Audited Annual Financial Statements
for

ILEMBE DISTRICT MUNICIPALITY - DC29

For the year ended 30 June 2021

Province:	KwaZulu Natal
AFS rounding:	*R (i.e. only cents)*
	Contact Information:
Name of Municipal Manager:	**Geoffrey Kumalo**
Contact telephone number:	**032 437 9500**
Contact e-mail address:	Geoffrey.Kumalo@ilembe.gov.za
Chief Financial Officer:	**Mahendra Chandulal**
Contact telephone number:	**032 437 9503**
Contact e-mail address:	Mahendra.Chandulal@ilembe.gov.za
Name of contact at provincial treasury:	**Nokuthula Ndlovu**
Contact telephone number:	**033 897 4376**
Contact e-mail address:	nokuthula.chamane@kzntreasury.gov.za
Name of relevant Auditor:	**Auditor General**
Contact telephone number:	**060 997 0889**
Contact e-mail address:	MartinC@agsa.co.za
Name of contact at National Treasury:	**Matsie Sehlapelo**
Contact telephone number:	012 315 5295
Contact e-mail address:	Matsie.Sehlapelo@treasury.gov.za

ILEMBE DISTRICT MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2021

General information

Legal Form of Entity	Municipality	
Nature of Business and Principal Activities	Medium Capacity, Category C, District Municipality	
His Worship, Councillor Siduduzo Siegsried Gumede	**Mayor**	
Councillor Monitha Dolly Shandu	**Deputy Mayor**	
Councillor Sphesihle Basil Zulu	**Speaker**	
Councillor Sandeep Oudhram	Member of the Executive Committee	
Councillor Musawenkosi Aubrey Maphumulo	Member of the Executive Committee	
Councillor Aubrey Mtolo Baardman	Member of the Executive Committee	Resigned in January 2021
Councillor Andrew Gopaul	Member of the Executive Committee	Deceased - 6 June 2021
Councillor Musa Michael Sibisi	Member of the Executive Committee	Appointed 2 March 2021
Councillor Angel Lindiwe Nzama	*Member*	
Councillor Maureen Zola Mhlongo	*Member*	
Councillor Sibongile Florence Ntuli	*Member*	
Councillor Catherine Tholakele Khumalo	*Member*	
Councillor Makhosini Desmond Mpofu	*Member*	
Councillor Ntombenhle Cynthia Nene	*Member*	
Councillor Musawenkosi Simeon Ntuli	*Member*	
Councillor Madhum S Singh	*Member*	
Councillor Innocent Ndumiso Vilakazi	*Member*	
Councillor Muzi Emmanuel Ngidi	*Member*	
Councillor Innocentia Phumelele Dube	*Member*	
Councillor Radiwaath Singh	*Member*	
Councillor Thandeka Sinenhlanhla Ngidi	*Member*	
Councillor James Gabangani Van Whye	*Member*	
Councillor Thuthukani Raymond Ngema	*Member*	
Councillor Mamazane Veronica Shezi	*Member*	
Councillor Silindile Zondi	*Member*	
Councillor Jali Thalalisani Sabatha	*Member*	
Councillor Happiness Nonhlanhla Ngcobo	*Member*	
Councillor Mazwi Nhlakanipho Gwamanda	*Member*	
Councillor Sakhephi Mdumiseni Michael Dlomo	*Member*	
Councillor Nyathikazi Siboniso Zaba	*Member*	
Councillor Malindi Virginia Mhlongo	*Member*	
Councillor Zungu Gloria Nompumelelo	*Member*	
Councillor Sithole David Mthokozisi	*Member*	
Grading of Local Authority	Four	
Auditors	The Auditor-General, South Africa	
Bankers	First National Bank	

General information (continued)

	Ilembe House
Physical address:	Ilembe House 59/61 Mahatma Ghandhi Street KWADUKUZA 4450
Postal address:	P.O Box 1788 KWADUKUZA 4450
Telephone number:	032 437 9300
Fax number:	032 437 9584
E-mail address:	admin@ilembe.gov.za

ILEMBE DISTRICT MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS
For the period ended 30 June 2021

Accounting Officer's Statement

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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. I, as the Accounting Officer (accounting authority), 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 impact of covid-19 is has been with everyone since February and March 2020 and in this regard the environment is continually changing by way of different alert levels. The risks associated with covid-19 has been incorporated in the Municipal risk register and is closely monitored and updated. The unexpected economic unrest experienced in early July 2021 has also impacted on the operations in the first two weeks after the reporting period of 30 June 2021.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 2021 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 ILembe District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I certify that the salaries, allowances and benefits of councillors as disclosed in note and to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local G-overnment's determination in accordance with the Act.

Accounting Officer

Date: 30 June 2021

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2021

Index	Page

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	2021 R	2020 R Restated
ASSETS			
Current Assets			
Cash and cash equivalents	3	203,034,987	226,356,371
Trade and other receivables from exchange transactions	2	163,162,892	148,463,517
Inventories	5	10,888,684	10,533,659
Total current assets		**377,086,563**	**385,353,547**
Non-current assets			
Non-current receivables	6	1,080,517	608,281
Other non-current financial assets	4	100	100
Property, plant and equipment	10	2,727,280,368	2,630,340,733
Intangible assets	12	6,254,888	4,229,101
Heritage Assets	11	205,578	205,578
Total non-current assets		**2,734,821,450**	**2,635,383,792**
Total assets		**3,111,908,013**	**3,020,737,339**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	13	183,995,695	251,956,544
Trade and other payables from non - exchange transactions	14	2,216,844	40,854,569
Current portion of borrowings	15	7,006,397	5,042,476
Current portion of finance lease liability	16.1	18,710,298	14,446,227
Current portion of financial liability:Umngeni Water CUC	35	6,526,523	6,526,523
Current portion of employee benefits	36	2,893,000	1,465,136
Total current current liabilities		**221,348,757**	**320,291,474**
Non-current liabilities			
Non-current borrowings	15	26,177,543	33,183,941
Non-current finance lease liability	16.1	14,284,493	24,495,098
Non-current financial liabilities:Umngeni Water CUC	35	64,721,351	71,791,751
Employee benefits	36	15,212,000	13,968,222
Total non-current liabilities		**120,395,387**	**143,439,011**
Total liabilities		**341,744,144**	**463,730,486**
Net assets		**2,770,163,869**	**2,557,006,853**
Accumulated surplus		2,770,163,869	2,557,006,853
Total net assets		**2,770,163,869**	**2,557,006,853**

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2021

	Note	2021 R	2020 R
Revenue from exchange transactions		**300,606,328**	**242,415,152**
Service charges	17	240,945,662	186,086,350
Interest earned - external investments	19	10,384,060	16,169,830
Interest earned - outstanding receivables	20	41,232,800	31,815,326
Other income	22	8,043,807	8,343,646
Revenue from non exchange transactions		**55,122**	**11,149,324**
Fines and Penalties	22.1	55,122	125,187
Public contributions and donations	22.2	-	11,024,137
Transfer revenue		**933,032,014**	**857,209,853**
Government grants and subsidies	21	933,032,014	857,209,853
Total revenue		**1,233,693,464**	**1,110,774,330**
Expenses			
Employee related costs	23	227,396,445	204,494,585
Remuneration of councillors	24	8,921,386	8,877,406
Doubtful Debts	2	104,698,036	110,077,379
Depreciation, impairment and amortisation	25	134,871,879	115,358,509
Finance costs	26	5,857,622	8,750,085
Bulk purchases	27	228,573,434	206,635,327
Contracted services	28	154,663,413	208,847,674
General expenses	29	153,775,277	139,134,714
Total expenses		**1,018,757,492**	**1,002,175,679**
(Loss) / Gain on sale of assets	29.2	(3,841,941)	220,829
Forex gain / (loss)	34.7.5	137,991	(301,728)
Surplus for the period		**211,232,022**	**108,517,752**

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2021

	Note	IDM Accumulated Surplus/(Deficit) Total
		R
Balance at 30 June 2019		**2,419,904,771**
Prior year corrections	30	28,584,330
Restated balance		**2,448,489,101**
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the year		108,517,752
Balance at 30 June 2020 - restated		**2,557,006,853**
Opening Balance, 1 July 2020		**2,557,006,853**
Transfers to / from accumulated surplus/(deficit)		1,924,993
Restated balance		**2,558,931,846**
Surplus / (deficit) for the year		211,232,022
Balance at 30 June 2021		**2,770,163,869**

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED CASH FLOW STATEMENT
For the year ended 30 June 2021

	Note	IDM 2021 R	IDM 2020 R *Restated*
Receipts		**1,165,592,916**	**1,036,579,221**
Sales of goods and services		181,345,970	139,715,083
Grants		895,752,000	830,320,000
Other income		88,494,946	66,544,138
Payments		**(848,616,411)**	**(589,846,786)**
Employee costs		231,632,038	211,656,640
Suppliers		616,984,373	378,190,146
CASH GENERATED FROM OPERATIONS	31	**316,976,505**	**446,732,435**
Interest received		10,384,060	16,169,830
Interest paid	26	(6,093,136)	(8,750,085)
Net cash flows from operating activities		**321,267,429**	**454,152,181**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(314,392,190)	(393,124,660)
Proceeds from sale of fixed assets			2,272,936
Increase in investments		-	28,719,789
Purchase of intangibles	12	(3,782,106)	-
Net cash flows from investing activities		**(318,174,296)**	**(362,131,935)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(5,042,476)	(37,342,526)
Repayment of Umgnei Water CUC Debt		(7,070,400)	-
Repayment of finance lease liability		(14,301,642)	(3,024,141)
Net cash flows from financing activities		**(26,414,517)**	**(40,366,667)**
Net increase / (decrease) in net cash and cash equivalents		(23,321,384)	51,653,580
Net cash and cash equivalents at beginning of period		226,356,371	174,702,791
Net cash and cash equivalents at end of period	32	**203,034,987**	**226,356,371**

ILEMBE DISTRICT MUNICIPALITY
AUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2021

Description	Original Budget	Adjusted Budget (I.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
Service Charges	213,701,712	232,310,759	-	232,310,759	240,945,662	8,634,903	4%	The reason for the variance was due to new connections which results to the billing to be more than anticipated and ongoing implementation of the method of billing sanitation, aligned to billing of sanitation based on property evaluation. However, the varience is within acceptable norm.
Investment Revenue	14,360,629	9,074,174	-	9,074,174	10,384,060	1,309,886	14%	This refers to interest earned in the external investments of the municipality. The actual as at June 2021 was R 10.7 million, resulting in a positive variance of 14% above when compared to anticipated. This variance is due to variable interest rate upon investing municipal funds arose from municipal grants received to date.
Transfers Recognised - Operatic	613,308,937	700,257,567	-	700,257,567	694,949,947	-5,307,620	-1%	Tthis relates to the conditions met on capital projejcts. The discrepancy is due to the fact that expenditure on the capital projects funded through grants was slightly more than buudgeted and the expenditure on operational projects were slighty less than budgeted. This was done mainly to prioritise the roll out of infrastructural projects with an aim of addressing water supply backlogs. In overall the expenditure on both grants tie back to the grant register in line
Other Own Revenue	52,360,890	50,392,657	-	50,392,657	49,469,720	-922,937	-2%	The variance is attributable to various items which municipality has no control. The items includes contribution from developers whereby there was no collection made during the year. However the variance is within the norm of 10%
Transfers) & Contributions)	**893,732,168**	**992,035,156**	**-**	**992,035,156**	**995,749,388**	**3,714,232**		
Employee Costs	253,689,833	241,341,708	137,449.95	241,479,158	227,396,445	-13,945,263	-6%	This item relates to employee related costs booked in for the district and its entity, as at 30 June 2021, the total expended was R215.1 million resulting in a 11% variance below target but within the acceptable norm of +/- 10%. The variance is mainly attributable to most budgeted vacant posts not filled arose from resignations.
Remuneration Of Councillors	9,818,859	9,834,661	-	9,834,661	8,921,386	-913,276	-9%	This item relates to remuneration of Councillors. The actual expenditure as at 30 June 2021 was R9.8 million, the year to date actual was R8.9 million resulting in a variance of 9%. This is within the +- 10 threshold. This variance is attributable to Councillors' salaries budgeted on 6.5% increase while there was no actual increase received.
Debt Impairment	18,300,638	18,300,636		18,300,636	104,698,036	86,397,400	472%	This item relates to amount budgeted for contribution to the provision for doubtful debt in line with GRAP. The item was approved at R 13 million, however during the year there was no debt write off approved by Council to be written off. Due to COVID most consumers have been struggling to pay their debt which requires municipality to provide more provision on doubtful debt and also taking into account the National Unrest happened in July 2021. The municipality continues to implement its credit control policy in order improve revenue collection to reduce increase in debtors book.
Depreciation & Asset Impairmer	78,805,010	78,805,008	-	78,805,008	134,871,879	56,066,871	71%	There were assets that were capitalised during the end of the were which were completed which needed to be included into asset register and apply depreciation methodology accordingly. These include the municipal fleet that was acquired by the Municipality through COVID funds. The impairment of assets is done annually and that will determine the realistic impairment against the provision against the budget.

ILEMBE DISTRICT MUNICIPALITY
AUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2021

Description	Original Budget	Adjusted Budget (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
Finance Charges	12,690,707	7,710,495	966,517.00	8,677,012	5,857,622	-1,852,873	-21%	This is interest paid by the municipality to Financial Institutions for money borrowed by the municipality from those institutions. The expenditure anticipated for the period ended 30 June 2021 was R8.6 million, while the actual incurred for this period was R5.8 million, as a result the variance was -21% below target due to repayment of DBSA loan and interest on actuarial through GRAP 25.
Bulk Purchases	216,200,000	243,596,531		243,596,531	228,573,434	-15,023,098	-6%	This item refers to municipal water bulk purchases. The anticipated expenditure for the period ended 30 June 2021 was R243.5 million, while the actual expenditure for the period amounted to R228.5 million, this resulted in a 6% variance below anticipated expenditure. It should be noted that item is the main cost driver on provision water. The variance is mainly attributable various factors such as -; • Increase in new connections and the cost of providing water supply to consumers. However the variance is within the norm of +-10%. • Indirectly, water losses has an impact on this item. The municipality faces a high level of non-revenue water and real and apparent losses currently sitting at 57.2% and 45.9% respectively. There is currently a project dedicated to reduce water losses, improve service delivery and eradicate services backlogs increasing revenue while decreasing the extent of the Non-Revenue water. The total budget allocated to Water Conservation and Demand Management amounts to R 23.1 million where various activities will be performed. A 5 year-Master Plan will also be drafted from this programme.
Contracted Services	145,349,294	181,253,524	729,369.93	181,982,893	154,663,413	-26,590,110	-15%	This item consist of all contracted services of the municipality like electrical repairs, bulk maintenance, catering, grass cutting etc. The total budget for this item was R181.9 million and the actual expenditure as at 30 June 2021 was R154.6 million which 15% below the anticipated expenditure due to programmes that have been paused due to National Lockdown rules and also the municipality continues to implement its Cost Containment policy.
Other Expenditures	150,883,497	163,451,830	-1,833,336.88	161,618,493	157,617,218	-5,834,612	-4%	This is mainly due to the suspended operational projects as a result of Covid19 national lockdown, however the variance is within the norm of +-10%
Total Expenditure	885,737,837	944,294,393.85	-	944,294,394	1,022,599,433	78,305,039		
Surplus/(Deficit)	7,994,331	47,740,762.48	-	47,740,762	-26,850,045	-74,590,808		

ILEMBE DISTRICT MUNICIPALITY
AUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2021

Description	Original Budget	Adjusted Budget (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
Transfers Recognised - Capital	225,227,563	234,931,124	-	234,931,124	238,082,068	3,150,944	1%	Tthis relates to the conditions met on capital projejcts. The discrepancy is due to the fact that expenditure on the capital projects funded through grants was slightly more than buudgeted and the expenditure on operational projects were slighty less than budgeted. This was done mainly to prioritise the roll out of infrastructural projects with an aim of addressing water supply backlogs. In overall the expenditure on both grants tie back to the grant register in line with the conditions met in relation to conditions provided by funder.
Transfers and subsidies - capital (in-ki	0	-		-	0	0	0%	
Contributions Recognised - Capital	-		-	-		0	0%	
Surplus/(Deficit) After Capital Transfers	**233,221,894**	**282,671,886.32**	**-**	**282,671,886**	**211,232,022**	**-71,439,864**		
Profit/(Loss)						0		
Surplus/(Deficit For The Year	**233,221,894**	**282,671,886.32**	**-**	**282,671,886**	**211,232,022**	**-71,439,864**		
Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	195,850,055	204,287,931.11	-	204,287,931.11	206,382,121	2,094,190	1%	The variance is due to the capital projects that were estimated to be completed in June 2021 however there were a slighty delayes in completing those. However the variance is within the norm of 10%
Borrowing	0	-	-	-	4,142,010.12	4,142,010	0%	The municipality budgeted for 106 vehicles and received 90 vehicles. The reason for ths variance is that the municipality received the balance of 26 vehicles that was outstanding from last financial year due to the fact the country was challenges with the COVID-19 pandemic which resulted to National Lockdown. When the lockdown rules were relaxed it was already the end of the financial year.
Internally Generated Funds	6,795,523	44,553,980.24	-	44,553,980.24	27,154,923	-17,399,058	-39%	The variance is attributable to the projects that were anticipalted to be acquired, however the delevery was delayed due to National Lockdown regulations. These projects are disclosed as part of commitments in the notes of the financial statements.
Total Sources Of Capital Funds	**202,645,578**	**248,841,911.35**	**-**	**248,841,911**	**237,679,054**	**-11,162,857**		

ILEMBE DISTRICT MUNICIPALITY
AUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2021

Description	Original Budget	Adjusted Budget (I.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
					For the period ended 30 June 2020			
Description	Original Budget	Adjusted Budget (I.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Year to date Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
Service Charges	178,842,552	197,267,137	-	197,267,137	186,086,350	-11,180,787	-6%	The reason for the variance was that some projects which would have resulted in an increased billing that were anticipated to commence during the financial year were not completed. However, the varience is within acceptable norm.
Investment Revenue	4,022,376	13,250,001	-	13,250,001	16,169,830	2,919,829	22%	This refers to interest earned in the external investments of the municipality. The actual as at 30 June (Q4) 2020 was R 16 million, resulting in a positive variance amounting to R2.9 million (22%). This positive variance is due to the delayed implementation of various grant funded projects mainly as a result of the negative impact of the Corona Virus pandemic which slowed down construction during the period of Level 5 National Lockdown and some isolated cases during Level 4. As a direct consequence of this, unutilized funds are invested and have earned excessive interest.
Transfers Recognised - Operational	553,478,004	611,318,664	-	611,318,664	567,378,822	-43,939,842	-7%	The reason for the variance was that some of the operational projects were delayed due to National Lockdown, however the variance is withini acceptable norm.
Other Own Revenue	49,340,892	51,795,207	-	51,795,207	40,284,159	-11,511,048	-22%	The variance is attributable to various items which municipality has no control. The items includes interest on outstanding debtors which were below anticipated budget.
Total Revenue (Excluding Capital Transfers) & Contributions)	**785,683,824.00**	**873,631,009.00**	**-**	**873,631,009.00**	**809,919,161.38**	**-63,711,847.62**		
Employee Costs	241,813,668.00	221,420,138	-806,118.93	220,614,019	204,494,585	-16,925,553	-8%	This item relates to employee related costs booked in for the district and its entity, as at 30 June 2020, the total expended was R232.5 million resulting in a 7% variance below target but within the acceptable norm of +/- 10%. The variance is mainly attributable to most budgeted vacant posts not filled.
Remuneration.Of Councillors	10,941,216.00	9,449,621	55,443.40	9,505,064	8,877,406	-572,215	-6%	This item relates to remuneration of Councillors. The actual expenditure as at 30 June 2020 was R8.8 million, the year to date target was R9.4 million resulting in an unfavourable variance of 6%. This is within the +- 10 threshold. This variance is attributable to Councillors' salaries budgeted on 7% increase while they actual received 4% and some Councillors budgeted on full salary whereas they actual receiving part payment as they also serve to local municipalities i.e Speaker.
Debt Impairment	29,421,384.00	13,721,384		13,721,384	110,077,379	96,355,995	702%	This item relates to amount budgeted for contribution to the provision for doubtful debt in line with GRAP. The item was approved at R 29 million, however during the year, this item was adjusted down to R13.7 million mainly due to the Council resolution to write off R 54 million in the current financial year. It should be noted that write off relates to long outstanding debtors coming from previuos financial years. An increase on provision was due to consumers account with incomplete information which increase the risk for the debt not to be collected, as well the risk associated with indigent debtors.
Depreciation & Asset Impairment	84,354,660.00	84,354,660	621,931.25	84,976,591	115,358,509	31,003,849	36%	There were assets that were capitalised during the end of the were which were completed. The increase is also due to assets donated which needed to be included into asset register and apply depreciation methodology accordingly. there were also the acquisition of transport assets.The impairment of assets is done annually and that will determine the realistic impairment against the provision against the budget.

A
ct
ua
l

ILEMBE DISTRICT MUNICIPALITY
AUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2021

Description	Original Budget	Adjusted Budget (I.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
Finance Charges	12,402,624.00	11,356,874	-553,608.00	10,803,266	8,750,085	-2,606,789	-24%	This is interest paid by the municipality to Financial Institutions for money borrowed by the municipality from those institutions. The expenditure anticipated for the period ended 30 June 2020 was R11.3 million, while the actual incurred for this period was R6.5 million, as a result the variance was 42% below target due to repayment of ABSA loan.
Bulk Purchases	132,056,832.00	168,070,182		168,070,182	206,635,327	38,565,145	23%	This item refers to municipal water bulk purchases. The anticipated expenditure for the period ended 30 June 2020 was R168 million, while the actual expenditure for the period amounted to R206 million, this resulted in a 23% variance above anticipated expenditure. It should be noted that item is the main cost driver on provision water. The variance is mainly attributable various factors such as -; • Increase in new connections and the cost of providing water supply to consumers. • Indirectly, water losses has an impact on this item. The municipality faces a high level of non-revenue water and real losses currently sitting at 60% and 35% respectively. There is currently a project dedicated to reduce water losses, improve service delivery and eradicate services backlogs increasing revenue while decreasing the extent of the Non-Revenue water. The total budget allocated to Water Conservation and Demand Management amounts to R 27.3 million where various activities will be performed. A 5 year- Master Plan will also be drafted from this programme. To date, 71 bulk water meters have been verified, mainly for Ndwedwe, KwaDukuza and Maphumulo.
Contracted Services	133,660,776.00	223,261,096	-6,835,927.55	216,425,169	208,847,674	-14,413,422	-7%	This item consist of all contracted services of the municipality like electrical repairs, bulk maintenance, catering, grass cutting etc. The total budget for this item was R216.4 million and the actual expenditure as at 30 June 2020 was 204.8 million which 7% below the anticipated expenditure.
Other Expenditures	138,027,082.28	138,390,673	5,628,440.67	144,019,114	139,134,714	744,041	1%	This is mainly due to the suspended operational projects as a result of Covid19 national lockdown
Total Expenditures	**782,678,242.28**	**870,024,628.16**	**(1,889,839.16)**	**868,134,789.00**	**#############**	**132,151,050.92**	-86%	
	3,005,581.72	**3,606,380.84**	**1,889,839.16**	**5,496,220.00**	**(192,256,517.70)**	**(195,862,898.54)**		
Transfers Recognised - Capital	296,595,996	287,545,767	-	287,545,767	289,831,032	2,285,264	1%	The reason for the variance is due to Fire Vehicle truck grant that was utilised by end of 30 June 2020 due to delays on SCM process on transversal tender hence the database for National Treasury is limited in terms of specification that the municipality is requiring.
Contributions Recognised - Capital & Contributed Assets	0	9,640,690		9,640,690	11,024,137	1,383,447	14%	These are donations made by KZN COGTA in order to to undertake the programme on Operation Kwawuleza.
Surplus/(Deficit) After Capital Transfers & Contributions	**299,601,577.72**	**300,792,838.30**	**1,889,839.16**	**302,682,677.46**	**108,598,650.73**	**(192,194,187.57)**		
					-	-		
Surplus/(Deficit For The Year	299,601,577.72	300,792,838.30	1,889,839.16	302,682,677.46	108,598,650.73	(192,194,187.57)		
					-	-		
Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	262,257,391	250,148,135.84	-	250,148,135.84	187,529,189	-62,618,946	-25%	These are donations made by KZN COGTA in order to to undertake the programme on Operation Kwawuleza.
Borrowing	63,148,521	73,148,519.00	-	73,148,519.00	40,114,920.34	-33,033,599	0%	The municipality budgeted for 106 vehicles and received 90 vehicles. The reason for the balance of 26 vehicles not to be received was that they were going to be received during April 2020, unfortunately the country was challenges with the COVID-19 pandemic which resulted to National Lockdown. When the lockdown rules were relaxed it was already the end of the financial year.
Internally Generated Funds	22,542,502	14,738,964.02	-	14,738,964.02	4,406,159	-10,332,805	-70%	The variance is attributable to low expenditure on water metres project and other ICT capital projects. These projects were not implemented due to austerity measures and cost containment policy.
Total Sources Of Capital Funds	**347,948,414.06**	**338,035,618.85**	**-**	**338,035,618.85**	**232,050,269.29**	**-105,985,349.56**		

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2021

Reportable Segments for the year ended 30 June 2021

For management purposes, the municipality is organised and operates in three key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and 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.

The three key business units comprise of:

• Trading services which includes water management and waste water management;

• Unallocated (Finance & Admin)

• Other

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2021

2020/2021

	Trading Services	Unallocated	Other	Total		
Segment Revenue	934,543,831	188,782,506	110,367,127	1,233,693,464	1233693033	
External revenue from non-exchange transactions	703,976,955	120,884,023	108,226,157	933,087,136	933087136	
External revenue from exchange transactions	230,566,875	16,281,623	2,140,970	248,989,469	248989468 6	
Revenue from transactions with other segments				-	0	
Interest revenue	-	51,616,860		51,616,860	51616428.16	
Segment Expenses	477,878,067.30	324,116,523.97	220,466,850.88	1,022,461,442	1038165167	
Total Segment expenses	477,878,067	292,783,698	111,071,168	881,732,933	897436658	
Depreciation and amortisation	-	25,475,204.49	109,395,683.17	134,870,888	134,871,879.46	991.80
Interest expense	-	5,857,621.67	-	5,857,622	5857621.67	
Internal charges				-		
Share of Surplus/(Deficit) of Associates / Joint Ventures				-	-3,703,950.18	
Taxation				-		
Surplus/deficit for the year	456,665,764	- 135,334,018	- 110,099,724	211,232,022	195,527,865.49	

0.37

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	Trading Services	Unallocated	Other	Total
ASSETS					
Current Assets					
Cash and cash equivalents	3	(350,918,848)	(46,049,377)	600,003,212	203,034,987
Current term Investments	8				
Trade and other receivables from exchange trans:	2	297,778,219	(136,641,325)	2,025,998	163,162,892
Trade and other receivables from non exchange tr	4				
Inventories	5	(44,483,138)	55,431,304	(59,482)	10,888,684
Total current assets		(97,623,768)	(127,259,398)	601,969,729	377,086,563
Non-current assets					
Non-current receivables	6		1,080,517		1,080,517
Long term Investments	7				
Other non-current financial assets	4		100		100
Property, plant and equipment	10	177,598,494	2,702,531,843	(152,849,969)	2,727,280,368
Intangible assets	12		6,254,888		6,254,888
Heritage Assets	11		205,578		205,578
Total non-current assets		177,598,494	2,710,072,925	(152,849,969)	2,734,821,450
Total assets		79,974,726	2,582,813,527	449,119,759	3,111,908,013
LIABILITIES					
Current liabilities					
Trade and other payables from exchange transact	13	97,555,550	108,520,602	(22,080,456)	183,995,696
Trade and other payables from non - exchange tra	14	(375,552,781)	457,370,562	(79,600,937)	2,216,844
Current portion of borrowings	15		7,006,397		7,006,397
Current portion of finance lease liability	16.1		18,710,298		18,710,298
Current portion of financial liability:Umngeni Water	35		6,526,523		6,526,523
Current portion of employee benefits	36		2,893,000		2,893,000
Total current current liabilities		(277,997,231)	601,027,382	(101,681,393)	221,348,757
Non-current liabilities					
Non-current unspent conditional grants and receip	14				
Non-current borrowings	15		26,177,543		26,177,543
Non-current finance lease liability	16.1		14,284,493		14,284,493
Non-current financial liabilities:Umngeni Water CU(	35		64,721,351		64,721,351
Employee benefits	36		15,212,000		15,212,000
Total non-current liabilities		-	120,395,387	-	120,395,387
Total liabilities		(277,997,231)	721,422,768	(101,681,393)	341,744,144
Net assets		357,971,957	1,861,390,759	550,801,153	2,770,163,869
Reserves					
Accumulated surplus		59,703	2,710,464,313	59,639,853	2,770,163,869
Total net assets		59,703	2,710,464,313	59,639,853	2,770,163,869

ILEMBE DISTRICT MUNICIPALITY - DC29
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2020

2019/2020

	Trading Services	Unallocated	Other	Total
Segment Revenue	842,882,515	192,898,420	74,993,398	1,110,774,333
External revenue from non-exchange transactions	670,006,885	128,084,292	71,209,056	869,300,233
External revenue from exchange transactions	173,091,385	16,613,214	3,784,342	193,488,941
Revenue from transactions with other segments				-
Interest revenue	- 215,755	48,200,914		47,985,159
Segment Expenses	502,129,696.11	294,731,067.51	205,395,817.30	1,002,256,581
Total Segment expenses	502,126,583	267,977,262	108,043,594	878,147,439
Depreciation and amortisation	3,112.90	18,003,172.34	97,352,223.58	115,358,509
Interest expense	-	8,750,633.21	-	8,750,633
Internal charges				-
Share of Surplus/(Deficit) of Associates / Joint Ventures				-
Taxation				-
Surplus/deficit for the year	340,752,819	- 101,832,648	- 130,402,419	108,517,752

ILEMBE DISTRICT MUNICIPALITY - DC29
STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	Trading Services	Unallocated	Other	Total
ASSETS					
Current Assets					
Cash and cash equivalents	3	15,409,393	(531,804,993)	742,751,972	226,356,371
Current term Investments	8				
Trade and other receivables from exchange trans:	2	165,269,019	(18,831,500)	2,025,998	148,463,517
Trade and other receivables from non exchange tr	4				
Inventories	5	(36,425,159)	46,661,154	297,663	10,533,659
Total current assets		144,253,253	(503,975,339)	745,075,633	385,353,547
Non-current assets					
Non-current receivables	6		608,281		608,281
Long term Investments	7				-
Other non-current financial assets	4			100	100
Property, plant and equipment	10	68,532,818	2,783,132,822	(221,324,907)	2,630,340,733
Intangible assets	12		4,229,101		4,229,101
Heritage Assets	11		205,578		205,578
Total non-current assets		68,532,818	2,788,175,782	(221,324,807)	2,635,383,792
Total assets		212,786,070	2,284,200,443	523,750,826	3,020,737,339
LIABILITIES					
Current liabilities					
Trade and other payables from exchange transact	13	35,510,531	251,638,193	(35,191,319)	251,957,405
Trade and other payables from non - exchange tr:	14	(2,975,265)	(40,739,567)	84,569,401	40,854,569
Current portion of borrowings	15		5,042,476		5,042,476
Current portion of finance lease liability	16.1		14,446,227		14,446,227
Current portion of financial liability:Umngeni Water	35		6,526,523		6,526,523
Current portion of employee benefits	36		1,465,136		1,465,136
Total current current liabilities		32,535,266	238,378,988	49,378,082	320,292,335
Non-current liabilities					
Non-current unspent conditional grants and receip	14				
Non-current borrowings	15		33,183,941		33,183,941
Non-current finance lease liability	16.1		24,495,098		24,495,098
Non-current financial liabilities:Umngeni Water CU(	35		71,791,751		71,791,751
Employee benefits	36		13,968,222		13,968,222
Total non-current liabilities		-	143,439,011	-	143,439,011
Total liabilities		32,535,266	381,817,999	49,378,082	463,731,347
Net assets		180,250,804	1,902,382,443	474,372,744	2,557,005,992
Reserves					
Accumulated surplus		302,484	2,497,063,655	59,639,853	2,557,005,992
Total net assets		302,484	2,497,063,655	59,639,853	2,557,005,992

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).
The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.5 GOING CONCERN ASSUMPTION

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

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income, expenses and other reports. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

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

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumption for pension obligation are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annulation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statement are compiled for each fund not per employer. Further details of this plan is included in the notes to the Financial Statements.

Provision for impairment of trade receivables
The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated recoverable future cash flow based on past recovery trends.

Non-cash generating and cash generating Impairment testing
Management used the fair value less cost to sell to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note – Impairment of assets
All assets owned/recognised by the municipality are held for the provision of basic service and are considered to be non-cash generated assets

Provision
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provision are included in notes to Financial Statements.
Provision are measured at the head of department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.
A provision is recognised when:
The municipality has a present obligation (legal or constructive) as a result of a past event;
It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
A reliable estimate can be made of the obligation.

1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1.10).

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 104 Financial Instrument

The following Standards issued but not yet effective have an effective date of 1 April 2021.

GRAP 104 Financial Instrument

1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The Minister has determined the following GRAP standards as approved effective:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 7 Investments in Associates
GRAP 8 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash-generating assets
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 32 Service Concession arrangements: Grantor
GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investment in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interests in Other Entities
GRAP 100 Discontinued Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 - Transfer of Functions Between Entities Under Common Control
GRAP 106 Transfer of Functions Between Entities Not Under Common Control
GRAP 107 Mergers
GRAP 108 Statutory Receivables
GRAP 109 Accounting by Principals and Agents
GRAP 110 Living and Non-Living Resources

Interpretations of the standard of GRAP Approved and effective
IGRAP 1 Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2 Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 3 Determining Whether an Arrangement Contains a Lease
IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6 Loyalty Programmes
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9 Distributions of Non-cash Assets to Owners
IGRAP10 Assets Received from Customers
IGRAP 11 Consolidation - Special Purpose Entities
IGRAP 12 Jointly Controlled Entities - Non-Monetary Contributions
IGRAP 13 Operating Leases - Incentives
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 Revenue - Barter Transactions Involving Advertising Services
IGRAP 16 Intangible Assets - Website Costs
IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land
IGRAP 19 Liabilities to Pay Levies
IGRAP 20 Accounting for Adjustments to Revenue

Interpretations of the standard of GRAP Approved and not yet effective
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 21 The Effect of past Decisions on Materiality

Directive 7 (Revised): The Application of Deemed Cost (1 April 2021)

The following standards have been issued but are not yet effective:

GRAP 104 Financial Instruments

Guidelines of the Standard of GRAP approved and effective
Guidelines on Accounting for Arrangements Undertaken into. to the National Housing Programmed (1 April 2021)

Guidelines of the Standard of GRAP approved and not yet effective

Guidelines on Accounting for Landfill Sites
Guidelines on the Application of Materiality to Financial Statements

1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2020 to 30 June 2021. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 42. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2021 is presented in note 42. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 42. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

Differences between budget and actual amounts are regarded as material when a more than 10% variance exists.

All material differences are explained in the notes to the annual financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Years	Other	Years
Water	5 - 50	Machinery and equipment	2 - 25
Sewerage	15 - 20	Furniture and equipment	5 - 25
Other	0 - 30	Motor vehicles	3 - 15
		Buildings	5 - 30

There are 250 assets with nil book value, the assets have reached its maximum useful lives when being reassessed and therefore are fully depreciated and the assets are still being used by the municipality

An entity shall assess at each reporting date whether there is an indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. No longer a requirement to review residual values and useful lives each year.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;
• the municipality has the resources to complete the project; and
• it is probable that the municipality will receive future economic benefits or service potential.
Intangible assets are initially recognised at cost.
Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:
Computer software and website: 2 - 5 Years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 HERITAGE ASSETS

4.1 INITIAL RECOGNITION AND MEASUREMENT

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:
• it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
• the cost or fair value of the asset can be measured reliably.

If the municipality holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

4.3 DEPRECIATION & IMPAIREMENT

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets.

In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:

4.3.1 External sources of

(a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) The absence of an active market for a revalued heritage asset.

4.3.2 Internal sources of

(a) Evidence is available of physical damage or deterioration of a heritage asset.
(b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

4.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

5.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is a determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

6 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is:

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

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

deliver cash or another financial asset to another entity: or
exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting

The municipality has the following types of financial assets as reflected on the face of the Statement of financial Position or other notes thereto:

Financial Assets:

Cash and Cash Equivalents = Financial asset measurement at amortised cost

Trade and Other Receivables from Exchange Transactions = Financial asset measured at amortised cost

Trade and Other Receivables from Non-Exchange Transactions = Financial asset measured at amortised cost

Non-Current Receivables = Financial Asset measured at amortised cost

Financial Liabilities:

Trade and Other Payables from Exchange Transactions = Financial liability measured at amortised cost

Trade and Other Payables from Non-Exchange Transactions = Financial liability measured at amortised cost

Borrowings = Financial liability measured at amortised cost

Finance Lease Liabilities = Financial liability measured at amortised cost

7.2 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below- market related rate: the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its components.
Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms used in the public sector, either through established practices or legislation. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered, if it is material.

7.3 SUBSEQUENT MEASUREMENT

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:

(a) Financial instruments at fair value
(b) Financial instruments at amortised cost
(c) Financial instruments at cost

7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUI

Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives , combined instruments that are designated at fair value, instruments held for trading , financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments at amortised cost , are non-derivative financial assets or financial liabilities that have fixed or determinable payments , excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.3.3 FINANCIAL INSTRUMENTS AT COST

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial instruments at cost are subsequently measured at cost if the fair value cannot be reliably determined.
Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.4 RECLASSIFICATIONS

The municipality does not reclassify a financial instrument when it is issued or held , except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

7.5 GAINS AND LOSSES

Gains and losses on fair value measurements ,reclassifications , impairment , derecognition are recognised in surplus or deficit

7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

7.6.1 FINANCIAL ASSETS AT AMORTISED COST

For financial assets at amortised cost; the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

7.6.2 FINANCIAL ASSETS AT

For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

7.7 DERECOGNITION

7.7.1 FINANCIAL ASSETS

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

(a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
(b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
(c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
(i) derecognise the asset; and
(ii) recognise separately any rights and obligations created or retained in the transfer.

7.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when , and only, it is extinguished . A financial liability is extinguished when the debtor either:

(a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities , goods or services.
(b) Is legally released from primary responsibility for the liability either by process(expires) of law or by the creditor (cancelled). If the debtor has given a guarantee , this condition may still be met.
(c) Waives the debt or it is assumed by another municipality by way of a non- exchange transaction.

Interest, dividends or similar distributions , losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when , the municipality:

(i) Currently has a legally enforceable right to set off the recognised amounts; and
(ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.
Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

9 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—
(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) 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
(f) a grant by the municipality otherwise than in accordance with this Act.

9.1 IDENTIFICATION AND INTERNAL REPORTING

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write - off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

9.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any unauthorised expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
(c) The steps that have been taken-
(i) To recover or rectify such expenditure; and
(ii) To prevent a recurrence of such expenditure

10 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—
(a) 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;
(b) 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;
(c) 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
(d) 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".

10.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

10.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any irregular expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such irregular expenditure; and
(c) The steps that have been taken-
(i) To recover or rectify such expenditure; and
(ii) To prevent a recurrence of such expenditure

11 FRUITLESS AND WASTEFUL EXPENDITUI

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.

11.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

11.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any irregular expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
(c) The steps that have been taken-
  (i) To recover or rectify such expenditure; and
  (ii) To prevent a recurrence of such expenditure

12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).
The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The tariff in respect of sewerage is based on the value of consumption used from one point of meter supply

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. 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. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

Service charges from sewerage and sanitation are based on the value of consumption used from one point of meter supply and this is set out in the tariffs of charges approved by Council.

Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.

A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.

Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

14.3 RECOGNITION

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied:

(a) When the resource is controlled by the entity as a result of a past event;
(b) It is probable that the future economic benefits or service potential associated with the resource will flow to the municipality; and
(c) The fair value of the resource can be measured reliably.

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

Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.

The municipality does not recognise service in - kind.
The municipality recognises

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14.4 MEASUREMENT

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.

Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.

Revenue from vat refunds is measured at gross amounts.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 EMPLOYEES BENEFITS

16.1 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

16.2 POST- EMPLOYMENT BENEFITS

16.2.1 DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The

16.2.2 DEFINED BENEFITS PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.
When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

16.2.3 OTHER LONG - TERM BENEFITS PLANS

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

16.2.4 TERMINATION BENEFITS

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

17 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

18 IMPAIRMENT OF ASSETS

Primary objective for cash generating assets is to generate a commercial return and the primary objective for non- cash generating asset is service delivery. The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:
(a) Was the asset acquired to generate a commercial return?
(b) Does the asset operate independently from other assets?
(c) Does the asset generate cash flows independently from other assets?
If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.

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

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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 cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non - cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non cash generating asset is determined as the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for 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 as follows:
- to 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 of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

19 RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly owned by the iLembe District Municipality. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be 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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.
Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

20 EVENTS AFTER REPORTING DATE

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

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

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

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

21 COMMITMENTS

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment

22 Segment information

A segment is an activity of an entity:
that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
for which separate financial information is available.
Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.
If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

22.01 **Identification of segments**

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

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

Aggregated segments

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Allowance for Impairment on receivables	Net Balance
Trade receivables	R		
For the period ended 30 June 2021			
Service debtors			
Water and Sewerage	549,648,889	(426,717,329)	122,931,560
Direct Payments	(308,529)	-	(308,529)
Total	**549,340,360**	**(426,717,329)**	**122,623,031**
Other Receivables			
Accrued interest	2,358,864	-	2,358,864
Ilembe Enterprise	-	-	-
Outstanding deposits	289,556	-	289,556
Sundry Debtors	5,371,075	-	5,371,075
Other debtors	10,741,158	(4,151,851)	6,589,308
Acknowledgement of debt	98,098	-	98,098
Vat receivable	25,832,961	-	25,832,961
Total other Receivables	**44,691,712**	**-4,151,851**	**40,539,861**
Total Trade and other receivables	**594,032,072**	**(430,869,180)**	**163,162,892**
as at June 2020			
Service debtors			
Water and Sewerage	410,497,493	(309,124,103)	101,373,390
Direct Deposits	(1,310,578)		(1,310,578)
Total	**409,186,916**	**(309,124,103)**	**100,062,812**
Other receivables			
Umngeni water debtor		-	-
Accrued interest	4,068,026	-	4,068,026
Ilembe Enterprise	456,237	-	456,237
Outstanding deposits	1,200,644	-	1,200,644
Sundry Debtors	5,764,743	-	5,764,743
Other debtors	10,329,682	(4,151,851)	6,177,831
Vat receivable	30,733,223	-	30,733,223
Other receivables	**52,552,555**	**(4,151,851)**	**48,400,704**
Total Trade and other receivables	**461,739,471**	**(313,275,954)**	**148,463,517**

Summary of Debtors by Customer Classification	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
For the period ended 30 June 2021			
Current (0 – 30 days)	17,372,255	4,383,189	2,758,723
31 - 60 Days	15,637,073	1,736,150	2,125,833
61 - 90 Days	15,403,052	1,399,022	1,945,897
91 - 120 Days	13,049,973	1,378,123	1,302,201
121 - 365 Days	13,214,190	1,072,001	1,083,953
+ 365 Days	428,273,825	10,768,517	16,744,914
Sub-total	**502,950,368**	**20,737,002**	**25,961,520**
Less: Allowance for impairment on receivables	(409,820,153)	(16,897,177)	
Total debtors by customer classification	**93,130,215**	**3,839,825**	**25,961,520**
at 30 June 2020			
Current (0 – 30 days)	14,023,704	5,209,320	1,797,136
31 - 60 Days	11,801,205	1,088,654	835,177
61 - 90 Days	10,615,206	688,011	532,835
91 - 120 Days	14,507,251	604,941	437,107
121 - 365 Days	10,168,571	456,035	464,630
+ 365 Days	319,143,178	7,888,955	10,235,578
Sub-total	**380,259,116**	**15,935,915**	**14,302,463**
Less: Allowance for impairment on receivables	(296,690,390)	(12,433,713)	-
Total debtors by customer classification	**83,568,726**	**3,502,202**	**14,302,463**

	2021 R	2020 R *Restated*
Water and Sewerage: Ageing		
Current (0 – 30 days)	24,514,166	21,030,160
31 - 60 Days	19,499,055	13,725,036
61 - 90 Days	18,747,971	11,836,052
91 - 120 Days	15,730,297	15,549,298
121 - 150 Days	15,370,144	11,089,236
+ 365 Days	455,787,255	337,267,711
Total	**549,648,889**	**410,497,493**

Reconciliation of the doubtful debt provision

	2021	2020
Balance at beginning of the year	(309,047,297)	(250,342,015)
Contributions to provision VAT inclusive	(120,402,742)	(110,077,379)
Bad debts recovered/ Consumer Accounts Adjustments	412,897	(4,825,445)
Doubtful debts written off against provision	2,319,813	56,197,542
Balance at end of year	**(426,717,329)**	**(309,047,297)**
Contributions to provision exluding VAT	**(104,698,036)**	-

Value Added Tax

The Municipality is on a payment basis in terms of submission of VAT Returns to the South African Revenue Services (SARS). However, since the Municipality is on the accrual basis of accounting, Output VAT Accrual is raised when a transaction relating to the sale of water, rendering of sanitation services or any other sundry income transactions occur. Similarly, Input VAT Accrual is raised when suppliers and/or service providers invoices are processed.

The Output VAT Accrual is cleared when monies in respect of billed income is received by the Municipality. The Output Accrual in respect of billed income where monies for such billed incomce is not yet received by the Municipality remains as balances in the Output VAT Accrual. The portion of Output VAT that is proportionate to the payment received is moved into the VAT Control Account.

The Input VAT Accrual is cleared when monies in respect of invoices for goods supplied and/or services rendered are paid through the Municipality's Cash Book system. The portion of Input VAT that is proportionate to the payment made out of the Municipality's Cash Book is moved into the VAT Control Account.

Where the balance of Output VAT due to be payable to SARS exceeds the Input VAT claimable, the net position of the VAT Control Account becomes a net "Payable". If, however, the Input VAT due to the Municipality exceeds the Output VAT due to SARS, the net position of the VAT Control Account becomes a net "Receivable".

As the Municipality will from time to time make an assessment on the collectibility of billed income overtime and raise the necessary provisions to impair a portion of debt that is considered uncollectible, such debt impairment takes into account the VAT portion which is part of outstanding debt at the time of assessment. Similarly, such Ouput VAT Accrued should be impaired accordingly.

At 30 June 2021, the Municipality had a balance of Output VAT Accrual amounting to R72 007 268.16 relating to current and historically billed income. Over the years when collectibility of consumer debt was assessed and such uncollectibe debt impaired, the VAT implications were not considered, resulting into accumulation of the Output VAT Accrual over time. This error was only corrected during 2020/21 reporting year. This resulted into the correction being split into two, namely correcting the implications of VAT in the current year movement of Debt Impaiment and Correction of Prior Year Errors being

NARRATIVE INFORMATION	PROVISIONS	VAT IMPLICATIONS
Cummulative Provision for Debt Impairment - 30 June 2020 (Ir	309,053,911.00	
Cummulative Provision for Debt Impairment - 30 June 2020 (E	268,742,531.30	
VAT Adjustment - 30 June 2020 (at 15%)	40,311,379.70	40,311,379.70
Provision for Debt Impairment - 30 June 2021 (Inclusive of VA	120,402,741.81	
Provision for Debt Impairment - 30 June 2021 (Exclusive of V/	104,698,036.36	
VAT Adjustment - 30 June 2021 (at 15%)	15,704,705.45	15,704,705.45
VAT PROVISION ON DOUBTFUL DEBTS		**56,016,085.15**

DETAILED VAT ANALYSIS	
June 2021 VAT Claim(Per SARS VAT Return)	7,078,213.06
Input VAT Claimable (Not included in June 2021 SARS VAT Return)	1,821,458.12
Input VAT Claimable (Accrued Creditors Invoices payable during 2021/22 Fin Y	32,924,473.03
Sub-Total Input VAT Claimable	**41,824,144.21**
Add VAT Claims Disallowed by SARS	**5,295,596.84**
Sub-Total Input VAT	**47,119,741.05**
Less VAT Claims Disallowed by SARS (Written Off Against Accumulated Surplu	**-5,295,596.84**
NET Input VAT Claimable	**41,824,144.21**
Output VAT on Consumer Billing - Opening Balance as at 01/07/2021	-35,738,238.97
Output VAT on Consumer Billing - Movement During 2020/21 Financial Year	-36,269,029.19
Sub-Total Output VAT	**-72,007,268.16**
Less VAT Provision on Doubtful Debts	**56,016,085.15**
NET Output VAT Payable	**-15,991,183.01**
NET VAT RECEIVABLE / (PAYABLE)	**25,832,961.20**

3 CASH AND CASH EQUIVALENTS

	2021 R	2020 R
Cash and cash equivalents consist of the following:		
Petty cash and cash on hand	44,000	44,000
Bank statement balance	202,990,987	226,312,371
	203,034,987	226,356,371

The Municipality has the following bank accounts: -

Water Bank Account

ABSA Bank Account - Durban Branch
Account Number 4057878321 - Current Account

	2021 R	2020 R
Cash book balance at beginning of year	(463,304)	15,341
Cash book balance at end of year	**15,341**	**(463,304)**
Bank statement balance at beginning of year	658,298	2,802,188
Bank statement balance at end of year	**160,194**	**658,298**

Salaries Bank Account

First National Bank - Durban Branch
Account Number 62006302385 - Current Account

	2021 R	2020 R
Cash book balance at beginning of year	107,698	608,944
Cash book balance at end of year	**59,891**	**107,698**
Bank statement balance at beginning of year	2,272,594	613,044
Bank statement balance at end of year	**116,010**	**2,272,594**

Main Bank Account

First National Bank Account - Durban Branch
Account Number 50851211546 : Current Account

	2021 R	2020 R
Cash book balance at beginning of year	(14,579,766)	11,351,214
Cash book balance at end of year	**17,576,375**	**(14,579,766)**
Bank statement balance at beginning of year	8,391,149	11,412,206
Bank statement balance at end of year	**17,581,495**	**8,391,149**

Revenue Bank Account

First National Bank - Durban Branch
Account Number 62409366722 : Current Account

	2021 R	2020 R
Cash book balance at beginning of year	13,975,078	23,213,486
Cash book balance at end of year	**8,970,755**	**13,975,078**
Bank statement balance at beginning of year	13,387,106	20,160,326
Bank statement balance at end of year	**8,843,479**	**13,387,106**

	2021 R	2020 R
Projects Bank Account		
First National Bank - Durban Branch		
Account Number 62046718641 - Current Account		
Cash book balance at beginning of year	(60,192,071)	745,752
Cash book balance at end of year	**32,717,597**	**(60,192,071)**
Bank statement balance at beginning of year	9,385,846	745,752
Bank statement balance at end of year	**32,717,638**	**9,385,846**
FNB Sub-Main		
First National Bank - Stanger Branch		
Account Number 62824322862 : Current Account		
Cash book balance at beginning of year	**500,143**	-
Cash book balance at end of year	**-11,386,711**	**500,143**
Bank statement balance at beginning of year	**506,476**	-
Bank statement balance at end of year	**325,126**	**506,476**
Inter Bank Transfers		-
Investment Current Account		
ABSA Bank Account - Durban Branch		
Account Number 9114541258 : Call Account		
Bank statement balance at the begining of the year	507	535
Bank statement balance at the end of the year	-	**507**
Investment Current Account		
FNB Bank Call Account -		
Business Nstd : 62129309937 Call account-		
Bank statement balance at the begining of the year	22 969 811	38 816 243
Bank statement balance at the end of the year	**7 722 652**	**22 969 811**
Investment Current Account		
FNB Call Account -		
Account Number 61085067093 - Call Account		
Bank statement balance at the begining of the year	46 875 334	5 044 344
Bank statement balance at the end of the year	**267 424**	**46 875 334**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62758088746 : Call Account		
Bank statement balance at the begining of the year	2 410 998	22 723
Bank statement balance at the end of the year	**2 877 337**	**2 410 998**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773448462 : Call Account		
Bank statement balance at the begining of the year	161 104	57 224
Bank statement balance at the end of the year	**475 821**	**161 104**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773447729 : Call Account		
Bank statement balance at the begining of the year	1 363	48 568
Bank statement balance at the end of the year	**9 229**	**1 363**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773446929 : Call Account		
Bank statement balance at the begining of the year	716 640	681 417
Bank statement balance at the end of the year	**172 127**	**716 640**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773449965 : Call Account		
Bank statement balance at the begining of the year	9 278 052	4 220 963
Bank statement balance at the end of the year	**7,043,649**	**9 278 052**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773451366 : Call Account		
Bank statement balance at the begining of the year	39 856 777	26 056 862
Bank statement balance at the end of the year	**44,685,728**	**39 856 777**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62796879206 : Call Account		
Bank statement balance at the begining of the year	3 684 389	3 474 702
Bank statement balance at the end of the year	-	**3 684 389**
Investment Current Account		
First National Bank Account		
Account Number 62905591170 : Call Account		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**1 044 491**	-
Investment Current Account		
INVESTEC FIXED		

	2021 R	2020 R
Specify (INVESTEC BANK (1100435877503):Call Account		
Bank statement balance at the begining of the year	**1 399 624**	1 322 023
Bank statement balance at the end of the year	**-**	**1 399 624**
Investment Current Account *First National Bank* *Account Number 62313562309 : Call Account*		
Bank statement balance at the begining of the year	47 395 538	59 179 672
Bank statement balance at the end of the year	**401 046**	**47 395 538**
Investment Current Account *First National Bank Account - Durban Branch* *Account Number 62896350817 : Call Account*		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**36 805 325**	-
Investment Current Account *First National Bank Account - Durban Branch* *Account Number 62905593837 : Call Account*		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**103 184**	-
Investment Current Account *First National Bank Account - 32 Day Flexi Notice* *Account Number 74905604134 :*		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**17 698 989**	-
Investment Current Account *First National Bank Account* *Account Number 62905587806 : Call Account*		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**1 295 470**	-
Investment Current Account *First National Bank Account* *Account Number 62905590007 : Call Account*		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**685 984**	-

	2021 R	2020 R
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62828232520: Call Account		
Bank statement balance at the begining of the year	16 960 766	-
Bank statement balance at the end of the year	**21 958 589**	**16 960 766**
Petty cash and cash on hand	**44,000**	**44,000**
Total investments	**143,247,046**	**191,710,903**
Bank Statement Balance	**59,743,942**	**34,601,469**
Cash book balance at beginning of year	(60,608,221)	35,978,739
Cashbook balance at year end	**47,997,249**	**(60,608,221)**

4 INVESTMENT IN CONTROLLED ENTITY

	2021	2020
Investments in cotrolledl entity - Enterprise Ilembe Development Agency	100	100
% Holding	100%	100%

Ordinary Share: 100 @ R1 each

5 INVENTORIES

	2021	2020
Opening balance of inventories:	**10,533,659**	**9,565,378**
Consumable stores - at Net Replacement Cost	8,900,382	8,422,577
Prior period adjustment	294,393	-
Water	1,338,883	1,142,800
Receipts (Acquisitions)	**237,546,940**	**219,150,108**
Consumable stores	8,973,506	12,514,781
Water	228,573,434	206,635,327
Issued (expensed):	**(236,851,104)**	**(219,014,510)**
Consumable stores	9,686,489	12,575,266
Water	227,164,615	206,439,244
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	**(340,811)**	**538,292**
Consumable stores	340,811	538,292
Water		
Closing balance of inventories:	**10,888,684**	**10,239,265**
Consumable stores	8,140,982	8,900,382
Water	2,747,702	1,338,883

There is no inventory pledged as a security for liability.

6 NON-CURRENT RECEIVABLES

	2021	2020
Staff Debtors	840,754	333,518
Councillor A Baardman Salary Overpayment	239,763	274,763
Total	1,080,517	608,281

Staff debtors relate to bursaries granted to certain staff members as part of a bursary scheme approved by council in previous financial years.

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Computer Equipment	Furniture & Office Equipment	Machinery & Equipment	Transport	Total
	R	R	R	R	R	R		R
As at 1 July 2020	**3,092,908**	**23,410,330**	**2,547,223,258**	**1,606,038**	**2,550,904**	**2,589,420**	**49,867,951**	**2,630,340,733**
Cost/Revaluation	3,092,908	34,484,216	3,258,281,861	7,080,678	4,519,657	4,114,343	61,195,854	3,372,769,516
Correction of prior year error (note 30) - Cost		-	-	-	-	-		-
Correction of prior year error (note 30) - Accumulated depreciation and impairment losses			(1,354,747)					(1,354,747)
Accumulated depreciation and impairment losses	-	(11,073,885)	(709,703,853)	(5,474,640)	(1,968,753)	(1,524,923)	(11,327,903)	(741,073,958)
Acquisitions	-		-	7,552,304	13,660	1,489,450	18,140,005	27,195,419
Capital under Construction	-		206,701,550		-	-	-	206,701,550
Depreciation	-	(1,196,891)	(100,855,456)	(1,508,749)	(400,145)	(466,105)	(17,427,451)	(121,854,797)
Carrying value of disposals	-	-	(5,153,907)	(202,814)	(22,081)	(21,574)	-	(5,400,376)
Cost/Revaluation	-	-	(15,483,401)	(4,196,463)	(123,584)	(236,833)	-	(20,040,281)
Accumulated depreciation and impairment losses	-	-	10,329,494	3,993,649	101,503	215,259	-	14,639,905
Impairment loss/Reversal of impairment loss	-	-	(6,673,640)	16,021	2,120	(75,057)		(6,730,556)
Transfer into Assets	-	-	238,143,648		-	-	-	238,143,648
Transfer from WIP		-	(238,143,648)				-	(238,143,648)
Other movements (change in accounting estimates)	-	(18,434)	(2,785,759)	(43,224)	(33,291)	(91,195)	-	(2,971,903)
For the period ended 30 June 2021	**3,092,908**	**22,195,006**	**2,638,456,268**	**7,419,574**	**2,111,166**	**3,424,940**	**50,580,506**	**2,727,280,368**
Cost/Revaluation	3,092,908	34,484,216	3,449,500,010	10,436,518	4,409,733	5,366,960	79,335,859	3,586,626,204
Accumulated depreciation and impairment losses	-	(12,289,209)	(811,043,742)	(3,016,944)	(2,298,567)	(1,942,020)	(28,755,354)	(859,345,837)

The circumstances under Impairment of Proprerty Plant and Equipment were derived through verification and conditional assessment of assets.

Threre is no Property, Plant and Equipment pledge as security for liabilities.

Assets Under Construction is made of the following:

Pump Station: Pump replacement	732,963
Telemetry sytem	1,593,378
Masibambisane Water Supply Refurbishment	30,218,525
Waste Water Treatment Works: Lindelani	18,766,899
Profesional fees FMA engineers	3,030,018
Driefontein Professional Fees	2,232,429
Ntunjambili Water Supply Scheme	3,959,556
SUNDUMBILI WASTE WATER TREATMENT	6,420,637
Reservoirs: WOSIYANE EXTENSION	11,070,163
Groutville Professional fees	1,625,162
TS/178/2017	61,210,854
TS/78/2012 TS/87/2012 TS/93/TS130	3,325,611
TS/94/2013	22,846,927
TS/161/2016	466,274
TS/179/2017	32,534,906
Bulk Mains: Southern Regional	16,032,185
TS/181/2017	21,502,531
TS/182/2017	25,067,307
Distribution: Ndwedwe Reticula	7,265,935
Profesional fees DNPC consulti	10,849,128
Proffesional fees DKG	5,579,722
MACAMBINI WATER SUPPLY SCHEME	27,191,015
Profesional fees darnal	5,157,972
Profesional fees Zimane consul	434,474
MAQHUMBI CWSS ZONE A B D & E P	10,400,980
Waste Water Treatment Works: Kwadukuza	2,380,169
TS/205/2019 Distribution:Warre	15,764,145
TS/203/2019	24,555,554
TS/201/2019	15,791,780
TS/202/2019	15,898,832
TS/204/2019	19,659,685
TS/206Distribution:Shakaville	13,962,095
TS/212Water Treatment Works	11,001,254
TS/209/2020Pump Station:DARNAL	3,459,696
TS/213Boreholes:COVID19 Spring	3,943,829
	-
	-
	-
	-
	455,932,589

Asset under Construction Reconcilliation:	
Opening Balance at 1 July 2020	579,228,587
Prior period error	(89,386,265)
Additions	206,701,550
	696,543,873
Transferred to completed projects	(238,143,648)
Impairment	(2,467,635)
Closing Balance at 30 June 2021	**458,400,224**

REPAIRS AND MAINTENANCE PER ASSET CLASSIFICATI	2021
Intangible Assets	6,523,262
Building	439,822
Other Assets	14,762,556
Infrastructure (Water & Sewer)	34,346,292
Total	**56,071,931**

Reconciliation of Carrying Value	Land	Buildings	Infrastructure Water & Sewer	Computer Equipment	Furniture & Office Equipment	Machinery & Equipment	Transport	Total
	R	R	R		R	R		R
As at 1 July 2019	**3,242,908**	**24,955,231**	**2,460,725,273**	**3,491,768**	**1,503,064**	**2,779,542**	**7,468,860**	**2,504,166,642**
Cost/Revaluation	3,242,908	35,834,216	3,071,049,332	7,409,900	3,152,628	3,680,276	10,908,704	3,135,277,964
Correction of prior year error (note 30) - Cost	-	-	234,000					234,000
Correction of prior year error (note 30) - Accumulated depreciation and impairment losses	-	-	(310,116)		-			(310,116)
Accumulated depreciation and impairment losses		(10,878,985)	(610,247,943)	(3,918,132)	(1,649,565)	(900,734)	(3,439,845)	(631,035,203)
Acquisitions	-	-	1,383,446	-	1,506,843	439,805	50,287,150	53,617,243
Capital under Construction	-	-	189,457,163		-	-	-	189,457,163
Depreciation	-	(1,193,087)	(97,278,906)	(1,757,375)	(400,598)	(629,059)	(7,888,058)	(109,147,083)
Carrying value of disposals	**(150,000)**	**(351,813)**	**(1,386,768)**	**(107,387)**	**(55,393)**	**(745)**	-	**(2,052,107)**
Cost/Revaluation	(150,000)	(1,350,000)	(3,841,868)	(329,221)	(139,815)	(5,738)		(5,816,642)
Accumulated depreciation and impairment losses	-	998,187	2,455,100	221,834	84,421	4,993		3,764,535

Impairment loss/Reversal of impairment loss	-	-	(4,322,207)	(20,968)	(3,012)	(123)		(4,346,310)
Transfers	-	1,112,939	165,035,838			-		166,148,777
Transfer from WIP		(1,112,939)	(165,035,838)					(166,148,777)
*Other movements - Change in accounting estimates	-	-			-	-		-
								-
As at 30 June 2020	**3,092,908**	**23,410,329**	**2,548,578,006**	**1,606,038**	**2,550,904**	**2,589,420**	**49,867,951**	**2,631,695,479**
Cost/Revaluation	3,092,908	34,484,216	3,258,281,861	7,080,678	4,519,657	4,114,343	61,195,854	3,372,769,516
Correction of prior year error (note 31) - Cost								-
Correction of prior year error (note 31) - Accumulated depreciation and impairment losses								-
Accumulated depreciation and impairment losses	-	(11,073,885)	(709,703,853)	(5,474,640)	(1,968,753)	(1,524,923)	(11,327,903)	(741,073,958)

Refer to Appendix B for more detail on property, plant and equipment

Capital Projects - Cancelled/Delays in Construction

Name of the Project

Asset under Construction Reconcilliation:	
Opening Balance at 1 July 2019	561,855,307
Prior period error	-4,111,971
Additions	189,457,163
	747,200,498
Transferred to completed projects	(167,971,911)
Closing Balance at 30 June 2020	**579,228,587**

REPAIRS AND MAINTENANCE PER ASSET CLASSIFICATI	2020
Intangible Assets	5,108,356
Building	458,126
Other Assets	5,311,397
Infrastructure (Water & Sewer)	23,464,776
Total	34,342,655

11 HERITAGE ASSETS

11.1 Reconciliation of carrying value

	Mayoral Chain	Total
		R
As at 1 July 2020	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-
For the period ended 30 June 2021	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-

11.2 Reconciliation of carrying value

	Mayoral Chain	Total
	R	R
as at July 2019	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-
as at June 2020	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-

The nature of the heritage asset the municipality has is Mayoral chain.
This asset is not pledge as security for liabilities.

12 INTANGIBLE ASSETS

12 Reconciliation of carrying value

	Licenses	Computer Software R	Total R
As at 1 July 2020	**4,329,243**	**(100,141)**	**4,229,101**
Cost	8,896,076	6,513,192	15,409,268
Prior year error (Cost)	-	-	-
Accumulated amortisation and impairment losses	(4,566,834)	(6,613,333)	(11,180,166)
Acquisitions	3,782,106	-	3,782,106
Other Movements	-	-	-
Amortisation	(812,061)	(932,469)	(1,744,531)
Carrying value of disposals	**-**	**(11,789)**	**(11,789)**
Cost	-	(806,352)	(806,352)
Accumulated amortisation	-	794,563	794,563
For the period ended 30 June 2021	**7,299,288**	**(1,044,400)**	**6,254,888**
Cost	12,678,182	5,706,840	18,385,022
Accumulated amortisation and impairment losses	(5,378,895)	(6,751,239)	(12,130,134)

12 Reconciliation of carrying value

	Licenses R	Computer Software R	Total R
As at 1 July 2019	**5,295,339**	**798,879**	**6,094,218**
Cost	8,896,076	6,513,192	15,409,268
Prior year error (Cost)	-	-	-
Prior year error (Amortization)	-	-	-
Accumulated amortisation and impairment losses	(3,600,737)	(5,714,313)	(9,315,050)
Acquisitions	-	-	-
Other Movements	-	-	-
Amortisation	(966,096)	(899,020)	(1,865,116)
Carrying value of disposals	**-**	**-**	**-**
Cost			-
Accumulated amortisation			-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
As at 30 June 2020	**4,329,243**	**(100,141)**	**4,229,101**
Cost	8,896,076	6,513,192	15,409,268
Accumulated amortisation and impairment losses	(4,566,834)	(6,613,333)	(11,180,166)

	IDM 2021 R	IDM 2020 R *Restated*
13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	43,344,274	56,640,165
Consumer debtors with credit balances	14,351,157	11,745,621
Ilembe Enterprise	1,418,062	-
Staff leave accrual	17,184,921	15,701,845
Outstanding Payments	12,107,950	94,927,357
RD Cheques	38,681	38,681
Creditors Accruals	46,889,975	31,730,136
Other creditors	36,155,998	29,562,502
13th Cheque	6,774,705	6,051,583
Consumer water deposits	5,729,971	5,558,653
Total creditors	183,995,695	251,956,544

The fair value of trade and other payables approximates their carrying amounts

14 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Conditional Grants and Receipts		
Provincial Township Establishment	1,044,395	1,103,569
FMG	-	-
RBIG	-	6,795,480
Water Services Infrastructure Grant	0	9,996,561
Municipal disaster relief	-	596,000
Rural Road Asset Management System Grant	-	153,711
Specialised fire and rescue vehicle	200,161	2,000,000
Municipal Infrastructure Grant	-	14,872,511
Energy Efficiency and Demand-Side	972,287	3,358,134
Development planning & services	-	364,027
KZN COGTA satelitte imagery	-	1,000,000
KZN COGTA spatial development	-	604,575
Total Unspent Conditional Grants and Receipts	2,216,844	40,854,569
Non-current unspent conditional grants and receipts		
Current portion of unspent conditional grants and receipts	2,216,844	40,854,569

See Note 21 for reconciliation of grants and receipts These amounts are invested in ring-fenced bank accounts until utilised

15 BORROWINGS

Development Bank of South Africa	33,183,940	38,226,417
ABSA	-	-
	33,183,940	38,226,417
Less : Current portion transferred to current liabilities	7,006,397	5,042,476
Development Bank of South Africa	7,006,397	5,042,476
ABSA		-
Non current portion of borrowings	26,177,543	33,183,941

Development Bank of South Africa

Bear interest at rates between 9 02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

16 LEASES

16.1 FINANCE LEASE LIABILITY

For the period ended 30 June 2021 **Amounts payable under finance leases**	Minimum lease charges R	Future finance charges R	Future other charges R	Present value of minimum lease payments R
Within one year	30,267,440	2,509,898	9,047,243	18,710,298
Within two to five years	21,132,219	745,539	6,102,188	14,284,493
	51,399,659	3,255,437	15,149,431	32,994,791
Less: Amount due for settlement within 12 months (current porti	30,267,439.87	2,509,898	9,047,243	18,710,298
				14,284,493

The finance lease balance includes vehicles and computers

The lease for computers equipment are utilised in the course of performing the Municipality's powers and functions.

Computer equipment leases are for three years The interest rate charged is linked to the prime rate The leases are repaid monthly and include maintenance and insurance At termination of the leases the computer equipment revert to the lessor.

Vehicle Finance leases expire on separate dates, the last date being 30 September 2023 The interest rate charged is linked to the prime rate

as at 30 June 2020 **Amounts payable under finance leases**	Minimum lease payment R	Future finance charges R	Future other charges R	Present value of minimum lease payments R
Within one year	25,536,631.20	3,329,879	7,760,525	14,446,227
Within two to five years	38,265,183 86	2,084 446	11,685,640	24.495,098
	63,801,815	5,414,326	19,446,164	38,941,325
Less: Amount due for settlement within 12 months (current portion)				14,446,227
				24,495,098

	IDM 2021 R	IDM 2020 R

16.2 OPERATING LEASES

Operating Lease as Lessee

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows

The lease was negotiated for periods ranging from 01 March 2019 months to 28 February 2022 for printing machines The rentals escalation will be 10% on the Annual Annivessary of the contract
The second contract was negotiated for period raging from 1 April 2021 to 31 March 2024 for scanners machines The rentals escalation will be 10% on the Annual Annivessary of the contract

	IDM 2021 R	IDM 2020 R
Within one year	1,732,146	2,168,137
In the second to fifth year inclusive	927,960	722,712
After five years		
Total	2,660,107	2,890,849

Operating lease payments represent rentals payable by the municipality

17 SERVICE CHARGES

	IDM 2021 R	IDM 2020 R
Sale of water	190,697,184	145,034,929
Sewerage and sanitation charges	52,245,983	42,404,054
COVID 19 - Revenue Forgone	(734,142)	
Revenue Forgone	(1,263,363)	(1,352,633)
Total Service Charges	240,945,662	186,086,350

Sale of water is broken down into prepaid sales and conventional meters water sales.

17.1 Sale of Water

	IDM 2021 R	IDM 2020 R
Prepaid water sales	11,602,202	13,994,889
Conventional meters water sales	179,094,982	131,040,040
	190,697,184	**145,034,929**
Revenue Forgone	(1,415,704)	(720,012)
Total Water Sales	**189,281,479**	**144,314,917**

19 INTEREST EARNED - BANK BALANCES

	IDM 2021 R	IDM 2020 R
Interest on Bank Accounts	1,369,712	3,279,267
Short Term Investments and Call Accounts	9,014,348	12,890,563
	10,384,060	**16,169,830**

20 INTEREST EARNED - OUTSTANDING RECEIVABLES

	IDM 2021 R	IDM 2020 R
Interest on debtors	**41,232,800**	**31,815,326**

21 GOVERNMENT GRANTS AND SUBSIDIES

	IDM 2021 R	IDM 2020 R
Operational Grants		
Equitable share	633,119,000	516,503,000
WSIG	26,461,486	9,999,700
Municipal Infrastructure Grant	21,016,999	30,645,138
Other Government Grants and Subsidies	14,352,462	10,230,984
Capital Grants		
WSIG	48,535,074	90,353,073
Municipal Infrastructure Grant	182,751,513	147,078,350
Other Government Grants and Subsidies	6,795,480	52,399,608
Total Government Grant and Subsidies	933,032,014	857,209,853

21.1 Equitable Share

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	-	-
Current year receipts	633,119,000	516,503,000
Conditions met - transferred to revenue	(633,119,000)	(516,503,000)
	-	-

21.2 Municipal Infrastructure Grant

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	14,872,511	-
Current year receipts	188,896,000	192,596,000
Conditions met - transferred to revenue - OPEX	(21,016,999)	(30,645,138)
Conditions met - transferred to revenue - CAPEX	(182,751,513)	(147,078,350)
Adjustments and Transfers		
Conditions Met	-	14,872,511

21.3 MASSIFICATION GRANT

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	0	830,597
Current year receipts		
Conditions met - transferred to revenue	-	(830,597)
Adjustments and Transfers		-
Conditions met	0	0

21.4 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	6,795,480	23,364,491
Current year receipts	-	35,000,000
Conditions met - transferred to revenue	(6,795,480)	(51,569,011)
Adjustments and Transfers	-	-
Conditions Met	0	6,795,480

21.5 RURAL TRANSPORT SERVICE

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	153,710 66	-
Current year receipts	2,291,000	2,406,000
Conditions met - transferred to revenue	(2,291,000)	(2,252,289)
Adjustments and Transfers	-153,711	-
Conditions met	-	153,711

21.6 WATER SERVICES INFRASTRUCTURE GRANT

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	9,996,561	51,324,599
Current year receipts	65,000,000	62,000,000
Conditions met - transferred to revenue	(74,996,561)	(100,352,773)
Adjustments and Transfers		(2,975,265)
Conditions met	0	9,996,561

21.7 PROVINCIAL TOWNSHIP ESTABLISHMENT

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	1,103,569	1,200,000
Current year receipts	-	-
Conditions met - transferred to revenue	(59,174)	(96,431)
Adjustments and Transfers		
Conditions still to be met - remain in liabilities (see note 14)	1,044,395	1,103,569

21.8 ENERGY EFFICIENCY AND DEMAND-SIDE

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	3,368,134	-
Current year receipts	700,000	8,000,000
Conditions met - transferred to revenue	(2,487,847)	(4,631,866)
Adjustments and Transfers	(608,000)	-
Conditions still to be met - remain in liabilities (see note 14)	####### #####	3,368,133.97

21.09 FINANCIAL MANAGEMENT GRANT

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
Adjustments and Transfers		-
Conditions met	-	-

21.10 EXPANDED PUBLIC WORKS PROGRAMME

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	-	-
Current year receipts	4,746,000	2,019,000
Conditions met - transferred to revenue	(4,746,000)	(2,019,000)
Adjustments and Transfers	-	-
Conditions met	-	-

21.11 DEVELOPMENT PLANNING & SERVICES

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	364,027	-
Current year receipts	-	550,000
Conditions met - transferred to revenue	(364,027)	(185,973)
Adjustments and Transfers	-	-
Conditions met - transferred to revenue	(0)	364,027

21.12 KZN COGTA SPATIAL DEVELOPMENT

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	604,575	-
Current year receipts		650,000
Conditions met - transferred to revenue	(604,575)	(45,425)
Adjustments and Transfers	-	-
Conditions met - transferred to revenue	-	604,575

21.13 KZN COGTA SATELITTE IMAGERY

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	1,000,000	-
Current year receipts		1,000,000
Conditions met - transferred to revenue	(1,000,000)	-
Adjustments and Transfers	-	-
Conditions met	-	1,000,000

21.14 SPECIALISED FIRE AND RESCUE VEHICLE

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	2,000,000	-
Current year receipts	-	2,000,000
Conditions met - transferred to revenue	(1,799,839)	-
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 14)	200,161	2,000,000

21.15 MUNICIPAL DISASTER RELIEF - COVID 19

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	596,000	0
Current year receipts		596,000
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	(596,000)	
Conditions met	0	596,000

21.16 MUNICIPAL ENTITY GRANT

	IDM 2021 R	IDM 2020 R
Balance unspent at beginning of year	-	-
Current year receipts		6,000,000
Grant transferred to Enterprise iLembe		(6,000,000)
Adjustments and Transfers		
Conditions met - transferred to revenue	-	-

	IDM 2021 R	IDM 2020 R
22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
22 Other income		
Tender Documents	499,350	342,955
Clearance certificates	3,608,153	1,781,768
Private developers	-	550,057
Siza Water Concession	1,935,679	2,804,362
Shared Service	1,165,350	2,382,111
Enterprise Ilembe	-	-
LG Seta Income	299,427	343,708
Bad debt Recovered,Air valve installation,Commission,Administrative	535,847	138,685
	8,043,807	8,343,646
		Note: Remembe
22.1 Fines and Penalties		
Illegal Connections	-	8,111
Water Tampering	53,767	72,496
Atmospheric Emission	-	42,290
Licences and Permits	1,355	2,290
Disconnections	-	-
	55,122	**125,187**
22.2 Public Contributions and Donations		
22.2.1 Donations		
Transport	-	343,307
Machinery	-	9,297,385
Reservoir	-	1,383,446
	-	**11,024,137**

These assets were received from KwaZulu Natal Department of Coorporative Governance Traditional Affairs in a form of donation in order for the Accounting Officer to fulfill Operation Kwawuleza programme

23 EMPLOYEE RELATED COSTS

	IDM 2021 R	IDM 2020 R
Employee related costs - Salaries and Wages	147,475,751	134,103,290
Employee related costs - Contributions for UIF, pensions and medical aids	32,892,391	29,764,749
Travel, motor car, accommodation, subsistence and other allowances	5,028,831	5,218,531
Housing benefits and allowances	697,806	616,020
Overtime payments	3,221,128	3,606,074
Performance and other bonuses	11,579,855	10,050,142
Long-service awards	2,010,196	1,041,677
Telephone Allowance	1,469,654	1,445,448
Payments in lieu of Leave	3,582,940	2,597,037
Non-Pensionable Allowance	7,493,960	7,849,512
Other employee related costs	11,943,933	8,202,107
Employee Related Costs	**227,396,445**	**204,494,585**

There were no advances to employees

Included in salaries and wages balance is the amount of R928 844 95 spent on COVID-19 employee related cost

23.1

Senior Management	5,339,772	3,948,222
Municipal Staff	218,176,156	200,546,363
Total	**223,515,928**	**204,494,585**

Remuneration of the Municipal Manager		
Basic Salary	1,314,634	*968,178*
Bonus Provision	76,940	*61,552*
Service-Related Benefits	-	-
Allowances	179,215	*132,839*
Bargaining Council	119	*112*
Group Life Insurance	-	-
Pension	91,326	91,326
Post-Retirement Benefit Medical	-	-
Post-Retirement Benefit Pension	-	-
Post-Retirement Benefit Other Benefits	-	-
Unemployment Insurance	1,813	1,785
Less: Costs Capitalised	-	-
Total	**1,664,047**	**1,255,792**

Remuneration of the Chief Financial Officer		
Basic Salary	1,030,263	*1,030,263*
Bonus Provision	55,414	*44,332*
Service-Related Benefits	-	-
Allowances	120,162	*78,013*
Bargaining Council	119	*112*
Group Life Insurance	-	-
Pension	-	-
Post-Retirement Benefit Medical	-	-
Post-Retirement Benefit Pension	-	-
Post-Retirement Benefit Other Benefits		
Unemployment Insurance	1,813	1,785
Less: Costs Capitalised	-	-
Total	**1,207,771**	**1,154,504**

Remuneration of Individual Senior Managers	TOTAL	Technical Services R	Corporate Services R	Community Service R
For the period ended 30 June 2021				
Basic Salary	1,818,252	385,334	692,378	740,540
Bonus Provision	145,897	48,632	48,632	48,632
Service-Related Benefits	-	-	-	-
Allowances	368,435	74,213	209,222	85,000
Bargaining Council	267	50	119	99
Group Life Insurance	-	-	-	-
Pension	130,853	25,807	105,046	-
Post-Retirement Benefit Medical	-	-	-	-
Post-Retirement Benefit Pension	-	-	-	-
Post-Retirement Benefit Other Benefits	-	-	-	-
Unemployment Insurance	4,249	921	1,813	1,516
Less Costs Capitalised	-	-	-	-
Total	**2,467,953.6**	**534,957**	**1,057,210**	**875,787**

The position for Senior Manager Technical Services was vacant and Manager Technoical services was appointed as acting Senior Manager Technical Services in accordance with acting allowance policy The position of Senior Manager Technical Services was filed as per appointment letter. When the newly appointed Senior Manager Technical Services was on maternity leave the District engineer was appointed as an acting Senior Manager Technical Services. The acting allowances are included in above note

	R	R	R	R
June 2020				
Basic Salary	1,585,093.3	790,587.7	692,378	102,128
Bonus	77,811.8	38,905 9	38,906	
Service-Related Benefits	-	-	-	
Allowances	336,384.0	143,160 0	193,224	
Bargaining Council	223.7	111.8	112	
Group Life Insurance	-	-	-	
Pension	161,945 8	56,899 9	105,046	
Post-Retirement Benefit Medical	-	-	-	
Post-Retirement Benefit Pension	-	-	-	
Post-Retirement Benefit Other Benefits	-	-	-	
Unemployment Insurance	3,569 3	1,785	1,785	
Less: Costs Capitalised	-627,102.7	(627,103)	-	
	-	-	-	-
Total	**1,537,925.2**	**404,347**	**1,031,450**	**102,128**

24 REMUNERATION OF COUNCILLORS

Mayor	1,087,797	1,087,797
Deputy Mayor	878,397	878,397
Speaker	565,167	586,810
Executive Committee	2,181,585	2,286,155
Al Other Councillors	4,208,440	4,038,246
Total	**8,921,386**	**8,877,406**

24.1 MAYOR

Allowances and Service Related Benefits		
Basic Salary	732,898	732,898
Cell phone Allowance	40,800	40,800
Market Related Non-Pensionable Allowance	314,099	314,099
Travelling Allowance	-	-
Use of Personal Facilities	-	-
Social Contributions		-
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	**1,087,797**	**1,087,797**

24.2 DEPUTY MAYOR

Allowances and Service Related Benefits		
Basic Salary	628,198	628,198
Cell phone Allowance	40,800	40,800
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	28,476	28,476
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	180,923	180,923
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	**878,397**	**878,397**

	IDM 2021 R	IDM 2020 R
24.3 SPEAKER		
Allowances and Service Related Benefits		
Basic Salary	565.167	534,072
Cell phone Allowance	-	7,619
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	-	13,883
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	-	31,235
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	565,167	586,810

	IDM 2021 R	IDM 2020 R
24.4 EXECUTIVE COMMITTEE		
Allowances and Service Related Benefits		
Basic Salary	1,443,560 69	1,531,288 00
Cell phone Allowance	119 000 00	122,400 00
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable	264,795 50	267,876 59
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	233,725 00	240,627 98
Use of Personal Facilites	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributons	120 503 55	123 962 85
Total	2,181,584.74	2,286,155.42

	IDM 2021 R	IDM 2020 R
24.5 ALL OTHER COUNCILLORS		
Allowances and Service Related Benefits		
Basic Salary	2,653,402 86	2,517,941 40
Cell phone Allowance	326,400 00	316,200 00
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable	511,998 60	496,052 55
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	579,838 44	579,838 71
Use of Personal Facilites	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributons	136 799 76	128 213 62
Total	4,208,439.66	4,038,246.28

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

The Mayor, Deputy Mayor and Speaker have use of the Council owned vehicle for official dutes. The Mayor has 4 full-time Protectors, and the deputy Mayor and Speaker have full-time Protectors

25 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

	IDM 2021 R	IDM 2020 R
Depreciation	128,864,428	109,147,083
Impairment of Assets/Reversal	4,262,921	4,346,310
Intangible assets Amortisation	1,744,531	1,865,116
Total Depreciation, Impairment and Amortisation	134,871,879	115,358,509

The circumstances under Impairment of Proprerty Plant and Equipment were derived through verification and conditonal assessment of assets

26 FINANCE COSTS

	IDM 2021 R	IDM 2020 R
Borrowings	3,146,422	6,455,164
Leases	2,711,200	2,294,921
Total Finance Costs	5,857,622	8,750,085

27 BULK PURCHASES

	IDM 2021 R	IDM 2020 R
COVID 19 water bulk purchase	12,423,300	
Water	216,150,134	206,635,327
Total Bulk Purchases	228,573,434	206,635,327

The excessive increase in bulk purchases is due to the commissioning of Lower Thukela Bulk Water Supply Scheme Off takes as weel as the effect of incorporating the Spring Grove Capital Unit Charges which the municipality had to provide for.

	IDM 2021 R	IDM 2020 R

28 CONTRACTED SERVICES

	IDM 2021 R	IDM 2020 R
Contracted services for:		
Plant Hire	7,074,804	57,533,743
COVID-19 WATER TANKER HIRE	13,415,403	-
COVID - 19 Hygiene	816,572	1,487,914
Security	33,490,091	31,687,906
Caseware system Assist lic	230,000	
District Sattelite Map	869,565	
VIP Toilets Expenditure (MIG Operational)	18,275,651	34,890,066
Rural Roads Assets Systems Management Grant (RRAMS) Expenditure	2,022,945	1,958,512
Service advisory - LGSETA	43,478	
Analysis of water and effluen	5,628,395	6,455,889
Eedsm implementation - retrofit contractor	599,795	4,263,679
Internal audit	59,608	81,445
medical support hertage day	-	4,316
Hygiene services	264,977	187,099
Cleaning services	241,046	354,410
Consumer data analytics	486,817	480,799
LM Support	-	120,000
MSCOA CONSULTING FEES	374,000	
Youth Programme	410,785	164,634
EAP Staff Awards Sound	2,500	-
EAP Counciling Referrals to Psychologist	4,425	
Audit Committee	206,771	155,613
Payroll Support	24,646	38,589
consulting asset management	328,741	537,698
Munsoft consulting fees	257,125	637,500
Risk management committee	8,640	6,333
Medical exams	4,680	11,590
Eedsm consulting fees (eepibp)	-	
Implementation of an automated supplier invoice tracking sys	99,996	129,600
Employee Vaccine & surveillance	39,200	111,000
Water conservation demand	23,009,988	33,251,310
Maphumulo trasnfer and reg of individual sites grant	-	94,157
Afs high level review	-	150,000
Competency Assessments & Vetting	-	19,010
EEDSM Consulting fees (Project Planning)	-	139,694
EEDSM IMPLEMENTATION - Clean Energy Technologies	1,563,550	
Spatial Dev Framework	525,717	39,500
Food Sampling	72,238	70,939
Legal Fees	1,013,189	560,131
SALGA GAMES	-	-
Golden game district selections	-	
Catering Services	275,655	542,569
METER READING CONTRACTORS	200,920	
New Meter Connection	1,231,367	733,569
AIR QUALITY MANAGEMENT PLAN	367,004	132,141
SAGE VIP license SLA	138,317	129,754
COVID-19 ELECTRICAL REPAIRS	1,541,305	
Repairs and Maintenance Contracted	39,443,509	31,686,565
	154,663,413	208,847,674

29 GENERAL EXPENSES

Included in general expenses are the following -

	IDM 2021 R	IDM 2020 R
Advertising	905,658	1,160,785
Audit fees	3,880,257	3,629,825
Bank charges	479,670	432,857
Bursaries	5,441	15,000
Fuel and oil	18,090,834	11,021,056
Insurance	4,874,341	4,352,674
Licence fees - vehicles	253,377	236,568
Membership fees	2,697,236	2,505,063
Postage	2,269,270	1,897,752
Printing and stationery	201,590	168,178
Disaster Management	263,521	965,309
Property rates	622,340	556,167
Telephone cost	187,173	40,934
Training	424,976	28,477
Travel and subsistence	2,106,235	2,011,539
Uniforms & overalls	2,642,039	3,213,558
COVID -19 Pretective clothing	84,219	-
COVID - 19 UNIFORM	3,812	-
Water and Sanitation - Siza Water Concession area	6,489,443	1,587,902
Electricity & Water	36,510,635	32,092,526
Local Economic Development Projects (Entity transfers)	35,367,211	32,523,074
COVID 19 RETICULATION MAINTENANCE	665,548	
Consumables (Repairs and Maintenance)	5,791,187.87	12,062,244
Operational Cost (Repairs and Maintenance)	8,630,381	5,357,100
Vehicle Hire	1,282,129	14,204,836
Specialised Fire Vehicle	1,736,479	-
Other	17,310,272	9,071,290
	153,775,277	139,134,714

The Municipality have donated specialized fire vehicle to Ndwedwe Local Municipality

29.1 Repairs and Maintenance

Repairs and Maintenance is made up of the following

	IDM 2021 R	IDM 2020 R
General Expenditure (Inventory Consumed)	15,087,118	17,419,344
Contracted Services	40,984,814	26,367,827
Total Expenditure on Repairs and Maintenance	56,071,931	43,787,171

29.2 Gain/(Loss) on sale of assets

	IDM 2021 R	IDM 2020 R
(Loss)/Gain on sale of assets	(3,841,941)	220,829
Total Gain / (loss) on sale of assets	**(3,841,941)**	**220,829**

	IDM 2021 R	IDM 2020 R
30 CORRECTION OF PRIOR YEAR ERRORS, CHANGE IN ACCOUNTING POLICY AND ADJUSTMENTS		
Property, plant and equipment		
Prior year error depreciation		(1,354,747)
Trade and other Receivables from exchange transactions		
VAT adjustment		35,015,783
Accrued Interest		3,862
Inventory		
Stock Adjustments		
Non-current receivables		294,393
Staff debt adjustment relating to prior years		
Trade and other Payables		
Prior year Policy amendements		(2,914,000)
Reversal of prior year accruals		
Reversal of prior year transactons		(2,278,126)
Other		(182,835)
		28,584,330
30.2 RECLASSIFICATIONS		
iLembe enterprise prior year balance classified under payables has been reclassified as Other Receivables from Exchange Transactions		
Ilembe Enterprise	1,092,763	
FINANCIAL LIABILITY		
Provision classified under current laibility-trade and other payables have been reclassified as a non current financial liability and current financial		
Umngeni Water CUC	-	78,318,274
REVENUE		
Revenue reclassified from Revenue from exchange transaction to Revenue from non-exchange transaction		
Fines and Penalties	-	125,187
Revenue from non exchange have been reclassified as Transferred revenue		
Government grants and subsidies	-	852,674,204
Expenditure reclassified from maitenance to general contracted services		
Air quality management plan		
SAGE VIP license SLA		
Computer Equipment		
Software Licences		
Wireless Network		
Interest Accrued reclassified from borrowings to other creditors		
Interest Accrued		1,723,100
Casflow Statement		
Reclassificaton of VAT refund from investing activities to operational activities	88,494,946	66,544,138
30.3 TRANSFER TO / FROM ACCUMULATED SURPLUS		
	-	-

	IDM 2021 R	IDM 2020 R
31 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	211,232,022	108,517,752
Adjustment for -		
Depreciation and amortisation	134,871,879	115,358,509
Transfers to / from accumulated surplus/(deficit)	(1,924,993)	-
Forex gain/(loss)	(137,991)	301,728
Loss on disposal of PPE	3,841,941	(220,829)
Contribution to provisions - non-current	104,698,036	110,077,379
Contribution to provisions - current	3,992,301	1,927,121
Finance costs	5,857,622	8,750,085
Prior Year Adjustments	28,584,330	(7,758,650)
Investment Income	(10,384,060)	(16,169,830)
Non-current receivables	88,494,946	66,544,138
Bad debts written off	2,319,813	56,197,542
Operating surplus before working capital changes:	**571,445,847**	**443,524,943**
Increase/ (decrease) in inventories	(355,025)	(673,888)
Increase/(decrease) in trade receivables	(14,699,375)	(956,874)
Increase in conditional grants and receipts	(38,637,725)	(35,865,119)
(Decrease) Increase in trade payables	(67,960,849)	40,703,372
Cash generated by/(utilised in) operations	**449,792,873**	**446,732,434**

32 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following

Bank balances and cash	203,034,987	226,356,371
Net cash and cash equivalents (net of bank overdrafts)	**203,034,987**	**226,356,371**

33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

33.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

	2021 R	2020 R	2019 R	2018 R	2017 R
Opening balance	14,746,808	14,746,808	14,746,808	22,845,946	-
Unauthorised expenditure current year				-	40,409,739
Certified as irrecoverable and writen off by council in term	-	-	-	(8,099,138)	(17,563,793)
	14,746,808	14,746,808	14,746,808	14,746,808	22,845,946
Percentage written off during the period under review	**0%**	**0%**	**0%**	**35%**	**43%**

All transactions classified and disclosed as unauthorized expenditure are cash transactions. There are no non-cash transactions.

The outstanding balance on unauthorized expenditure (i e **R14 746 808.00**) relates to the implementation of Lower Thukela Bulk Water Supply Scheme (LTBWSS) which was funded through the Regional Bulk Infrastructure Grant (RBIG) from the Department of Water and Sanitation (DWS) The incidence occurred during 2016/17 financial year as a result of grant expenditure exceeding both grant allocation as well as budget provision for the year in question The initially approved grant allocation for the 2016/17 financial year for iLembe District Municipality was **R156mil** per the originally gazetted DoRA This allocation was later reduced to **R126mil** The reduction in grant allocation was factored in the main adjustment budget for 2016/17during February 2017, however, at the time DWS decision to cut back was communicated, work had already been performed and invoices issued by the service provider concerned (i.e. Black Balance Projects Pty LTD and the expenditure committed up to the value of R156mil as was informed by the original grant allocation). This therefore resulted in over expenditure on the grant allocation and , by implication, on the budget provision for 2016/17 financial year.

Through negotiated settlement with the service provider concerned, the amount due, which was basically the amount by which the 2016/17 grant allocation had been exceeded was only paid in July 2017 (which was the first month) in the 2017/18 financial year and was paid for from the 2017/18 RBIG allocation Invoices concerned were certified by the Department of Water and Sanitation upon submission to the Department (i e during 2017/18)

Action taken

- This matter was presented before Council during 2017/18 financial year wherein Council considered and noted the unauthorised expenditure in question Council resolved to refer the matter to MPAC for further investigation

- MPAC concluded its investigation in July 2020 In concluding its investigation and after having considered how complex the circumstances surrounding this matter are, MPAC recommended that Council should approach KwaDukuza Local Municipality to have this matter referred to its Internal Audit Unit to undertake a further investigation and report back to the Council of iLembe District Municipality the findings and recommendations thereof.

- At a Council meeting that took place on the 30th of October, Council considered MPAC Recommendations and, in its wisdom, opted and resolved to refer the matter to the newly formed Disciplinary Board of iLembe District Municipality to undertake the required further investigation The matter therefore is currently being investgate by the Municipal Disciplinary Board..

33.2 Fruitless and wasteful expenditure

	2021 R	2020 R	2019 R	2018 R	2017 R
Reconciliation of fruitless and wasteful expenditure					
Opening balance	-	76,804	76,804	523,114	-
Fruitless and wasteful expenditure raised in the current year b	4,375,888				
Fruitless and wasteful expenditure current year				76,804	513,114
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials		(76,804)		(523,114)	10,000
Balance carried forward	4,375,888	-	76,804	76,804	523,114
Percentage written off during the period under review	**0%**	**100%**	**0%**	**87%**	**-2%**

Incident

During the audit of 2020/21 financial year, the Auditor General identified and concluded on two amounts as being Fruitless & Wasteful Expenditure This expenditure relates to the historic costs incurred in the construction of Ndulinde Water Supply Scheme.

The Auditor General made an audit finding that during the construction of Ndulinde Water Supply Scheme, the appointed contractor claimed an amount of **R4 375 887.50** in respect of project delays which no sufficient evidence could be provided by the Municipality that such delays could not have been avoided. The project delays experienced were mainly as a result of prolonged time taken to effect replacement of previously installed and paid for project materials which, after several tests, was found to be defective

Action taken

- As per the recommendations of the Auditor General, the Municipality (guided by the provisions of Section 32 of Finance Management Act, Act No 56 of 2003) has to conduct investigation in order to ascertain the factual reasons that led to the Municipality having to suffer the financial losses pointed out by the Auditor General

- Management will undertake the necessary steps to report this expenditure to Municipal Council as well as all other relevant structures including the Mayor, the Auditor General as well as the MEC for CoGTA in the province.

	IDM 2021 R	IDM 2020 R

33.3 Irregular expenditure

	2021 R	2020 R	2019 R	2018 R	2017 R
Reconciliation of irregular expenditure					
Opening balance	107,857,846	479,023,962	53,405,687	8,523,373	
Irregular expenditure raised in current year but relating to pric	-	95,075,157	350,819,890		
Irregular expenditure incurred during the current financial yea	38,465,190	51,657,098	74,798,385	45,025,027	8,523,373
Certified by council as irrecoverable and written off in terms c	(44,912,741)	(517,898,371)		(142,713)	
	101,410,296	107,857,846	479,023,962	53,405,687	8,523,373
Percentage written off during the period under review	31%	83%	0%	0.3%	0%

All transactions classified and disclosed as irregular expenditure are cash transactions. There are no non-cash transactions.

33.3.1 Irregular expenditure raised in current year but relating to prior years

There were no new incidents of irregular expenditure identified during the year under review. The irregular expenditure disclosed pertains to historic matters as detailed below

	2020/21	2019/20
Wesbank	-	15,308,410
Isidingo Security Services	38,465,190	36,348,688
	38,465,190	51,657,098

Incident

1) Wesbank

The irregular expenditure on Wesbank contract is historic. Though no expenditure was incurred on this contract during 2020/21, there was however a balance carried forward from 2019/20 and was only certified and written off by Council during the financial year under review. This contract was initially classified as irregular during 2017/18 after which it was tabled before Council who resolved to refer the matter to MPAC for investigation. Wesbank had been appointed in July 2014 to supply vehicles through a full maintenance lease (FML) arrangement. Subsequent to expiry of the initial contract, it was extended for a period of six months through application of Section 116 of the Municipal Finance Management Act, Act No. 56 of 2003 ("MFMA"). At the expiry of six months extension, the contract was subjected to a month to month contract pending finalization of bid processes to secure a new contract. As part of preparatory processes to undergo an open bid the Municipality conducted a comprehensive fleet assessment which informed the tender specification. Two tender processes were undertaken and both had challenges and were therefore not successfully concluded The last bid process undertaken (i.e. for a third occassion) was conluded in July 2019. The newly appointed service provider concluded delivery of vehicles in October 2020. Due to the staggered delivery of vehicles, the Municipality was compelled to retain Wesbank vehicles throughout 2019/20 financial year with the last batch returned during the month of June 2020.

2) Isidingo Security Services

The irregular expenditure on Isidingo Security Services contract is historic. It was initially classified as irregular during 2017/18 after which it was tabled before Council who resolved to refer the matter to MPAC for investigation. Isidingo Security Services had been appointed in July 2012 to render security services.

Subsequent to expiry of the initial contract, it was extended for a period of six months through application of Section 116 of the Municipal Finance Management Act, Act No. 56 of 2003 ("MFMA"). At the expiry of six months extension, the contract was subjected to a month to month contract pending finalization of bid processes to secure a new contract. As part of preparatory processes to undergo an open bid, the Municipality conducted a comprehensive security needs assessment which informed the tender specification.

Action taken

1) Wesbank

- After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommendations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off

- The outcome of investigation conducted by MPAC revealed that Management appeared to have followed all due processes in addressing the matter of procuring a new contract for the supply of security services. All the impeding factors that were encountered, resulting in the recurring irregular expenditure on a month to month contract with Wesbank were understandably beyond Management control.

- The new service provider to supply the Municipality with fleet of vehicles was appointed on the 4th of July 2020 after following a very rigorous open tender process

- Although the process of delivering vehicles by the newly appointed service provided delayed far beyond the expectations, and resulting in the month to month contract with Wesbank running throughout 2019/20 financial year (with resultant recurrence of irregular expenditure), the majority of vehicles had been delivered by 30th of June 2020. This effectively means that there will be no similar irregular expenditure to be incurred during 2020/21 financial vehicles on the supply of fleet

2) Isidingo Security Services

- After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommendations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off

- The outcome of investigation conducted by MPAC revealed that Management appeared to have followed all due processes in addressing the matter of procuring a new contract for the supply of security services. All the impeding factors that were encountered, resulting in the recurring irregular expenditure on a month to month contract with Isidingo Security Services were beyond Management control

- The Municipality is currently awaiting the finalization of court processes in respect of the appeal lodged by Isidingo Security Services before it can proceed with procurement of a

33.3.2 Irregular expenditure incurred during the current financial year

There were no new incidents of irregular expenditure identified during the year under review. The irregular expenditure disclosed pertains to historic matters as detailed below

	2020/21	2019/20
Wesbank		15,308,410
Isidingo Security Services	38,465,305	36,348,688
	38,465,305	51,657,098

Incident

1) Wesbank

The irregular expenditure on Wesbank contract is historic. It was initially classified as irregular during 2017/18 after which it was tabled before Council, who resolved to refer the matter to MPAC for investigation. Wesbank had been appointed in July 2014 to supply vehicles through a full maintenance lease (FML) arrangement. Subsequent to expiry of the initial contract, it was extended for a period of six months through application of Section 116 of the Municipal Finance Management Act, Act No. 56 of 2003 ("MFMA"). At the expiry of six months extension, the contract was subjected to a month to month contract pending finalization of bid processes to secure a new contract. As part of preparatory processes to undergo an open bid, the Municipality conducted a comprehensive fleet assessment which informed the tender specification. Two tender processes were undertaken and both had challenges and were therefore not successfully concluded The last bid process undertaken (i.e. for a third occassion) was conluded in July 2019. The newly appointed service provider concluded delivery of vehicles in October 2020. Due to the staggered delivery of vehicles, the Municipality was compelled to retain Wesbank vehicles throughout 2019/20 financial year with the last batch returned during the month of June 2020.

	IDM 2021 R	IDM 2020 R

2) Isidingo Security Services

The irregular expenditure on Isidingo Security Services contract is historic. It was initially classified as irregular during 2017/18 after which it was tabled before Council, who resolved to refer the matter to MPAC for investigation. Isidingo Security Services had been appointed in July 2012 to render security services.

Subsequent to expiry of the initial contract, it was extended for a period of six months through application of Section 116 of the Municipal Finance Management Act, Act No. 56 of 2003 ("MFMA"). At the expiry of six months extension, the contract was subjected to a month to month contract pending finalization of bid processes to secure a new contract. As part of preparatory processes to undergo an open bid, the Municipality conducted a comprehensive security needs assessment which informed the tender specification.

Two tender processes were undertaken of which the first one could not be successfully concluded due to the fact that all returned bids were above the available budget. This nessecitated a revision to the original speificication by reducing the number of personnel security required and in some instances by removing certin aspects of security requirements in order to fit in the budget provision. The The second bid process was finalized in January 2019 where upon a new security company was appointed. This appointment was challenged by two contending bidders through bids objection process. The objection was dealt with internally first wherein one of the contenders dropped their objection. The remaining contender (namely Isidingo Security Services) appealed and the matter was escalated to the KwaZulu Natal Provincial Treasury (KZN PT) who appointed a panel of attorneys to arbitrate on the matter through its Municipal Bids Arbitration Tribunal (MBAT) process. MBAT panel concluded its arbitration process in November 2019 and ruled that the tender process should be advertized again. The contending bidder lodged a notice to appeal the decision of the MBAT panel through a court process and also notified the Municipality to hold any bid processes in abeyance. The argument by Isidingo Security Services is that MBAT ruling should have ordered that they be appointed (instead of initiating a fresh bid process) since they were the second most responsive bidder in terms of the security bid that was a subject of objection.

After the Municipality had consulted with KZN PT on the matter, it proceeded to issue a new bid notice for security services in February 2020. The appelant sought a court interdict to stop the Municipality from proceeding with bid processes. In March 2020, the court ordered the Municipality not to proceed with the new secirity bid process pending finanlization of the contending bidder's appeal being dealt with at the High Court. Through a legal advice obtained, the Municipality withdrew the bid notice in question.

KZN PT appointed SD Moloi & Associates (firm of attorneys) to defend the matter on behalf of both KZN PT and iLembe District Municipality. At the

Action taken

1) Wesbank

- After the matter had been referred to MPAC by Council, the Commitee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

- The outcome of investigation conducted by MPAC revealed that Management appeared to have followed all due processes in addressing the matter of procuring a new contract for the supply of security services. All the impeding factors that were encountered, resulting in the recurring irregular expenditure on a month to month contract with Wesbank were understandably beyond Management control.

- The new service provider to supply the Municipality with fleet of vehicles was appointed on the 4th of July 2020 after following a very rigorous open tender process.

- Although the process of delivering vehicles by the newly appointed service provided delayed far beyond the expectations, and, resulting in the month to month contract with Wesbank running throughout 2019/20 financial year (with resultant recurrence of irregular expenditure), the majority of vehicles had been delivered by 30th of June 2020. This effectively means that there will be no similar irregular expenditure to be incurred during 2020/21 financial vehicles on the supply of fleet.

2) Isidingo Security Services

- After the matter had been referred to MPAC by Council, the Commitee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

- The outcome of investigation conducted by MPAC revealed that Management appeared to have followed all due processes in addressing the matter of procuring a new contract for the supply of security services. All the impeding factors that were encountered, resulting in the recurring irregular expenditure on a month to month contract with Isidingo Security Services were beyond Management control.

- The Municipality is currently awaiting the finalization of court processes in respect the appeal lodged by Isidingo Security Services before it can proceed with procurement of a replacement contract.

Irregular expenditure certified by council as irrecoverable and written off in terms of MFMA Section 32 during the financial year under review

On the 30th of October 2020. Council certified as irrecoverable and approved the following irregular expenditure (**44 912 740.73**) for write off. The financial years in which the respective amounts of irregular expenditure were identified is tabulated for ease of reference.

	2020/21	2019/20	Total
Wesbank (Municipal Fleet)	-	2 909 823 14	2 909 823 14
Isidingo Security Services	38 465 190 16	3 537 727 43	42 002 917 59
	38,465,190.16	**6,447,550.57**	**44,912,740.73**

Incident

The above listed expenditures were tabled before Council during the course of 2020/21 financial year. After MPAC had concluded its investigations and tabled its recommendations to Council, Council considered MPAC recommendations and resolved that these expenditures be certified as irrecoverable and be approved for write off.

1) Wesbank

Information on this irregular expenditure is detailed above (refer section dealing with **Irregular expenditure incurred during the current fincial year i.e. 2019/20**).

2) Isidingo Security Services

Information on this irregular expenditure is detailed above (refer section dealing with **Irregular expenditure incurred during the current fincial year, i.e. 2019/20 and 2020/21**).

Action taken

1) Wesbank

Information on this irregular expenditure is detailed above (refer section dealing with **Irregular expenditure incurred during the current fincial year i.e. 2019/20**).

2) Isidingo Security Services

Information on this irregular expenditure is detailed above (refer section dealing with **Irregular expenditure incurred during the current fincial year, i.e. 2019/20 and 2020/21**).

Outstanding Matters of Irregular Expenditure

	2020/21	2019/20	2018/19	2017/18	Total
Utility Systems (Pty) LTD	-	-	-	6 335 238 78	6 335 238 78
Joat Consulting Group	-	95 075 156 66	-	-	95 075 156 66
	-	**95,075,156.66**	-	**6,335,238.78**	**101,410,395.44**

Incident

1) Utility Systems (Pty) LTD

Utility Systems (Pty) Ltd was engaged by the Municipality in July 2013 to rollout the prepaid metering system including supplying related materials and the vending software. The contract was set to expire in June 2016. Services of this company were however utilized between July 2016 and June 2017 which was subsequent to the expiry of the contract. This incidence occurred during the time when the Municipality's contract management processes were not effective and internal controls poor, hence this was not detected before occurring.

2) Joat Consulting Group

The **R95 075 156.66** pertains to irregular expenditure resulting from transactions with Joat Consulting Group who were engaged by the Municipality to undertake implementation of an intervention programme that sought to manage the non-revenue water losses with an intention to reduce such losses. The initial appointment took place in 2008 and this was followed with senoes of contract extensions that ensued up to the period ending 30 June 2018. It was established that all extensions carried out on this contract through the years 2011 to 2018 were not valid leading to the expenditure linked thereto being classified as irregular.

Action/s taken

	IDM 2021 R	IDM 2020 R

1) Utility Systems (Pty) LTD

- After the matter had been referred to MPAC by Council, the Committee conducted its investigation and referred the matter for external investigation. The Municipality engaged CNgubane & Associates to execute an external investigation. The investigation could not be concluded due to certain information that was required in order to conclude on the matter not readily available for CNgubane & Associates to peruse and formulate appropriate recommendations. This matter has subsequently been handed over to the Municipal Disciplinary Board for further investigation.

2) Joat Consulting Group

- This irregular expenditure was tabled before Council during 2019/20 financial year. Council resolved to refer this expenditure to MPAC for further investigation.

- MPAC investigated this irregular expenditure and determined that due to the complex legalities around contract extensions, it would be more appropriate to refer this matter for external investigation. In concluding its investigation and after having considered how complex the circumstances surrounding this matter are, MPAC recommended that Council should approach

33.4 Deviations

	2021 R	2020 R
Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy		
Total value	5 005 980	7 632 809
	5,006,980	**7,632,809**

The bulk of the transactions that were classified as Section 36 deviations from the normal procurement processes were from the Corporate Services Department. These transactions mainly relate to the fleet repairs and maintenance services namely, vehicle breakdown recovery/towing, call out services under emergency cases and COF repairs. Furthermore some transactions relate to air-conditioner units repairs. The panel of service providers that ordinarily assists in procuring such services had expired and the competitive bidding processes for a new panel or contract were still not yet concluded, therefore, these services were then procured through the deviation method which amounted to R 3 494 219.24 of which most was for vehicle repairs and maintenance transactions. A new panel is now in place and is being utilized for similar services.
With regards to the Community Services Department, the main deviation related to the engagement of Marce Projects for the procurement of disaster rescue equipment and tools required for the fire engine which was recently procured by the Municipality. The value of this transaction came to R 485 759.91.
A deviation was utilized after none of the bids received were considered responsive when the bid was advertised in terms of the competitive bidding process.

For the Finance Department, the bulk of the deviations were for the new meter connections, disconnections and meter reading. The bid processes for a new contract have now been concluded and this will eliminate any potential future deviation.

	IDM 2021 R	IDM 2020 R

34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

34.1 Contributions to organised local government

	2021	2020
Opening balance	-	-
Council subscriptions	2,600,516	2,470,388
Amount paid - current	(2,600,516)	(2,470,388)
Adjustment	-	-
Balance unpaid (included in payables)	**-**	**-**

34.2 Audit fees

	2021	2020
Current year audit fee	3,880,257	3,629,825
Amount paid - current year	(3,880,257)	(3,629,825)
Balance unpaid (included in payables)	**-**	**-**

34.3 VAT

VAT input receivables and VAT output payables are shown in note 13 All VAT returns have been submitted by the due date throughout the year

34.4 PAYE and UIF

	2021	2020
Opening balance	1,297,361	1,019,852
Current year payrol deductions	37,643,708	34,531,492
Amount paid - current year	(34,527,599)	(31,614,131)
Amount paid - previous years	(1,297,361)	(2,639,852)
Balance unpaid (included in payables)	**3,116,108**	**1,297,361**

The balance represents PAYE and UIF deducted in June 2021 payroll This amount was paid in July 2021

34.5 Pension and Medical Aid Deductions

	2021	2020
Opening balance	2,343,106	2,112,492
Current year payrol deductions and Council Contributons	51,381,496	47,833,894
Amount paid - current year	(48,841,380)	(45,490,788)
Amount paid - previous years	(2,343,106)	(2,112,492)
Balance unpaid (included in payables)	**2,540,116**	**2,343,106**

The balance represents Pension & Medical aid deducted in June 2021 payroll These amounts were paid in July 2021 except for Medical Aid and RA were paid in the month of deducton which is June 2021

34.6 Councillor's arrear consumer accounts

	2021	2020
Councillor Ngidi TS	888	-
Councillor Singh R	10,119	1,623
Councillor Mpofu MD		1,295
Councillor MD Shandu		180
Councillor MS Singh	2,994	1,559
Councillor IP Dube	902	826
Councillor Zulu SB	1,825	-
Councillor Sibisi MM	5,132	-
Total Councillor Arrear Consumer Accounts	**21,860**	**5,483**

The account for Councillor MS Signh was in arrears as at 30 June due to adjustments not being prcessed as at reporting date
Adjustments were processed in July 2021.

	IDM 2021 R	IDM 2020 R
34.7 Material losses		
34.7.1 Asset impairment (losses)/ Reversal	(6,730,556)	4,346,310

The current year impairment is a result of ageing infrastructure, there is no impact of COVID-19 in the current year impairment.

34.7.2 Debt impairment (losses)	2,319,813	56,197,542

The recognised debt impairment loss is not as a result of economic impact of the COVID-19 crisis.

Although the revenue collection has slightly improved compared to the prior year, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive handed over accounts that are accumulating interest with no corresponding payments, pensioner accounts, long standing debts which affect section 118 and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts

34.7.3

Distribution Losses	**Percentage distribution**		
Units lost (kilolitres)			
Illegal connections and other	13%	2,204,781	1,726,905
Main leaks	45%	7,937,212	10,989,397
Reservoir overflows	7%	1,322,868	78,496
Metering Inaccuracies	13%	2,204,781	3,506,141
Service connection leaks	23%	3,968,606	4,631,246
Units lost (kilolitres)	100%	17,638,248	20,932,185
Units lost (sales price per kilolitre - rands)		182,289,460	215,323,013
Units lost (purchase price per kilolitre - rands)		111,710,509	123,469,851
Units lost (percentage)		48.87%	59.75%

The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

34.7.4 Non-Compliance with Section 65 (2) of the Municipal Finance Management Act - Payments of creditors within 30 days from date of receipt

	2020/21	2019/20
Number of days unpaid creditors at 30 June	41 days	84 days
Average number of days unpaid creditors during the year	28 days	46 days
Value of creditors not paid within 30 days during the year	42,144,201	38,535,159
Percentage of creditors paid within 30 days	95%	96%

There has been a significant improvements in the efficiency of paying creditors on time when comparing to the previous years. On average it took 28 days to pay creditor invoices during 2020/21 financial year compared to 46 days in 2019/20 financial year. In terms of the number of days calculated at year end, 41 days was reported at 30 June 2021 compared to 84 days in June 2020

Whilst there has been a remarkable improvement in the efficiency with regards to payment of creditor invoices, there are still isolated cases where some supplier invoices are not paid within 30 days. This is mainly due to the lack of an effective coordination with regards to the flow of invoices between Finance Department and various other Departments. As reported previously, Finance Department is working with Corporate Services Department to implement the Automated Supplier Invoice Tracking and Approval Workflow system with a view of streamlining the flow of invoices and thereby improving efficiency in terms of paying suppliers. The solution has now been deployed and is currently undergoing testing phase and the users are being trained on how to use the solution

The underlying objective of the solution is to automate the flow of invoices and associated documentation from inception through to filing stage. This will provide the Municipality with the ability to track, monitor and fast track payment of invoices and thereby enabling the strategic objective of maintaining sound expenditure management

34.7.5 Forex Losses

Total Forex Liability as at 30 June	-	1,502,799
Forex Gain/ (Losses)	137,991	(301,728)

The Sport rate at 12 November 2020 was 14, 1524. There is no Forex liability at the end of 30 June 2021 as all payments were made on the 12 November 2020. The new licence agreement has been signed and it started on the 1 July 2021. Should the sport rate increase by 1% the foreign loss will increase to R 139 371.15. Should the spot rate decrease by 1% the Forex loss will decrease to R 136 611.33

Foreign loss increase R 137 991.24* 1.01 **=R139 371.15**

34.7.6 INVESTMENT IN CONTROLLED ENTITY

Investments in cotrolledl entity - Enterprise Ilembe Development Agency	100	100
% Holding	100%	100%
Ordinary Share 100 @ R1 each		

34.7.7 FREE BASIC SERVICES SIZA WATER - DISCLOSURE NOTE

Expenditure incurred during the financial year under review	-	6,003,330
Less Credit Adjustments passed by Siza Water	-	(4,415,429)
Siza Water has a 30 year Concession Agreement with the Municipality and in terms of this agreement, Siza Water (the Concessionnaire) is responsible for rendering services on behalf of the Municipality within the Concession Area. Forming part of the principal services that the Concessionnaire is responsible for is the provision of water within the Concession Area. As a Water Service Provider within the Concession Area, Siza Water has an agreement with Umgeni Water for the supply of bulk water. There has been a matter of dispute on the tariff which Umgeni Water should have used to charge Siza Water for the bulk water purchased. The matter went through all the requisite dispute resolution processes until it was escalated to the court of law. After a number of years of the dispute in question, the court ruled in favour of Siza Water. Umgeni Water had therefore to refund to Siza Water what was considered to have been an overcharge due to the incorrect tariff having been applied by Umgeni Water during the period under consideration. As per the Concession Agreement, the Municipality is responsible to pass on to Siza Water on a monthly basis "the free basic component" of the equitable share based on the number of qualifying indigents within the Concession Area. The amounts charged by Siza Water in this regard are determined in line with the prevailing Umgeni Water tariff of charges. What this effectively means is that during the period of dispute, the Municipality would have been charged based on tariff higher than what it should have been. This therefore resulted in Siza Water refunding the Municipality the amount by which the Municipality had been overcharged. This credit adjustment was processed directly against the related expenditure and thereby reducing the expenditure icurred to the net amount as disclosed.		
Net Expenditure Disclosed in the Annual Financial Statements	-	**(4,415,429)**

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2021

	IDM 2021 R	IDM 2020 R
35 UMNGENI CAPITAL UNIT CHARGE		
Capital Unit Charge		
- Opening balance	78,318,273	42 605,405
- Deposit	-	35,712,868
- Payments	(7,070,400)	
- Transferred to current portion	(6,526,523)	(6,526,523)
- Other adjustments		
Long Term Portion	64,721,351	71,791,751
Less : Current portion transferred to current liabilities	6,526,523	6,526,523
Total Capital Unit Charge	71,247,874	78,318,273

Payments made during the year

	7,070,400	-
June 2020	543,877	-
July 2020	543,877	-
August 2020	543,877	-
September 2020	543,877	-
October 2020	543,877	-
November 2020	543,877	-
December 2020	543,877	-
January 2021	543,877	-
February 2021	543,877	-
March 2021	543,877	-
April 2021	543,877	-
May 2021	543,877	-
Jun-21	543,877	-

LONG TERM CREDITOR - UMGENI WATER (SPRING GROVE DAM CAPITAL UNIT CHARGES) CUC DEBT

BALANCE AT THE BEGINNING OF THE YEAR	78,318,274	42,605,405
ADDITIONS / (PAYMENTS) DURING THE YEAR	(7,070,400)	35,712,868
The Department of Water Affairs commissioned water transfer scheme project for the purpose of augmenting supply of potable water within the Mgeni System through implementation of the MMTS-2. The project is funded and implemented by Trans-Caledon Tunnel Authority (TCTA) under a directive from the Minister of the Department of Water Affairs as it was then known which is now called the Department of Human Settlements, Water and Sanitation. Part of the TCTA mandate was also to provide the mechanism to repay the costs related to the project. The construction costs of MMTS-2 are financed (in the main) through loan funding from a variety of funders including Agence Française de Développement, the European Investment Bank, the KfW Bankengruppe and the Development Bank of Southern Africa (DBSA). The repayment model of the loan funding would take the form of recoveries from all the Mgeni Water System users and this process would be administered by Umgeni Water. iLembe District Municipality (hereinafter referred to as the Municipality), being one of the Mgeni Water System users, was required to contribute its share towards the construction costs through an additional charge on the monthly bulk water purchase bill from Umgeni Water. The additional charge, for the purpose of the recovery in question is referred to as Capital Unit Charges and the period of recovery was set to 20 years starting from 2012 ending in 2032. Upon recovery, Umgeni Water passes this contribution onto TCTA. This process was supposed to be regulated in terms of a separate "Water Use Agreement" (also referred to as the agreement) The Municiplaity started paying its contributions in 2012 and then stopped paying the CUC around 2014 on the basis that there was no signed agreement in place as well as the fact that there was no clarity as to what was the direct benefit to the Municipality to be derived from the MMTS-2. On this basis, the Municipality lodged a dispute in terms of Section 42 of the MFMA and the matter was referred to SALGA for arbitration. At a later stage, SALGA ruled that parties had to conclude and sign the agreement which would then regulate MMTS-2 water supply matters and the applicable charges, in the main, being the Capital Unit Charges. It took very long time to conclude the process of getting the agreement signed as this was only concluded at the end of June 2020. Whilst the dispute process was in progress, Umgeni Water continued to bill the Municipality and at the time of concluding the agreement, the debt had accumulated to R74 920 321.64.		
It took very long time to conclude the process of getting the agreement signed as this was only concluded at the end of June 2020. Whilst the dispute process was in progress, Umgeni Water continued to bill the Municipality and at the time of concluding the agreement, the debt had accumulated to R78 318 273.35. Umgeni Water has not been charging any interest costs on the unpaid contributions and, in terms of the agreement that has been concluded, the Municipality will settle this amount over a period of 12 years, beginning on the 1st of July 2020 ending 30 June 2032. Annual repayments are set at R6 526 522.80 which translates into monthly repayments of R543 876.90 with no interest charged. In addition, Umgeni Water will bill the Municipality, on a monthly basis, the current share of CUC which the Municipality will record in its books as part of Bulk Water Purchases expense. This expense is provided for in the Municipality's medium term revenue and expenditure framework (MTREF) The accumulated debt had previously been classified under provisions according to the assessment conducted by Management during 2018/19 reporting year in line with GRAP 19 (Provisions, Contingent Liabilities and Contingent Assets) mainly due to the fact that the agreement had not been signed at the time Management has subsequently conducted another assessment post signing of the agreement and based on the terms and conditions contained therein, concluded that the CUC Debt should be classified as "Long Term Creditor" and be disclosed under Financial Liabilities. The agreed anual repayment amount is disclosed as "Current Portion of the Long Term Creditor whilst the balance (i.e. payable beyond the next 12 months period) is disclosed as Non-Current / Long Term Creditor.		
	71,247,874	78,318,274

36 EMPLOYEE BENEFITS INFORMATION

36.1 Defined contribution plan

The following are defined contribution plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These contributions have been expensed.

36.2 Other Long-term benefit plan

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise

The independent valuers carried out a statutory valuation as at 30 June 2021

The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate per annum	9.20%	8.20%
Inflation rate	5.78%	3.44%
Net effective discount rate	3.23%	3.60%
Benchmark inflation (equal to salary inflation)	4.00%	4.44%
Average retirement age	63	63
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:		
Age 20	16%	40%
Age 30	12%	25%
Age 40	10%	12%
Age 50	6%	4%
Age 55+	0%	2%
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation	18,105,000	15,433,358

EMPLOYEE BENEFITS (continued)

Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	15,433,358	12,087,220
Prior year adjustment		2,914,000
Current service cost	1,043,679	1,041,676
Interest cost	966,517	935,528
Benefit payments	(1,320,659)	(1,494,983)
Actuarial (gains)/losses	1,982,105	(50,083)
Policy amendments		
Balance at end of year	18,105,000	15,433,358

The timing of the employee benefits is as follows:		
Current portion of employee benefits	2,893,000	1,465,136
Employee benefit obligation	15,212,000	13,968,222
	18,105,000	15,433,358

The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	1,043,679	1,041,676
Interest cost	966,517	935,528
Actuarial (gains)/losses	1,982,105	(50,083)

	IDM 2021 R	IDM 2020 R
	3,992,301	1,927,121

	IDM 2021 R	IDM 2020 R
37 CAPITAL COMMITMENTS		
37.1 Commitments in respect of capital expenditure		
- Approved and contracted for	244,815,489	307,563,669
Infrastructure	244,815,489	307,563,669
Community		
- Approved but not yet contracted for	-	-
Infrastructure	-	-
Community	-	-
Total	244,815,489	307,563,669
This expenditure will be financed from		
Grant funded	244,815,489	307,563,669
Council funded	-	-
External Loans	-	-
	244,815,489	307,563,669

	IDM 2021 R	IDM 2020 R
OPERATIONAL COMMITMENTS	2021	2020 Restated
Commitments in respect of operational expenditure.		
- Approved and contracted for:	20 399 586	7 715 548
Infrastructure		
Community	-	500
Other	20 399 586	7 715 047
- Approved but not yet contracted for.	-	-
Infrastructure	-	-
Community	-	-
Total	20 399 586	7 715 548
This expenditure will be financed as follows		
Grant funded	20,399,586	7,715,548
Council funded		
External Loans		
	20 399 586	7 715 548
TOTAL CONTRACTUAL COMMITMENTS	265 215 075	315 279 216

The amounts disclosed are VAT inclusive

38 RELATED PARTIES

Members of key management	*Section 57 managers*
Controlled Municipal Entity	*Ilembe District Municipality has a 100%) holding in Ilembe Development Enterprise (Pty) Ltd*
Compensation to councillors and other key management	*Refer to note 23 & 24*

	2021	2020
Related party balances		
Amount owed to Ilembe Enterprise included in other payables	1,418,062	
Amount owed by Ilembe Enterprise included in other receivables	-	1,092,763
Related party transactions		
Transactions with Enterprise Ilembe Development Agency		
Grant funding from the parent iLembe District Municipality to Enterprise iLembe	35,367,211	32,523,074
Shared Services - Contributions by local municipalities towards the development planning shared services	1,254,850	2,382,111

38.1 STAFF MEMBER: S Mahlangu

General Expenses for the year	-	-
	-	-

An employee had relations with a service provider whom provided services to the municipality

38.2 STAFF MEMEBR: EN Ngcobo

General Expenses for the year	21,189	68,119

An employee is a board member of CIGFARO which transacted with the municipality during the financial year under review

38.3 STAFF MEMEBR: SP Sibiya

General Expenses for the year	-	71,487

An employee had relations with a service provider whom provided services to the municipality.

38.4 STAFF MEMEBR:SV Mthethwa

General Expenses for the year	-	140,894

An employee had relations with a service provider whom provided services to the municipality.

39 CONTINGENT LIABILITY

39.1 Icon Construction

Icon Construction | Interest Charges on arrear payments & standing time	5,477,678.88	1,089,546

With effect from May 2019, Icon Construction raised interest charges on arrear payments as well as standing time arrising of the contractor having abandoned construction site due to prolonged non-payment for work done. The Municipality had embarked on negotating with Icon Construction to waive the interest charges in question. Icon Construction resorted into settling the matter through legal processes and the matter is currently awaiting court ruling. The amount disclosed is based on the statement of account dated 30 June 2020 received from Icon Construction. Management is of the view that the interest charged is not justifiable, hence the charges are being disputed

The second part of the claim (i.e.Claim 15D) entails a dispute with regards to delays in the implementation of a Package Waste Water Treatment Plant (PWWTP), Mechanical and Electrical (M&E) Subcontractor (Tupelovox) which forms part of the construction of the tank to house the M&E of the PWWTP. Previoulsy, the appointed adjudicator ruled that risk of sub-contractor's performance lies with the contractor, however, the current Adjudicator ruled in favor of the Contractor. This dispute will be deferred to Arbitration. At the time of concluding annual financial statements for the year ended 30 June 2021, the Municipality was in a process to appoint the the defending attorneys to represent the Municipality.

The previous Adjudicator had also ruled that the contractor was responsible for the delays encountered on the construction of Waste Water Treatment Plant in Gledhow area which resulted into the release of retention being withheld for the duration on the delays. The current Adjudicator found the Municipality to be responsible for the delays and the that the Municipality should pay the contractor (Icon) interest on retention monies from 17 November 2020 to 17 December 2020. The Municipality has notified the contractor on its intention to refer the matter for arbitration

Balance as at 30 June 2021	5,477,679	1,089,546

	IDM 2021 R	IDM 2020 R
39.2 Bosch Munitech (Pty) LTD - Dispute over a fee claim in lieu of work performed in the construction of Bulk Pipelines, Pump Station, Reservoir and Reticulation (Maphumulo/KwaDukuza RWSS Zone A).	1,408,436	50,000

The Municipality has been served with High Court papers in lieu of a litigation claim made by Bosch Munitech (Pty) Ltd for what they claim are outstanding fees due to them for work performed in lieu of the construction of Bulk Pipelines, Pump Station, Reservoir and Reticulation (Maphumulo/KwaDukuza RWSS Zone A) At the time of concluding the annual financial statements, the Municipality was in the process of evaluating the options available to chalenge the litigation.

Balance as at 30 June 2021	1,408,436	50,000

39.3 TL Mbili Attorneys Legal Costs - Application for Court Interdict and subsequent Legal Representations	-	150,000

An agrieved handful group of community members, who were demanding to be awarded with contract work by the Municipality (without following prescribed legal processes) held illegal protests and and held project implementation at ransom in one of the sites The Municipality was therefore compelled to seek an urgent court interdict in order to disperse the protesting group of individuals and to deter them from causing any interruptions to the project work carrying on.

The Municipality engaged the services of TL Mbili Attorneys to facilitate the process of applying for the court interdict as well as to act as its external legal practitoner in any subsequent consequential legal processes

By the very nature of the legal matter involved (i e interdict), there are no direct litigation claims to to be brought against the Municipalityas such. The Municipality is up to date in terms of the legal costs due to the defending attorneys.

Balance as at 30 June 2021	-	150,000

39.4 Aurum Utalium Engineers and Project Managers (Pty) LTD - Dispute over a fee claim in lieu of work performed by the service provider beyond what was contractually agreed upon.	5,079,680	

The service provider (Aurum Utalium) was initially appointed for an amount of R2 776 552 to carry out an assessment at Lindelani area (ward 5) of the water and sewer infrastructure The said service provider's contract was subsequently extended to carry out more detailed assessment of the water and sewage infrastructure Two business plans (one for water and one for sewer) was approved by Cogta and work commenced on the business plans . The sewer businees plan was for an amount of R 10 449 660 and the service provider was appointed by IDM for that amount . This was based on a construction amount of R 55 000 000.The amount was paid to the service provider. The service provider subsequently carried out a more detailed design of the sewer network and came up with a construction amount of R112 371 270 42 , more than double the original estimated amount of R 55 000 000 This was done without getting a go ahead from IDM , as stated in the SLA whereby approval (gate reviews) would be needed for each phase of the project . The consulting fees then escalated from the approved amount (R10 449 660) to R14 053 121 .01. The serice provider then claimed the additional amount based on the increased estimated construction cost . The additional claim amounted to R5 079 680 42 which is the basis of the legal action . The municipality raised concerns to the service provider that the cost was not budgeted for and additional claim in any event exceeded the approved contract amount initially approved by the Municipality and thus the invoice could not be paid In addition the discussions between IDM and the approver of the business plan (Cogta) was still under way.

	5,079,680	

39.5 Orees Plant Hire - Claim for services rendered with respect to the hiring of a variety of Plant & Machinery (Excavator, Water Tanker and TLB)

The Municipality has been served with Sheriff Notice in lieu of a demand for payment in respect to various plant and machinery that had been hired by the Municipality in the process of rendering its services The hire charges in question include the following

- Hire of Excavator [01/10/2018],
- Hire of Water Tanker [01/11/2019],
- Hire of Excavator [23/07/2020],
- Hire of Excavator [23/07/2021],
- Hire of TLB [01/10/2020], and
- Hire of Excavator [30/11/2020]

At the time of concluding annual financial stetements, engagements had been initiated with Orees Sand & Olant Hire CC in an attempt to gather more facts in order to inform any further decision on the matter

40 EVENTS AFTER THE REPORTING DATE

President Cyril Ramaphosa on 15 March 2020 declared a national state of disaster in terms of the Disaster Management Act. He announced that government is taking urgent and drastic measures to manage the disease, protect the people of our country and reduce the impact of the virus on our society and on our economy Since the initial lockdown was announced, the lockdown has been ongoing following a risk-adjusted strategy which seeks a slow down of the rate of infection and flatten the curve The factor outlined above has had an impact on the activities within the municipality

AS AT 30 JUNE 2020

In January 2021, the Municipality received correspondence from National Treasury stating that of the R36,4mil unspent grants as at 30 June 2020 that the Municipality had applied for rollover into 2020/21 financial year, R1,2mil (R608k for EEDSMG, R596k for Disaster Management Grant) was not approved and that this amount would have to be returned to the National Revenue Fund in terms of section 22(4) of the 2019 DoRA

The effect of returning these funds to National Treasury's National Revenue Fund will be incorporated into the 2020/21 adjustment budget and it will have no effect on service delivery since the planned (affected) programmes have been revised accordingly.

41 RISK MANAGEMENT

41.1 Maximum credit risk exposure

Credit risk is the risk that a counter party to a financial instrument wil fail to discharge an obligation and cause the municipality to incur a financial loss.

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

Trade receivables comprise a widespread customer base Management evaluates credit risk relating to customers on an ongoing basis If customers are independently rated, these ratings are used Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows		
Consumer debtors	549,648,889	410,497,493
Other debtors	-	-
Non Current Receivables	1,080,517	608,281
	550,729,406	411,105,774
Ageing of consumers		
Current (0 – 30 days)	24,514,166	21,030,160
31 - 60 Days	19,499,055	13,725,036
61 - 90 Days	18,747,971	11,836,052
91 - 120 Days	15,730,297	15,549,298
121 - 365 Days	15,370,144	11,089,236
+ 365 Days	455,787,255	337,267,711
Total	549,648,889	410,497,493
Less: Provision for bad debts	(426,717,329)	(309,047,297)
Net consumer debtors	122,931,560	101,450,196
Cash and cash equivalents	203,034,987	226,356,371
Other investments	-	-
	203,034,987	226,356,371

These balances represent the maximum exposure to credit risk.

41.2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Municipalities reputation.

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

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

The Municipalities liability are backed by appropriate assets and it has liquid resources.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX A
AUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2021

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2020 R	Interest Paid during the period R	Interest Accrued at year end R	Redeemed / written off during the period R	Balance at 30 June 2021 R
LONG-TERM LOANS							
Development Bank of SA		12/31/2025	39,949,516	3,381,936	0	6,765,575	33,183,941
							-
Total Borrowings - DBSA Loan			**39,949,516**	**3,381,936**	**-**	**6,765,575**	**33,183,941**
Current Portion of Long Term Borrowings - DBSA Loan							**7,006,397**
Non-Current Borrowings - DBSA Loan							**26,177,543**
Accrued Interest							
Development Bank of SA			-		1,487,587		1,487,587
Total Accrued Interest - DBSA Loan			**-**	**-**	**1,487,587**	**-**	**1,487,587**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
AUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2021

	Cost / Revaluation							Accumulated Depreciation								
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Change in estimate	Reversal of impairment loss	Impairment loss	Closing Balance	Carrying Value
	R	R		R		R	R	R	R	R				R	R	R
Land	3,092,908 00	-	-	-		-	3,092,908	-	-	-	-	-	-	-	-	3,092,908
	3,092,908.00	-	-	-		-	3,092,908	-	-	-				-	-	3,092,908
Buildings	34,484,216.65	-	-	-	-	-	34,484,217	(11,073,885)	(1,196,891)	-	-	(18,434)		-	(12,289,209)	22,195,007
Infrastructure																
Sewerage Mains & Purification	231,430,147 88	-		(4,473,910)	61,623,873	-	288,580,111	(85,682,196)	(10,090,354)	3,684,413		(254,611)	-	(4,761,626)	(97,104,375)	191,475,736
Water Mains & Purification	2,447,623,340 67	-	89,386,265	(11,009,491)	176,519,775	-	2,702,519,890	(624,021,876)	(90,765,102)	6,645,081 47	(1,354,747)	(2,531,147)	-	555,622	(711,472,170)	1,991,047,720
Under construction	579,228,584 02	-	(89,386,265)		(238,143,648)	206,701,550	458,400,221	-	-	-	-	-		(2,467,635)	(2,467,635)	455,932,586
	3,258,282,072.57	-	-	(15,483,401)	-	206,701,550	3,449,500,222	(709,704,072)	(100,855,456)	10,329,494	(1,354,747)	(2,785,759)	-	(6,673,640)	(811,044,180)	2,638,456,042
Total carried forward	3,295,859,197.22	-	-	(15,483,401)	-	206,701,550	3,487,077,346	(720,777,957)	(102,052,347)	10,329,494	(1,354,747)	(2,804,192)	-	(6,673,640)	(823,333,389)	2,663,743,957

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2021

	Cost / Revaluation							Accumulated Depreciation								
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R		Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors			Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Total brought forward	3,295,859,197.22	-	-	(15,483,401)	-	206,701,550	3,487,077,346	(720,777,957)	(102,052,347)	10,329,494	(1,354,747)	(2,804,192)	-	(6,673,640)	(823,333,389)	2,663,743,957
Other Assets																
Office Equipment	4,519,656 97	13,660 00	-	(123,584)	-	-	4,409,733	(1,968,976)	(400,145)	101,503	-	(33,291)		2,120	(2,298,789)	2,110,942
Machinery & Equipment	4,114,341 73	1,489,450 00	-	(236,833)		-	5,366,959	(1,524,921)	(466,105)	215,259	-	(91,195)		(75,057)	(1,942,019)	3,424,940
Transport Assets	21,080,933 90	13,997,995 00	-	-	-	-	35,078,929	(5,618,968)	(2,781,984)	-	-	-		-	(8,400,952)	26,677,977
Computer Equipment	3,955,335 49	2,412,933 22	-	(1,071,127)		-	5,297,141	(2,548,443)	(786,046)	868,205	-	(43,224)		16,021	(2,493,488)	2,803,653
	33,670,268.08	17,914,038.22	-	(1,431,544)	-	-	50,152,762	(11,661,308)	(4,434,280)	1,184,967	-	(167,711)	-	(56,916)	(15,135,248)	35,017,512
Finance Lease Assets																
Other Assets	43,240,256 34	9,281,380 40	-	(3,125,336)		-	49,396,301	(8,635,131)	(15,367,178)	3,125,444					(20,876,865)	28,519,436
	43,240,256.34	9,281,380.40	-	(3,125,336)	-	-	49,396,301	(8,635,131)	(15,367,178)	3,125,444	-			-	(20,876,865)	28,519,436
Total	3,372,769,721.65	27,195,418.62	-	(20,040,281)	-	206,701,550	3,586,626,409	(741,074,396)	(121,853,805)	14,639,905	(1,354,747)	(2,971,903)	-	(6,730,556)	(859,345,502)	2,727,280,905

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2020

	Cost / Revaluation							Accumulated Depreciation								
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Transfers	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors			Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Land	3,242,908 00	-		(150,000)			3,092,908	-	-	-	-			-	-	3,092,908
	3,242,908.00	-	-	(150,000)		-	3,092,908	-	-	-	-			-	-	3,092,908
Buildings	34,721,276.52	-	-	(1,350,000)	1,112,939	-	34,484,216	(10,878,985)	(1,193,087)	998,187		-			(11,073,885)	23,410,331
Infrastructure																
Sewerage Mains & Purificatioi	221,635,424 06	-	-	(43,560)	9,838,283	-	231,430,148	(75,043,585)	(9,782,811)	40,499		-	-	(896,299)	(85,682,196)	145,747,952
Water Mains & Purification	2,290,494,678 14	1,383,445 54	4,345,971	(3,798,309)	155,197,554	-	2,447,623,341	(535,204,359)	(87,496,095)	2,414,601	(310,116)	-	-	(3,425,907)	(624,021,876)	1,823,601,464
Under construction	561,855,303 36	-	(4,111,971)		(167,971,911)	189,457,163	579,228,584	-	-	-	-			-		579,228,584
	3,073,985,405.56	1,383,445.54	234,000	(3,841,868)	(2,936,073)	189,457,163	3,258,282,073	(610,247,943)	(97,278,906)	2,455,100	(310,116)	-	-	(4,322,207)	(709,704,072)	2,548,578,000
Total carried forward	3,111,949,590.08	1,383,445.54	234,000	(5,341,868)	(1,823,134)	189,457,163	3,295,859,196	(621,126,928)	(98,471,993)	3,453,287	(310,116)	-	-	(4,322,207)	(720,777,957)	2,575,081,239

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2020

	Cost / Revaluation							Accumulated Depreciation								
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Transfers	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors			Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Total brought forward	3,111,949,590.08	1,383,445.54	234,000	(5,341,868)	(1,823,134)	189,457,163	3,295,859,196	(621,126,928)	(98,471,993)	3,453,287	(310,116)	-	-	(4,322,207)	(720,777,957)	2,575,081,239
Other Assets																
Office Equipment	3,152,628 46	1,506,843 23		(139,815)		-	4,519,657	(1,649,639)	(400,598)	84,421				(3,012)	(1,968,976)	2,550,681
Machinery & Equipment	3,680,274 57	439,804 68		(5,738)	-	-	4,114,342	(900,733)	(629,059)	4,993				(123)	(1,524,921)	2,589,420
Transport Assets	9,085,570 21	10,172,229 69		-	1,823,134	-	21,080,934	(3,439,844)	(2,179,124)	-				-	(5,618,968)	15,461,966
Computer Equipment	4,268,657 80	-		(313,321)		-	3,955,336	(2,025,608)	(710,040)	208,174				(20,968)	(2,548,443)	1,406,895
	20,187,131.03	12,118,877.60	-	(458,874)	1,823,134	-	33,670,269	(8,015,824)	(3,918,821)	297,588	-	-	-	(24,103)	(11,661,308)	22,008,962
Finance Lease Assets																
Other Assets	3,141,236 04	40,114,920 30		(15,900)		-	43,240,256	(1,892,523)	(6,756,268)	13,660				-	(8,635,131)	34,605,124
	3,141,236.04	40,114,920.30	-	(15,900)	-	-	43,240,256	(1,892,523)	(6,756,268)	13,660	-	-	-	-	(8,635,131)	34,605,124
Total	3,135,277,957.16	53,617,243.44	234,000	(5,816,642)	(0)	189,457,163	3,372,769,722	(631,035,275)	(109,147,083)	3,764,535	(310,116)	-	-	(4,346,310)	(741,074,396)	2,631,695,325

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX C
AUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2021

	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposal R	& Impairment Loss/Reversal	Closing Balance R	Carrying value R
Executive & Council	25,036,269	16,410,928		(1,071,127)	40,376,070	(8,167,411)	(3,568,030)	868,205	(27,204)	(10,894,440)	29,481,630
Finance & Admin	46,211,123	1,503,110		(360,417)	47,353,817	(14,567,782)	(2,063,141)	316,762	(215,857)	(16,530,017)	30,823,799
Waste Management	231,430,148	-		(4,473,910)	226,956,238	(85,682,196)	(10,090,354)	3,684,413	(5,016,238)	(97,104,375)	129,851,863
Water	2,537,009,606	-	-	(11,009,491)	2,526,000,114	(624,021,876)	(90,765,102)	6,645,081	(3,330,273)	(711,472,170)	1,814,527,945
Under Construction	579,228,584	-	206,701,550	-	696,543,869		-	-	(2,467,635)	(2,467,635)	694,076,234
Other	43,240,256	9,281,380		(3,125,336)	49,396,301	(8,635,131)	(15,367,178)	3,125,444		(20,876,865)	28,519,436
Total	3,462,155,987	27,195,419	206,701,550	(20,040,281)	3,586,626,409	(741,074,396)	(121,853,805)	14,639,905	(11,057,206)	(859,345,502)	2,727,280,905

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX D
AUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2021

2020 Actual Income R	2020 Actual Expenditure R *Restated*	2020 Surplus / (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus / (Deficit) R
23,469,791	28,235,801	(4,766,010)	Executive & Council	47,847,899	29,218,379	18,629,519
192,896,547	257,580,395	(64,683,848)	Finance & Admin	188,782,075	328,876,487	(140,094,412)
11,551,655	148,210,548	(136,658,893)	Planning & Development	11,664,589	162,965,358	(151,300,768)
39,971,951.35	36,050,384	3,921,567	Community & Social Services	50,854,640	36,312,876	14,541,763
184,428,861	66,537,443	117,891,419	Waste Management	196,766,262	52,494,108	144,272,154
658,676,353	465,862,835	192,813,518	Water	737,777,568	412,593,801	325,183,767
1,110,995,159	**1,002,477,407**	**108,517,750**	**Total**	**1,233,693,033**	**1,022,461,009**	**211,232,022**