllr SE Mhlongo	354 243	44 400	-	-	-	126 091	524 734
Cllr CM Mpanza	309 729	44 400	-	-	44 514	76 366	475 009
Cllr SF Mdletshe	309 729	44 400	-	-	44 514	84 605	483 248
Cllr FPB Mpungose	309 729	44 400	-	-	44 514	45 067	443 710
Cllr SP Mpanza	14 339	-	20 454	-	-	8 962	43 755
Cllr XM Bhengu	-	-	28 408	-	-	-	28 408
Cllr MM Mthiyane	-	-	27 272	-	-	-	27 272
Cllr SN Ntshangase	-	-	35 225	-	-	21 636	56 861
Cllr MM Msimango	-	-	30 681	-	-	-	30 681
Cllr JL Nzuza	-	-	28 408	-	-	43 596	72 004
Cllr SH Mkhwanazi	-	-	29 544	-	-	144 685	174 229
Cllr A Lange	-	-	24 999	-	-	-	24 999
Cllr WL Ngema	-	-	24 999	-	-	-	24 999
Cllr ME DLamini	62 987	-	-	-	-	-	62 987
Cllr SD Khubisa	-	-	31 817	-	-	18 258	50 075
Cllr QT Xulu	-	-	37 499	-	-	-	37 499
Cllr MM Ngema	-	-	28 408	-	-	-	28 408
Cllr BC Magwaza	62 987	-	-	-	-	36 188	99 175
Cllr PSN Mchunu	-	-	20 453	-	-	-	20 453
Cllr MN Biyela	-	-	35 226	-	-	-	35 226
Cllr BB Ndima	62 987	-	-	-	-	-	62 987
Cllr NP Mahaye	62 987	-	-	-	-	175 478	238 465

41. Related parties (continued)

Cllr LTZ Biyela (Nkosi)	-	-	1 750	-	-	-	1 750
Cllr TN Mzimela (Nkosi)	-	-	1 750	-	-	-	1 750
Cllr SS Nkabinde	41 408	3 939	-	1 835	-	-	47 182
Cllr FN Mabuyakhulu	41 408	3 939	-	1 835	-	1 227	48 409
Cllr DJ Ndimande	244 202	36 260	-	(4)	34 506	9 809	324 773
Cllr SB Mthiyane	240 485	30 406	-	6 422	-	31 882	309 195
	11 793 195	**784 821**	**406 893**	**4 013**	**514 323**	**1 770 496**	**15 273 741**

<u>2022/2023</u>

The municipal Council had movement within the Council strcutures as follows:

Cllr IJ Naidoo changed from a MPAC member to an ordinary councillor at uMlhathuze Municipality on 24/8/2022.

Cllr PH Khuzwayo was elected to uMlhathuze municipality effective 13/09/2022 and was subsequently replaced by SB Mthiyane 28/10/2022.

Cllr NN Ngubane resigned on 30/1/2023.

Cllr M Madida changed from a MPAC member to an ordinary councillor at uMlhathuze Municipality on 3/03/2023.

Cllr NR Xulu resigned on 17/04/2023 and was subsequently replaced by SS Nkabinde on 30/05/2023

Cllr DJ Ndimande resigned on 24/04/2023 and was subsequently replaced by FN Mabuyakulu on 30/05/2023.

41. Related parties (continued)

30 June 2022

	Remuneration	Cellular	Sitting	Backpay	Pension	Travel	Total
Elected Council 9 November 2021							
Mayor - AT Ntuli	443 412	-	-	24 383	8 671	-	476 466
Deputy Mayor - SZ Dlamini	479 494	28 613	-	42 484	9 377	-	559 968
Speaker - IJ Naidoo	246 002	-	-	7 031	11 120	-	264 153
Chief Whip - AM Mtshali	182 922	-	-	17 018	-	16 418	216 358
MPAC Chair - M Mtshali	139 343	-	3 310	10 172	-	26 548	179 373
EXCO	-	-	-	-	-	-	-
Cllr SW Mgenge	338 238	28 613	-	41 691	3 709	-	412 251
Cllr PPC Cele	344 094	28 613	-	41 866	3 034	13 500	431 107
Cllr SL Magubane	342 502	28 613	-	41 819	1 984	9 377	424 295
Cllr PP Xulu	300 469	28 613	-	40 557	42 612	24 560	436 811
Cllr NM Madida	85 481	-	3 310	11 933	-	13 717	114 441
Cllr IN Zwane	148 560	-	2 206	11 411	-	3 246	165 423
COUNCIL	-	-	-	-	-	-	-
Cllr BL Phungula	72 029	13 813	-	23 017	11 129	-	119 988
Cllr NR Xulu	189 677	28 613	-	26 546	3 710	-	248 546
Cllr MT Mthiyane	182 475	28 613	-	26 330	11 129	-	248 547
Cllr NN Lembede	171 804	28 613	-	26 010	22 119	-	248 546
Cllr ZL Mfusi	168 069	28 613	-	25 898	25 966	-	248 546
Cllr PH Khuzwayo	168 068	28 613	-	25 898	25 967	19 286	267 832
Cllr ME Mthethwa	168 068	28 613	-	25 898	25 967	5 738	254 284
Cllr ES Mbatha	173 538	28 613	-	26 062	23 446	19 537	271 196
Cllr F Mndaba	168 068	28 613	-	25 898	25 967	19 237	267 783
Cllr SE Mhlongo	189 677	28 613	-	26 546	3 710	22 245	270 791
Cllr CM Mpanza	168 069	28 613	-	25 898	25 967	25 099	273 646
Cllr SF Mdletshe	168 069	28 613	-	25 898	25 967	35 843	284 390
Cllr FPB Mpungose	168 069	28 613	-	25 898	25 967	6 703	255 250
Cllr SP Mpanza	-	-	22 065	662	-	-	22 727
Cllr XM Bhengu	-	-	17 652	529	-	-	18 181
Cllr MM Mthiyane	-	-	13 239	397	-	-	13 636
Cllr SN Ntshangase	-	-	25 374	761	-	-	26 135
Cllr MM Msimango	-	-	19 858	596	-	-	20 454
Cllr NN Ngubane	-	-	6 619	199	-	-	6 818
Cllr JL Nzuza	-	-	20 961	629	-	-	21 590
Cllr SH Mkhwanazi	-	-	18 755	563	-	18 592	37 910
Cllr A Lange	-	-	14 342	430	-	-	14 772
Cllr WL Ngema	-	-	13 239	397	-	-	13 636
Cllr ME DLamini	-	-	9 929	1 055	-	-	10 984
Cllr SD Khubisa	-	-	17 652	529	-	1 234	19 415
Cllr QT Xulu	-	-	22 065	662	-	-	22 727
Cllr MM Ngema	-	-	17 652	529	-	-	18 181
Cllr BC Magwaza	34 361	-	-	1 874	-	-	36 235
Cllr PSN Mchunu	-	-	14 342	430	-	-	14 772
Cllr MN Biyela	-	-	15 445	463	-	-	15 908
Cllr BB Ndima	34 361	-	-	1 874	-	-	36 235
Cllr NP Mahaye	34 361	-	-	1 874	-	18 558	54 793
Cllr DJ Ndimande	24 010	3 967	-	5 311	3 709	-	36 997
Cllr LTZ BIyela (Nkosi)	-	-	3 500	-	-	-	3 500
Cllr TN MZimela (Nkosi)	-	-	8 750	-	-	-	8 750
PREVIOUS COUNCIL	-	-	-	-	-	-	-
Mayor - BL Phungula	326 744	14 507	-	9 802	46 887	-	397 940

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

41. Related parties (continued)

Deputy Mayor - JD Vilikazi	272 961	14 507	-	8 187	25 598	-	321 253
Speaker - KER Hadebe	272 600	15 787	-	8 177	25 970	-	322 534
Chief Whip - IT Gcabashe	255 169	14 507	-	7 655	24 749	-	302 080
MPAC Chair - N Naidoo	237 870	14 507	-	7 136	34 133	-	293 646
EXCO							
Cllr ES Mbatha	246 634	14 507	-	7 399	33 541	-	302 081
Cllr IJ Naidoo	261 205	15 787	-	7 836	18 534	-	303 362
Cllr PC Cele	256 215	14 507	-	7 686	23 673	10 343	312 424
Cllr CPG Cele	253 593	15 787	-	7 608	26 374	14 402	317 764
Cllr NR Xulu	279 199	14 507	-	8 376	-	-	302 082
Cllr PP Xulu	245 057	14 507	-	13 900	36 182	-	309 646
COUNCIL							
Cllr MM Ngobese	103 401	14 507	-	3 102	14 838	-	135 848
Cllr NC Mthalane	107 004	14 507	-	3 210	11 129	8 084	143 934
Cllr Jm Mathaba	107 004	14 507	-	3 210	11 128	-	135 849
Cllr M Mtshali	109 625	14 507	-	3 288	8 428	5 127	140 975
Cllr BN Buthelezi	103 402	14 507	-	3 102	14 838	-	135 849
Cllr SW Mgenge	-	-	9 929	232	-	-	10 161
Cllr ZD Mfusi	-	-	5 515	132	-	-	5 647
Cllr XM Bhengu	20 944	-	-	628	-	-	21 572
Cllr MJ Mhlongo	-	-	5 516	165	-	-	5 681
Cllr SG Mkhize	-	-	9 929	232	-	-	10 161
Cllr M Lourens	-	-	13 239	298	-	-	13 537
Cllr DJ Mdimande	-	-	8 826	232	-	-	9 058
Cllr KD SIbiya	-	-	6 619	165	-	-	6 784
Cllr KE Ndlovu - Nkosi	-	-	7 723	199	-	-	7 922
Cllr CJ Mkhulise - Khumalo	-	-	8 826	199	-	-	9 025
Cllr SP Mthembu	-	-	8 826	199	-	-	9 025
Cllr CT Dlamini	-	-	7 722	232	-	-	7 954
Cllr BP Simelane	-	-	9 929	232	-	-	10 161
Cllr NL Ngidi	-	-	2 206	-	-	1 995	4 201
Cllr MJ Xulu	-	-	6 619	165	-	-	6 784
Cllr TF Nxumalo	20 944	-	-	628	-	-	21 572
Cllr SS Cele	20 944	-	-	628	-	-	21 572
Cllr PT Mbatha	-	-	12 136	298	-	-	12 434
Cllr NPN Magubane	-	-	7 723	165	-	-	7 888
Cllr AM Mtshali	20 944	-	-	628	-	-	21 572
Cllr ME Mthethwa	107 004	15 187	-	8 732	11 129	-	142 052
Cllr TF Zincume	19 058	-	-	1 443	2 053	-	22 554
Cllr ME Dlamini	34 362	-	-	1 050	-	-	35 412
	9 015 173	**755 340**	**421 548**	**772 482**	**710 411**	**339 389**	**12 014 343**

2021/2022

The new Council was appointed from 9 November 2021with the previous Council term ending on 8 November 2021.All newly elected councillors were remunerated from 9 November to 25 November 2021as ordinary part time councillors. The Honourable Mayor, Deputy Mayor and Speaker were appointed as full time from 26 November 2021.

The EXCO members, MPAC chair & Chief Whip were appointed as part time members in the respective committees from 26 November 2021, thereafter from 23 March 2022 EXCO members, MPAC Chair & Chief Whip were appointed as full time following the COGTA approval process.

42. Budget and Actual amount variances

The budget has been prepared for the 2022/2023 financial year on the accrual basis of accounting in accordance with the prescripts of the Municipal Budget Regulations as well as the Municipal Finance Management Act budget circulars.

Variances greater than 10% and with a value greater than R500 000 between the final budget and actual amounts as referenced on the statement of comparison of budget and actual amounts, as reflected on page 9 to 11, have been deemed material and explanations thereto are set out below.

Statement of Financial Performance

42.1 <u>Sale of goods and rendering of services</u>

The variance is attributable to the budget including proceeds from the sale of assets which was less than realised and accounted for within loss on disposal of property, plant and equipment.

42.2 <u>Interest earned from receivables</u>

The variance is attributable to the increase in outstanding debtors which have attracted interest not anticipated in the budget process.

42.3 <u>Interest earned from current and non-current assets</u>

The variance is attributable to more favourable interest rates on both short term investments and bank accounts due to increases in the repo rate experienced by the Country during the year.

42.4 <u>Operational revenue</u>

The variance between the budget and actual is primarily due to budgeting for expected income from anticipated refunds from insurance claims not realised in the year.

42.5 <u>Other gains</u>

The variance is attributable to actuarial adjustments to the employee benefit provision account amounting to R7 836 880 which is determinable annually and was previously budgeted for under employee costs. The variance is furthermore attributable to a gain which arose as a result of the solid waste landfill rehabilitation provision adjustment amounting to R3 429 681 which is determinable annually due to source data availability at that time and thus not budgeted for.

42.6 <u>Donations</u>

The variance is attributable to the municipality taking on a water tanker donated by COGTA as well as a building structure donated.

42.7 <u>Inventory consumed</u>

The variance is attributable to the municipality's change in methodolgy applied to the accounting of water inventory.

42.8 <u>Depreciation and amortisation</u>

The variance is attributable to the municipality budgeting for depreciation based on the capital budget in anticipation that projects will be completed in the year. Furthermore, the effect of componentization and the annual adjustment of RUL's makes depreciation difficult to estimate.

42. Budget and Actual amount variances (continued)

42.9 Contracted services

The variance is attributable to the Disaster Relief Grant which was only received in April 2023, which resulted in the grant not being fully spent at year end and a roll over being applied for. In addition savings were realised on various contacts.

Statement of Financial Position

42.10 Cash and and cash equivalents

The variance is attributable to more timeous settlement of creditors with a slower debtor collection rate, resulting in lower cash than anticipated.

42.11 Trade and other receivables from exchange transactions

Due to the slow debtors collection rate, a higher impairment provision has resulted in a lower than anticipated net debtor balance at year end.

42.12 Current portion of non-current receivables

The municipality budgeted for debtors relating to the King Cetshwayo Fresh Produce Market which was actually accrued for in trade and other receivables from exchange transactions. In addition, part of the amount was impaired during the year.

42.13 Inventories

The variance was due to a change in the methodology applied to measure water stock and its associated distribution.

42.14 VAT

Current asset VAT must be added to current liability VAT of R68 110 480 due to the mSCOA changes. In addition, the budget was estimated based on previous annual outcomes.

42.15 Other current assets

The municipality budgeted for other current assets which did not materialise.

42.16 Intangible assets

The variance is attributable to the budget including assets anticipated to be acquired in the year, which were then not procured.

42.17 Trade and other payables from exchange transactions

The variance is attributable to the municipality anticipating that all disputes with service providers would be resolved during the financial year.

42.18 Trade and other payables from non-exchange transactions

The variance is due to the principle that the municipality aims at ensuring all grant allocations are spent in the year and thus budgets for zero unspent grant allocations. The municipality has thus not spent all grant allocations primarily due to late grant receipts.

42.19 Provisions - current and non-current

The variance is due to the year end valuation performed by an engineer for the rehabilitation of the landfill site. The decreased PPI rates, which were not anticipated, has resulted in the provision decreasing.

42. Budget and Actual amount variances (continued)

42.20 Other current and non-current liabilities

Due to the mSCOA changes, the budget was allocated to the other current liabilities rather than other non-current liabilities, however, when this budget is compared to the actual, the difference is attributable to the variables associated with the year end defined benefit calculation.

Cash flow statement

42.21 Net cash flows from operating activities

The variance is attributable to lower debtor collection rates and higher supplier expenditure.

42.22 Net cash flows from investing activities

The variance is attributable to slightly lower spend on capital projects than budgeted for.

42.23 Net cash flows from financing activities

The variance is due to the budget for short term loan repayments being allocated to operating activities instead of financing activities.

Changes from approved budget to the final budget

The changes between the approved budget are a consequence of the following:

The original 2022/2023 Multi Year Budget was approved by Council on 27 May 2022, per resolution number KCDMC:390/2022, in accordance with section 24 of the Municipal Finance Management Act (MFMA).

The first adjustment budget was passed on 24 August 2022 per resolution KCDMC: 426/2022 where the roll over applications for grants was approved.

The second adjustments budget was passed by Council on 28 February 2023, per resolution KCDMC: 918/2023, wherein adjustments were made after the consideration of the mid-year budget assessment process. During the process it was felt certain estimates would need to be adjusted in accordance with the performance of the first six months of the financial year as well as the forecasts for the remainder of the financial year.

In accordance with Regulation 23(3) of the Municipal Budget and Reporting Regulations, which states that if a National or Provincial adjustments budget allocates or transfers additional revenues to a municipality, the Mayor of the municipality must, at the next available Council meeting, but within 60 days of the approval of the relevant National or Provincial adjustments budget, table an adjustment budget referred to in section 28(2)(b) of the Act in the municipal Council to appropriate these additional revenues. This adjustment budget was approved by Council on 24 May 2023 per resolution KCDMC**:** 939/2023 to account for additional allocations.

A final adjustment budget was tabled and approved by Council on the 30 August 2023 per resolution number KCDMC:1408/2023.

Figures in Rands	2023	2022

43. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Unauthorised expenditure

	2023	2022
Opening balance as previously reported	-	20 033 993
Less: Current contracted services written off	-	(20 033 993)
Closing balance	-	-

2021/2022

On 30 August 2022, Council resolved per KCDMC:565/2022 to deem the expenditure on the contracted services expenditure type level amounting to R20 033 993 and contracted maintenance vote level amounting to R33 521 820 as irrecoverable and written off.

Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported - Eskom	12 578	12 578
Opening balance as previously reported - Middledrift SSA 5 Phase 2: Construction of Reticulation within SSA 5 of Middledrift Phase 2	860 201	860 201
Less -Middledrift SSA 5 Phase 2: Construction of Reticulation within SSA 5 of Middledrift Phase 2 written off - current	(860 201)	-
	12 578	**872 779**

2022/2023

Eskom

Eskom has confirmed that the disputes raised by the municipality are under investigation and no outcome has been finalized.

Middledrift SSA 5 Phase 2: Construction of Reticulation within SSA 5 of Middledrift Phase 2

The investigation was concluded on and reports served at Council on 26 October 2022 - KCDMC: 649/2022 and 28 February 2023 (KCDMC: 917/2023). Council deemed the expenditure irrecoverable and resolved that the expenditure be written off.

2021/2022

Eskom

The fruitless and wasteful expenditure is currently under dispute with Eskom and it is envisaged that such will be resolved and the interest charges will be reversed.

Middledrift SSA 5 Phase 2: Construction of Reticulation within SSA 5 of Middledrift Phase 2

The costs incurred for standing time delays on a project (Middledrift SSA 5 Phase 2) charged by a contractor was deliberated on by Council on 30 August 2022. In terms of KCDMC:564/2022, Council resolved that an investigation be conducted by the internal auditors and a report be brought back to Council.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

43. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)

Irregular expenditure

Opening balance as previously reported - overtime expenditure	-	5 066 537
Less: non-compliance with Basic Condition of Employment Act, section10 written off - current	-	(5 066 537)
Add: non-compliance with Municipal Supply Chain Regulations, Regulation 36 (1) a, expenditure incurred in the year - prior year contract	-	18 955 955
Less: non-compliance with Municipal Supply Chain Regulations, Regulation 36 (1) a - current year expenditure prior year contract written off	-	(18 955 955)
Opening balance as previously reported - non-compliance with Basic Conditions of Employment Act, section 10	-	2 601 163
Less: non-compliance with Basic Conditions of Employment Act, section 10 written off	-	(2 601 163)
Opening balance as previously reported - non-compliance with Basic Condition of Employment Act, section 10	3 088 678	-
Add: non-compliance with Basic Condition of Employment Act, section 10, expenditure incurred in the year	-	3 088 678
Less: non-compliance with Basic Conditions of Employment Act, section 10 written off in current year	(3 088 678)	-
Opening balance as previously reported - non-compliance with Basic Conditions of Employment Act, section 12	-	167 343
Less: non-compliance with Basic Conditions of Employment Act, section 12 written off	-	(167 343)
Opening balance as previously reported - non-compliance with Municipal Supply Chain Regulations, Regulation 43(2)	608 003	-
Add: non-compliance with Municipal Supply Chain Regulations, Regulation 43(2), expenditure incurred in year	-	608 003
Less: non-compliance with Municipal Supply Chain Regulations, Regulation 43(2), written off in current year	(608 003)	-
	-	**3 696 681**

All balances have been disclosed inclusive of VAT as outlined in Circular 68 of the MFMA.

2022/2023

Non-compliance with the Basic Conditions of Employment Act No. 75 of 1997 - section10 - R3 088 678

The municipality commissioned an investigation as outlined in Section 32 of the MFMA, and the report compiled by Ngubane and Co. was presented to MPAC on 18 October 2022 (KCDMMPAC 18/2022) and 22 August 2023 (KCDMMPAC 30/2023). Council on 30 August 2023 (KCDMC 1406/2023) deliberated on the report and recommendations and deemed the expenditure as irrecoverable and be written off.

Non-compliance with Municipal Supply Chain Regulations, Regulation 43(2) - R608 003

The council on 30 August 2023 (KCDMC 1407/2023) considered the report submitted and resolved to deem the expenditure as irrecoverable and be written off.

43. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)

2021/2022

Overtime expenditure - R5 066 537

The municipality commissioned an investigation as outlined in section 32 of the MFMA and the report compiled by Ngubane and Co. was presented to the MPAC and Council in August 2022. The expenditure has been deemed as irrecoverable and written off by Council on 24 August 2022, resolution KCDMC: 428/2022.

Non-compliance with Municipal Supply Chain Regulations, Regulation 36(1)a - R18 955 955

To note that as at 30 June 2022 expenditure has been incurred on a contract deemed irregular in the previous financial years, amounting to R18 955 955. The contract and related expenditure had been certified as irrecoverable and written off by Council on 19 March 2021, resolution KCDMC 2849/2021.

Non-compliance with the Basic Conditions of Employment Act No. 75 of 1997 - R2 601 163 and R167 343 (R2 768 506)

The municipality commissioned an investigation as outlined in section 32 of the MFMA and the report compiled by Ngubane and Co. was presented to the MPAC and Council in August 2022. The expenditure has been deemed as irrecoverable and written off by Council on 24 August 2022, resolution KCDMC: 428/2022.

Non-compliance with the Basic Conditions of Employment Act No. 75 of 1997 - section 10 - R3 088 678

During the financial year, irregular expenditure amounting to R3 088 678 was incurred,resulting from the payment of overtime to employees who worked in excess of 40 hrs per month. The municipality has commissioned an investigation as outlined in MFMA section 32(2)(b) and Circular 68.

Non-compliance with Municipal Supply Chain Regulations, Regulation 43(2) - R608 002.50

During the conclusion of the audit the Office of the Auditor-General raised a compliance finding relating to SCM regulation 43(2). The municipality will follow the prescripts of section 32 of the MFMA Act No. 56 of 2003.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2023	2022

44. COVID-19

Covid-19 expenditure	9 713	214 563

2022/2023

Whilst the COVID-19 pandemic was no longer considered a national state of disaster in the prior year, the municipality still implemented protocols to mitigate the associated risk.

2021/2022

The municipality incurred expenditure as a result of the ongoing global pandemic of COVID - 19. The expenditure was incurred in the main for the supply of protective clothing, cleaning service supplies, purchase of water tanks ,tank stands and sanitising of work spaces and are reflected exclusive of VAT.

45. Flood damage

Contracted services - maintenance & operations	14 989 902	7 489 451
Inventory consumed - materials and supplies	-	132 165
Survival water	-	701 688
	14 989 902	**8 323 304**

2022/2023

The municipality has continued in the year to effect repairs to infrastructure that was effected by the floods.

2021/2022

In April 2022, days of heavy rains across the district led to deadly flooding and due to the severity of the damage and the unfortunate loss of lives, a national state of disaster was declared (Gazette No.4624 dated 13 April 2022). An adjustments budget was tabled and approved by Council on 29 June 2022 per resolution KCDMC:412/2022 to account for the reprioritization of funding from the department of Water and Sanitation for WSIG and MIG. The reprioritised expenditure as at 30 June 2022 is outlined above. To note that flood damage expenditure was also incurred under internal maintenance and operations under note 31.

46. Risk management

Capital risk management

The municipality's objectives when managing capital are to safe guard the municipality's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt , which includes the long term liabilities as disclosed in note 11, cash and cash equivalents disclosed in note 2 and equity as disclosed in the statement of financial position.

Financial risk management

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's financial services function monitors and manages the financial risks relating to the operation of the municipality. These risks include credit risk and liquidity risk.

Liquidity risk

The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The trade payables under payables from exchange transactions under note 14 are paid in accordance with Council's creditors, councillors and staff payment policy, being within thirty days of the date of receipt of all correct supporting documents, invoices and statement.

The liquidity ratio is outlined below:

	30 June 2023	30 June 2022
Current Assets	374 148 456	550 274 328
Current Liabilities	237 520 216	410 994 524
Liquidity ratio	1,58	1,34

At 30 June 2023	Carrying value	Less than 1 year	Between 1 and 2 years
Borrowings	6 285 648	6 285 648	-
Consumer deposits	10 991 054	-	
Payables from exchange transactions	210 278 451	-	

At 30 June 2022	Carrying value	Less than 1 year	Between 1 and 2 years
Borrowings	15 849 428	11 250 482	6 887 349
Consumer deposits	10 122 867	-	
Payables from exchange transactions	384 383 605	-	

46. Risk management (continued)

The gearing ratio	30 June 2023	30 June 2022
Total borrowings - short and long term	6 285 648	15 849 428
Less: Cash and cash equivalents	(153 376 211)	(371 332 253)
Net cash	(147 090 563)	(355 482 825)
Total equity	3 177 811 494	2 893 719 899
Total capital	3 030 720 931	2 538 237 074
Gearing (%)	0,21	0,62

Credit risk

Credit risk consists mainly of cash investment deposits, cash equivalents, receivables from exchange and non-exchange transactions. The municipality manages credit risk in its investing activities by only dealing with well established financial institutions of high credit standing and by spreading its exposure over a range of such institutions in accordance with its approved cash banking and investment policy. Credit risk pertaining to consumer debtors comprise of mainly water, sanitation and refuse users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", which ever procedure is applicable in terms of Council's credit control and debt collection policy. Furthermore the consumer debtors neither past due nor impaired are considered in the impairment assessment at year end as collectible debts as they are further secured by deposits held. The carrying amount of consumer debtors whose terms have been re-negotiated through an acknowledgment of debt whereby payment terms were extended amounts to R3 727 978.62 as at 30 June 2023 (30 June 2022 - R6 931 822).

Certain consumer debtors are recorded as past due when payment is not received in accordance with the credit terms, however such debtors are not impaired in compliance with the prescripts of Councils credit control policy which does not permit the impairment of such classes of consumers. Inclusive hereto are debtors within the different organs of State. The disclosure and analysis hereto is reflected in the annual financial statements under note receivables from exchange transactions consumer debtors (National and Provincial Government) and note 6 receivables from exchange transactions - other.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties have similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with credit ratings. The carrying amount of financial assets recorded in the annual financial statements which is net of impairment losses, represents the municipality's maximum exposure to credit risk.

Financial assets exposed to credit risk at 30 June 2023 and 30 June 2022 respectively are detailed below:

	30 June 2023	30 June 2022
Investments	60 000 000	120 000 000
Cash and cash equivalents	93 376 211	251 332 253
Receivables from exchange transactions - consumer debtors	80 240 856	53 453 471
Receivables from exchange transactions - other	13 775 397	13 118 224
Receivables from exchange transactions - long term	-	6 680
Maximum exposure to credit risk	247 392 464	437 910 628

Interest rate risk

The municipality limits exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

47. Segment information

General information

Identification of segments

The municipality is organised and operates six key functional segments. The segments are organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes. Revenues, capital and operating expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

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

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Community and social services
Economic and environmental services	Planning and development and environmental services
Trading services - water management	Provision of water services
Trading services - waste water management	Provision of sanitation services
Trading services - waste management	Provision of refuse services
Governance and administration - unallocated	Provision of support services - finance, corporate, municipal managers office and board

47. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2023

	Community and public safety	Economic and environmental services	Trading service - water management	Trading service - waste water management	Trading service - waste management	Governance and administration - unallocated	Total
Revenue							
Service charges	-	-	65 860 193	9 158 730	36 634 389	-	111 653 312
Sale of goods and rendering of services	408 085	-	-	-	-	7 983	416 068
Licenses and permits	-	122 372	-	-	-	-	122 372
Rental income	-	-	311 509	-	-	46 261	357 770
Operational income	-	-	-	-	-	1 807 292	1 807 292
Interest on receivables from exchange transactions	-	-	2 215 243	792 434	-	897 513	3 905 190
Interest on receivables from investments and bank accounts	-	-	-	-	-	25 802 133	25 802 133
Actuarial gains	-	-	-	-	-	7 836 880	7 836 880
Gain on adjustment to rehabilitation provision	-	-	-	-	3 429 681	-	3 429 681
Transfers and subsidies	-	18 702 479	674 488 992	64 095 216	34 654 096	343 824 000	1 135 764 783
Fines, penalties and forfeits	-	400 000	30 664	-	-	-	430 664
Donations	931 584	-	717 618	-	-	-	1 649 202
Total segment revenue	**1 339 669**	**19 224 851**	**743 624 219**	**74 046 380**	**74 718 166**	**380 222 062**	**1 293 175 347**
Expenditure							
Employee related costs	23 884 415	33 099 589	123 975 057	1 460 281	5 356 142	113 943 236	301 718 720
Remuneration of councilors	-	-	-	-	-	15 273 741	15 273 741
Depreciation and amortisation	2 184 205	70 444	85 031 616	4 114 530	12 846 458	4 955 441	109 202 694
Finance costs	-	-	376 963	129 491	13 635 772	739 684	14 881 910
Debt impairment	-	-	4 915 290	704 486	160 444	362 320	6 142 540
Bad debts written off	-	-	2 675 687	487 762	-	-	3 163 449
Inventory consumed	403 033	3 602 204	84 900 130	9 073	4 085 016	61 064 480	154 063 936
Contracted services	11 986 801	1 187 033	132 162 776	33 397 242	13 733 938	55 305 058	247 772 848
Transfers and subsidies	250 000	2 150 000	-	-	-	-	2 400 000
Loss on disposal of property, plant and equipment	-	-	-	-	-	268 167	268 167
Impairment on property, plant and equipment	-	-	3 634 198	-	-	-	3 634 198
Operational costs	8 279 282	1 748 866	43 498 521	41 943	471 111	52 480 005	106 519 728
Water losses	-	-	43 898 199	-	-	-	43 898 199
Inventories write-down	-	-	-	-	-	143 622	143 622

47. Segment information (continued)

Total segment expenditure	**46 987 736**	**41 858 136**	**525 068 437**	**40 344 808**	**50 288 881**	**304 535 754**	**1 009 083 752**
Total segmental surplus/(deficit)	**(45 648 067)**	**(22 633 285)**	**218 555 782**	**33 701 572**	**24 429 285**	**75 686 308**	**284 091 595**
Assets							
Cash and cash equivalents	-	-	-	-	-	153 376 211	153 376 211
Receivables from exchange transactions - consumer debtors	-	-	40 470 971	13 942 737	19 753 649	6 073 499	80 240 856
Inventories	-	-	1 911 953	-	-	4 152 257	6 064 210
Exchange transaction - VAT	-	-	-	-	-	120 691 782	120 691 782
Receivables from exchange transactions - other	-	-	8 684 513	-	-	5 090 884	13 775 397
Property, plant and equipment	13 719 218	1 386 667	2 828 869 168	183 150 277	51 078 555	57 329 829	3 135 533 714
Intangible assets	-	-	-	-	-	3 630 074	3 630 074
Heritage assets	-	-	-	-	-	1 487 200	1 487 200
Total segment assets	**13 719 218**	**1 386 667**	**2 879 936 605**	**197 093 014**	**70 832 204**	**351 831 736**	**3 514 799 444**
Liabilities							
Current portion of borrowings	-	-	-	-	-	6 285 648	6 285 648
Payables exchange transactions	-	-	-	-	-	210 278 451	210 278 451
Consumer deposits	-	-	-	-	-	10 991 054	10 991 054
Current portion of employee benefit obligations	-	-	-	-	-	2 232 000	2 232 000
Unspent transfers and subsidies	-	-	-	-	-	4 805 144	4 805 144
Current portion of provisions	-	-	-	-	-	2 927 919	2 927 919
Long-term portion of employee defined benefit obligations	-	-	-	-	-	36 951 000	36 951 000
Long-term portion of provisions	-	-	-	-	62 516 734	-	62 516 734
Total segment liabilities	**-**	**-**	**-**	**-**	**62 516 734**	**274 471 216**	**336 987 950**

47. Segment information (continued)

30 June 2022 - restated

	Community and public safety	Economic and environmental services	Trading service - water management	Trading service - waste water management	Trading service - waste management	Governance and administration - unallocated	Total
Revenue							
Service charges	-	-	60 113 571	8 575 291	33 320 782	-	102 009 644
Sale of goods and rendering of services	469 303	-	-	-	-	10 098	479 401
Licenses and permits	-	139 197	-	-	-	-	139 197
Rental income	-	-	414 606	-	-	49 304	463 910
Operational income	-	-	-	-	-	6 158 294	6 158 294
Interest on receivables from exchange transactions	-	-	351 853	244 007	-	1 743 000	2 338 860
Interest on receivables from investments and bank accounts	-	-	-	-	-	19 312 043	19 312 043
Actuarial gains	-	-	-	-	-	403 265	403 265
Transfers and subsidies	-	20 591 446	456 030 991	51 857 690	19 183 571	320 702 722	868 366 420
Fines, penalties and forfeits	-	-	25 160	-	-	-	25 160
Donations	-	-	40 722	-	-	-	40 722
Total segment revenue	**469 303**	**20 730 643**	**516 976 903**	**60 676 988**	**52 504 353**	**348 378 726**	**999 736 916**
Expenditure							
Employee related costs	18 579 031	30 377 999	85 702 524	2 240 122	5 152 723	111 963 986	254 016 385
Remuneration of councilors	-	-	-	-	-	12 014 343	12 014 343
Depreciation and amortisation	2 233 690	61 120	89 756 954	4 683 992	4 583 273	7 262 571	108 581 600
Finance costs	-	-	559 204	192 093	7 825 898	1 184 899	9 762 094
Debt impairment	-	-	2 369 651	789 341	126 690	-	3 285 682
Bad debts written off	-	-	3 739 565	1 182 447	-	-	4 922 012
Inventory consumed	421 672	319 302	84 272 540	40 653	81 635	34 045 530	119 181 332
Contracted services	5 974 551	1 502 639	197 970 601	37 993 589	15 033 319	37 843 166	296 317 865
Loss on disposal of assets	7 843	-	504 982	-	18 556	211 050	742 431
Impairment on property, plant and equipment	704 296	-	-	-	-	-	704 296
Operational costs	2 409 603	837 190	40 601 011	39 208	421 211	49 694 558	94 002 781
Water losses	-	-	47 484 290	-	-	-	47 484 290
Total segment expenditure	**30 330 686**	**33 098 250**	**552 961 322**	**47 161 445**	**33 243 305**	**254 220 103**	**951 015 111**
Total segmental surplus/(deficit)	**(29 861 383)**	**(12 367 607)**	**(35 984 419)**	**13 515 543**	**19 261 048**	**94 158 623**	**48 721 805**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

47. Segment information (continued)

Assets							
Cash and cash equivalents	-	-	-	-	-	371 332 253	371 332 253
Receivable from exchange transactions - consumer debtors	-	-	-	5 053 871	3 919 722	44 479 878	53 453 471
Inventories	-	-	2 112 371	-	-	3 963 545	6 075 916
Exchange transactions - VAT	-	-	-	-	-	106 287 784	106 287 784
Receivables from exchange transactions - other	-	-	8 700 113	-	-	4 418 111	13 118 224
Current portion of long-term receivables from exchange transactions	-	-	-	-	-	6 680	6 680
Property, plant and equipment	38 493 448	192 370	2 576 488 790	150 319 035	86 243 104	42 725 812	2 894 462 559
Intangible assets	-	-	-	-	-	7 289 195	7 289 195
Heritage assets	-	-	-	-	-	700 000	700 000
Total segment assets	**38 493 448**	**192 370**	**2 587 301 274**	**155 372 906**	**90 162 826**	**581 203 258**	**3 452 726 082**
Liabilities							
Current portion of borrowings	-	-	-	-	-	9 563 780	9 563 780
Payables from exchange transactions	-	-	-	-	-	384 383 605	384 383 605
Consumer deposits	-	-	-	-	-	10 122 867	10 122 867
Current portion of employee benefit obligations	-	-	-	-	-	2 181 000	2 181 000
Unspent transfers and subsidies	-	-	-	-	-	2 903 927	2 903 927
Current portion of provisions	-	-	-	-	-	1 839 345	1 839 345
Long-term portion of borrowings	-	-	-	-	-	6 285 648	6 285 648
Long-term portion of employee benefit obligations	-	-	-	-	-	37 755 000	37 755 000
Long-term portion of provisions	-	-	-	-	103 971 011	-	103 971 011
Total segment liabilities	**-**	**-**	**-**	**-**	**103 971 011**	**455 035 172**	**559 006 183**

47. Segment information (continued)

Other information

	Community and public safety	Economic & environmental services	Trading service - water management	Trading service - waste water management	Trading service - waste management	Other - governance and administration (unallocated)	Total
Capital expenditure - 30 June 2023	399 940	982 900	343 149 421	26 674 198	28 010 246	4 360 906	403 577 611
Capital expenditure - 30 June 2022	728 658	-	168 140 868	16 623 946	21 238 169	3 321 492	210 053 133

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

Information about geographical areas

The municipality's operations encompass the entire district of King Cetshwayo DC 28 and includes the water and sanitation functions within the following local municipalities.

uMlalazi local municipality (KZN 284);

uMthonjaneni local municipality (KZN 285;

uMfolozi local municipality (KZN 281), and

Nkandla local municipality (KZN 283).

The table below indicates the relevant geographical information after eliminating inter segmental transfers:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

47. Segment information (continued)

30 June 2023

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Administrative or head office	346 274 133	45 561 489	283 414 059	429 588 019
Whole of the district	791 570 516	42 190 996	651 941 726	2 427 708 824
KZN284 uMlalazi	-	36 925 114	38 995 497	205 464 209
KZN285 uMthonjaneni	-	8 554 001	8 083 276	42 754 318
KZN281 uMfolozi	-	12 093 521	6 827 585	30 920 124
KZN 283 Nkandla	-	10 005 577	19 821 609	4 215 494
Total	**1 137 844 649**	**155 330 698**	**1 009 083 752**	**3 140 650 988**

30 June 2022

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Administrative or head office	404 193 965	40 764 745	231 541 956	4 999 672
Whole of the district	464 238 337	24 437 915	658 377 729	2 380 094 143
KZN 282 uMhlathuze	-	-	-	19 553 653
KZN 284 uMlalazi	-	20 005 917	28 226 947	137 379 137
KZN 285 uMthonjaneni	-	9 523 860	13 258 992	97 280 272
KZN 281 uMfolozi	-	27 514 702	9 910 799	25 646 752
KZN 283 Nkandla	-	9 057 475	9 698 688	237 498 125
Total	**868 432 302**	**131 304 614**	**951 015 111**	**2 902 451 754**

48. Prior-year adjustments

Presented below are those items contained in the statement of financial performance disclosure notes that have been affected by prior-year adjustments:

48.1 Inventories

The Inventory water balance was restated by an amount of R2 135 297, due to the change in water inventory measurement from first-in-first-out (FIFO) to weighted average which was applied to the measurement of water distribution expensed in its separate streams i.e. water losses and authorised water consumption.

48.2 Property, plant and equipment

The municipality has made an adjustment to the landfill site asset emanating from an adjustment to the weighted average cost of capital and Product Price Index applied in the landfill site provision as well the remaining useful life. The adjustment amounts to R7 341 461 (rehabilitation adjustment) and R608 854 (depreciation). Residual values of two vehicles were reassessed, resulting in an adjustment being passed to reduce depreciation amounting to R98 417. Further to this, an adjustment of R1 779 (depreciation) was made for projects completed during the year amounting to R505 990. The overall effect is an increase in the carrying value of R6 829 245.

48.3 Payables from exchange transactions

The municipality has restated payables from exchange transactions - accrued bonus by an amount of R313 247, as a result of an over accrual for staff who were not entitled to receive a yearly bonus.

48.4 Unspent transfers and subsidies

Expenditure incurred in 2021/2022 for allocations received from KwaZulu-Natal Department of Economic Development Tourism and environmental Affairs (R412 665) and KwaZulu-Natal Department of Co-operative and Traditional Affairs(R290 794) has been reallocated to transfers and subsidies, and the revenue has been recognised as the conditions had been met.

48.5 Provisions

An adjustment of R7 341 461 has been effected to the rehabilitation of landfill site as a result of the adjustment of to the weighted average cost of capital rate and Product Price Index applied.

48.6 Service charges, licenses and permits and fines, penalties and forfeits

The municipality has reclassified income relating to penalty fee non-compliance from service charges to fines, penalties and forfeits amounting to R25 160. Furthermore, licenses and permits of R139 197 has been separately disclosed. Cemetery income of R469 303 has been aligned to mSCOA and reclassified to the sale of goods and rendering of services.

48.7 Sale of goods and rendering of services and operational income

The municipality has reclassified cemetery income of R469 303 and income from the sale of publication tender documents of R10 098 from service charges and operational income respectively, to align to the mSCOA chart.

48.8 Interest on receivables from exchange transactions and investments and bank accounts

The municipality previously combined interest as interest received income in the statement of financial performance and due to the nature of the interest, such has now been disclosed separately.

48.9 Actuarial gains

The municipality has disclosed the actuarial gain as a separate line item in the statement of financial performance in line with accounting standards and the mSCOA chart.

48. Prior-year adjustments (continued)

48.10 Transfers and subsidies

Expenditure amounting to R703 420 in 2021/2022 has been reallocated to transfers and subsidies due conditions being met in that year.

48.11 Employee related costs

The municipality has restated expenditure by R7 130 478 due to an accrual being raised for staff not entitled to receive a bonus of R313 328, labour costs being capitalised of R7 220 495 and the actuarial gain of R403 265 being disclosed separately.

48.12 Depreciation and amortisation

The landfill site adjustment in remaining useful lives has resulted in a restatement of depreciation by R608 854. Further to this, the residual values of two vehicles were reassessed, resulting in an adjustment being passed to reduce depreciation amounting to R98 417. Completed projects in 2021/2022 resulted in a further adjustment of R1 779. The municipality has also capitalized depreciation to inventory amounting to R295 653.

Furthermore, impairments on property plant and equipment amounting to R704 296 has been reclassified and disclosed separately in the statement of financial performance.

48.13 Inventory consumed and water losses

The municipality has reallocated expenditure of R155 990 from consumables to operational costs - subsistence and allowance, due to a misallocation in the prior year. In addition, water losses to an amount of R47 484 290 have been separately disclosed in the statement of financial performance in terms of the mSCOA, GRAP standard and the National Treasury circular 98.

48.14 Operational costs

Expenses relating to subsistence and travelling of R155 990 has been reallocated from inventory consumed due a misallocation in the prior year.

Statement of financial position

30 June 2022 - restated

		As previously reported	**Adjustment**	**Restated**
Effect on inventories	4	8 211 213	(2 135 297)	6 075 916
Effect on non current assets - property,plant & equipment	8	2 887 633 314	6 829 245	2 894 462 559
Effect on current liabilities - payables from exchange transactions	12	384 696 852	(313 247)	384 383 605
Effect on unspent transfers and subsidies	15	3 607 347	(703 420)	2 903 927
Effect on provisions	16	96 629 550	7 341 461	103 971 011

48. Prior-year adjustments (continued)

Statement of financial performance

30 June 2022 - restated

		As previously reported	Reclassification	Adjustment	Restated
Effect on service charges	17	102 643 304	(633 660)	-	102 009 644
Effect on sale of goods and rendering of services	18	-	479 401	-	479 401
Effect on licenses and permits	19	-	139 197	-	139 197
Effect on interest received income		21 650 903	(21 650 903)	-	-
Effect on interest on receivables from exchange transactions	22	-	2 338 860	-	2 338 860
Effect on interest on receivables from investments and bank accounts	23	-	19 312 043	-	19 312 043
Operational revenue	21	6 168 392	(10 098)	-	6 158 294
Effect on actuarial gain	14	-	403 265	-	403 265
Effect on transfers and subsidies	24	867 663 000	-	703 420	868 366 420
Effect on fines, penalties and forfeits	25	-	25 160	-	25 160
Effect on employee related costs	26	(261 146 863)	(403 265)	7 533 743	(254 016 385)
Effect on depreciation and amortisation	28	(109 069 333)	704 296	(216 563)	(108 581 600)
Debt impairment	21	(8 207 694)	4 922 012	-	(3 285 682)
Bad debts written off		-	(4 922 012)	-	(4 922 012)
Effect on inventory consumed	30	(159 111 450)	155 990	39 774 128	(119 181 332)
Effect on water losses	34	-	-	(47 484 290)	(47 484 290)
Effect on impairment on assets	8	-	(704 296)	-	(704 296)
Effect on operational costs	33	(93 846 802)	(155 990)	-	(94 002 792)
Effect on surplus for the year		(48 411 356)	-	(310 439)	(48 721 795)

Statement of changes in net assets

30 June 2022 - restated

	As previously reported	Adjustment	Restated
Effect on accumulated surplus balance as at 1 July 2021	2 846 939 389	(1 941 295)	2 844 998 094
Effect on accumulated surplus balance as at 1 July 2022	2 895 350 745	(1 630 846)	2 893 719 899

Adjustments to the disclosure notes

Gains / (losses) on disposal of assets

Transactions related to gains and losses arising from the disposal of assets and liabilities have been reclassified to exchange transactions and are reflected on the statement of performance accordingly.

Commitments

The comparative figure for commitments was restated by an amount of R3 006 976 from R337 009 018 to R340 015 994. The restatement was due to a contract value not accounted for in the commitments register - refer to note 35.

49. Change in accounting policy

During the year under review the municipality has changed the accounting policy relating to the treatment of water inventory.

The following change in accounting policy occurred:

Inventories - GRAP 12

In the previous years the municipality assigned the first-in, first-out formula to all inventories held inclusive of water held for distribution.

The municipality has in the year changed the policy for water held for distribution as follows:

Water for distribution is measured using the weighted average formula. Additions to water for distribution is accounted for in two ways i.e. bulk purchases and own production (natural sources). Bulk purchases are capitalised in inventory based on actual costs from the service provider and own production is capitalised based on costs associated with the production of naturally sourced water. Capitalised production costs are accounted for as inventory water gains in the statement of financial performance and inventory water in the statement of financial position. Water is sold and thus subsequently measured at the lower of cost and net realisable value.

The reason for the change is to ensure that the municipality applies the guidelines for the treatment of water as per GRAP 12, National Treasury guidelines and mSCOA.

The municipality has retrospectively applied the change to the closing balance of water inventory as at 30 June 2021.

	As previously reported	Adjustment	Restated
Effect on inventories - 30/06/2021	4 013 637	(1 941 284)	2 072 353
Effect on inventories - 30/06/2022	4 247 668	(2 135 296)	2 112 372

50. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R3 177 811 494 and that the municipality'S total assets exceed its liabilities by R3 177 811 494.

The annual financial statements for the year ended 30 June 2023 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, dependent on the receiving of equitable share allocations.

51. Events after the reporting date

At the date of submission of the annual financial statements there were no known adjusting events.

Appendix A
June 2023

Schedule of external loans as at 30 June 2023

	Rate	Redeemable	Balance at Thursday, 30 June 2022 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Friday, 30 June 2023 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Annuity loans								
INCA	11.95%	30/06/2023	4 000 117	-	4 000 117	-	-	-
ABSA	12.60%	30/06/2024	11 849 312	-	5 563 663	6 285 649	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			15 849 429	**-**	**9 563 780**	**6 285 649**	**-**	**-**
Total external loans								
Annuity Loan			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			15 849 429	-	9 563 780	6 285 649	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			15 849 429	**-**	**9 563 780**	**6 285 649**	**-**	**-**