Unaudited Annual Financial Statements
for

ILEMBE DISTRICT MUNICIPALITY - DC29

For the year ended 30 June 2022

Province:	**KwaZulu Natal**
AFS rounding:	***R (i.e. only cents)***

Contact Information:

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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**	Term ended 9 November 2021
His Worship, Councillor Thobani Philani Shandu	**Mayor**	Appointed 11 November 2021
Councillor Monitha Dolly Shandu	**Deputy Mayor**	Term ended 9 November 2021
Councillor JG Van Whyne	**Deputy Mayor**	Appointed 11 November 2021
Councillor Sphesihle Basil Zulu	**Speaker**	Term ended 9 November 2021
Councillor Monitha Dolly Shandu	**Speaker**	Appointed 11 November 2021
Councillor Sandeep Oudhram	**CHIEFWHIP**	Appointed 11 November 2021
Councillor Musawenkosi Aubrey Maphumulo	Member of the Executive Committee	Appointed 11 November 2021
Councillor Andrew Gopaul	Member of the Executive Committee	Deceased - 6 June 2021
Councillor Musa Michael Sibisi	Member of the Executive Committee	Term ended 9 November 2021
Councillor Makatha Hlengiwe Lindiwe	Member of the Executive Committee	Appointed 11 November 2021
Councillor Ncube Nduduzo	Member of the Executive Committee	Appointed 11 November 2021
Councillor Ngcobo Happiness	Member of the Executive Committee	Appointed 11 November 2021
Councillor Sing Krsna	*Member*	
Councillor Khanyile Mangalisile	*Member*	
Councillor Vallan Jennifer	*Member*	
Councillor Cele Solomon Sphiwe	*Member*	
Councillor Mthiyane Mxolisi	*Member*	
Councillor Mbuyazi Thabile	*Member*	
Councillor Ngcobo Christopher	*Member*	
Councillor Sewraj Annet	*Member*	
Councillor Ngwane Zinhle	*Member*	
Councillor Ndlovu Leonard	*Member*	
Councillor Shangase Mhlengi	*Member*	
Councillor Mkhaliphi Mzwakhe	*Member*	
Councillor Dladla Nhlanhla	*Member*	
Councillor Dube Thubelihle	*Member*	
Councillor Sithole Sicelo	*Member*	
Councillor Mthembu Caroline	*Member*	
Councillor Khoza Monica	*Member*	
Councillor Khuzwayo Nokukhanya	*Member*	
Councillor Mhlongo Nqobile	*Member*	
Councillor Zungu Sipho	*Member*	
Councillor Shangase Vukani	*Member*	
Councillor Ncube Nduduzo	*Member*	
Councillor Mbonambi Nkosi	*Member*	
Councillor Mkhize Thulile	*Member*	
Councillor Ngidi Nomzamo	*Member*	
Councillor Mwandla Virginia	*Member*	
Councillor Singh Nerish	*Member*	
Councillor Bhengu Sthabiso	*Member*	
Councillor Angel Lindiwe Nzama	*Member*	Term Ended 09 November 2021
Councillor Malindi Mhlongo	*Member*	Term Ended 09 November 2021
Councillor Sibongile Florence Ntuli	*Member*	Term Ended 09 November 2021
Councillor Catherine Tholakele Khumalo	*Member*	Term Ended 09 November 2021
Councillor Makhosini Desmond Mpofu	*Member*	Term Ended 09 November 2021
Councillor Ntombenhle Cynthia Nene	*Member*	Term Ended 09 November 2021
Councillor Musawenkosi Simeon Ntuli	*Member*	Term Ended 09 November 2021
Councillor Madhum S Singh	*Member*	Term Ended 09 November 2021
Councillor Innocent Ndumiso Vilakazi	*Member*	Term Ended 09 November 2021
Councillor Muzi Emmanuel Ngidi	*Member*	Term Ended 09 November 2021
Councillor Innocentia Phumelele Dube	*Member*	Term Ended 09 November 2021
Councillor Radiwaath Singh	*Member*	Term Ended 09 November 2021
Councillor Thandeka Sinenhlanhla Ngidi	*Member*	Term Ended 09 November 2021
Councillor James Gabangani Van Whye	*Member*	Term Ended 09 November 2021
Councillor Thuthukani Raymond Ngema	*Member*	Term Ended 09 November 2021
Councillor Mamazane Veronica Shezi	*Member*	Term Ended 09 November 2021
Councillor Silindile Zondi	*Member*	Term Ended 09 November 2021
Councillor Jali Thalalisani Sabatha	*Member*	Term Ended 09 November 2021
Councillor Happiness Nonhlanhla Ngcobo	*Member*	Term Ended 09 November 2021
Councillor Mazwi Nhlakanipho Gwamanda	*Member*	Term Ended 09 November 2021
Councillor Sakhephi Mdumiseni Michael Dlomo	*Member*	Term Ended 09 November 2021
Councillor Nyathikazi Siboniso Zaba	*Member*	Term Ended 09 November 2021

Councillor Malindi Virginia Mhlongo	*Member*	Term Ended 09 November 2021
Councillor Zungu Gloria Nompumelelo	*Member*	Term Ended 09 November 2021
Councillor Sithole David Mthokozisi	*Member*	Term Ended 09 November 2021

Grading of Local Authority	Four
Auditors	The Auditor-General, South Africa
Bankers	First National Bank

General information (continued)

	Ilembe House
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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 early 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 risks associated with covid19 and July 2021 riots in terms of consumer debtors materialized. 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. A new challenge which the Municipality encountered during the March and April 2022 was the impact of the devasting floods on infrastructure and its operations which affected service delivery in certain areas. This also affected some consumers ability to pay for services. The Municipality through its business continuity plan was successful in restoring service delivery

and operations to continue trading. 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 2022 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 23 and 24 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 Office

Date: 31 August 2022

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2022

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	2022 R	2021 R Restated
ASSETS			
Current Assets			
Cash and cash equivalents	3	202,786,719	203,034,987
Trade and other receivables from exchange transactions	2	217,263,480	134,724,639
Value Added Tax	7	8,417,520	18,428,279
Inventories	5	11,782,382	10,888,684
Total current assets		**440,250,102**	**367,076,589**
Non-current assets			
Non-current receivables	6	1,250,785	1,080,517
Other non-current financial assets	4	100	100
Property, plant and equipment	10	2,816,055,122	2,727,639,286
Intangible assets	12	8,505,261	6,254,887
Heritage Assets	11	205,578	205,578
Total non-current assets		**2,826,016,845**	**2,735,180,367**
Total assets		**3,266,266,947**	**3,102,256,957**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	13	171,247,484	173,546,927
Consumer Deposits	14	5,915,094	5,729,972
Value Added Tax	7	-	-
Trade and other payables from non - exchange transactions	15	36,731,868	2,216,844
Current portion of borrowings	16	7,869,646	5,518,810
Current portion of finance lease liability	17	12,456,066	18,710,298
Current portion of financial liability:Umngeni Water CUC	46	29,168,076	9,579,510
Current portion of employee benefits	47	1,188,736	2,893,000
Total current current liabilities		**264,576,970**	**218,195,361**
Non-current liabilities			
Non-current borrowings	16	23,474,208	27,665,130
Non-current finance lease liability	17	1,828,426	14,284,493
Non-current financial liabilities:Umngeni Water CUC	46	0	39,710,693
Employee benefits	47	16,905,077	15,212,000
Total non-current liabilities		**42,207,711**	**96,872,315**
Total liabilities		**306,784,681**	**315,067,677**
Net assets		**2,959,482,266**	**2,787,189,280**
Accumulated surplus		2,959,482,266	2,787,189,280
Total net assets		**2,959,482,266**	**2,787,189,280**

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2022

	Note	2022 R	2021 R
Revenue from exchange transactions		**349,233,136**	**300,306,901**
Service charges - Water	18	208,278,827	189,281,479
Service charges - Sanitation	18	66,463,425	51,664,183
Interest earned - external investments	19	11,946,445	10,384,060
Interest earned - outstanding receivables	20	23,148,689	41,232,800
Dividends	8	21,500,000	-
Operational revenue	22	15,885,070	5,808,701
Agency services	23	2,010,681	1,935,679
Revenue from non exchange transactions		**892,639,471**	**933,386,563**
Fines and Penalties	24	83,564	53,767
Licences Or Permits	25	33,954	1,355
Government grants and subsidies	21	892,521,953	933,331,441
Total revenue		**1,241,872,607**	**1,233,693,464**
Expenses			
Employee related costs	26	234,503,603	227,396,445
Remuneration of councillors	27	8,841,676	8,921,386
Debts Impairment	2	112,745,390	104,698,036
Depreciation, impairment and amortisation	28	136,146,554	134,871,879
Finance costs	29	8,552,664	5,857,622
Inventory consumed	30	205,638,868	238,475,941
Contracted services	31	170,004,881	154,663,413
Transfers and subsidies	32	35,465,416	37,103,690
Operational Cost	33	133,815,347	106,769,080
Total expenses		**1,045,714,397**	**1,018,757,492**
(Loss) / Gain on sale of assets	36	(5,746,801)	(3,841,941)
Forex (loss) / gain	44	(635,286)	137,991
Fair value Loss / Gain	35	(17,483,136)	-
Surplus for the period		**172,292,986**	**211,232,022**

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2022

	Note	IDM Accumulated Surplus/(Deficit) Total
		R
Balance at 30 June 2020		**2,558,931,846**
Prior year corrections and adjustments	**37.1**	25,554,535
Restated balance		**2,584,486,381**
Surplus / (deficit) for the year		211,232,022
Balance at 30 June 2021		**2,795,718,403**
Opening Balance, 1 July 2021		**2,795,718,403**
Prior year corrections and adjustments	**37.2**	(8,529,123)
Restated balance		**2,787,189,280**
Transfers to / from accumulated surplus/(deficit)		-
Surplus / (deficit) for the year		172,292,986
Balance at 30 June 2022		**2,959,482,266**

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED CASH FLOW STATEMENT
For the year ended 30 June 2022

	Note	IDM 2022 R	IDM 2021 R *Restated*
Receipts		**1,079,182,569**	**1,078,398,478**
Sales of goods and services		110,983,634	134,534,469
Grants		927,036,977	894,693,716
Other income		41,161,958	49,170,293
Payments		**(792,109,402)**	**(848,483,402)**
Employee costs		254,971,460	236,345,317
Suppliers		537,137,942	612,138,085
CASH GENERATED FROM OPERATIONS		**287,073,167**	**229,915,075**
Interest received		11,946,445	10,384,060
Interest paid		(8,552,664)	(5,857,622)
Net cash flows from operating activities	39	**290,466,948**	**234,441,513**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(226,306,757)	(233,896,969)
Proceeds from sale of fixed assets		660,000	1,570,221
Increase in investments		-	-
Purchase of intangibles		(6,912,810)	(3,782,106)
Net cash flows from investing activities		**(232,559,567)**	**(236,108,854)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,840,085)	(5,042,477)
Repayment of Umgnei Water CUC Debt		(37,605,264)	(5,946,534)
Repayment of finance lease liability		(18,710,299)	(10,665,033)
Net cash flows from financing activities		**(58,155,648)**	**(21,654,044)**
Net increase / (decrease) in net cash and cash equivalents		(248,267)	(23,321,384)
Net cash and cash equivalents at beginning of period		203,034,987	226,356,371
Net cash and cash equivalents at end of period	3	**202,786,720**	**203,034,987**

ILEMBE DISTRICT MUNICIPALITY
UNAUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2022

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	260,677,310	276,469,097	-	276,469,097	274,742,251	-1,726,846	-1%	The service charges budgeted to be expended by 30 June 2022 was R 276.4 million, while the total billed to consumers was R 276.7 million resulting to 1% variance below targeted revenue. The variance is within the norm of +-10% which is acceptable. This is due to the additional areas that were read in previous months which were estimated and are currently read by the services provider that the municipality has appointed in order to assist as the municipal Meter Readers are not enough to cover all areas with the community of Ilembe District Municipality and new connections.
Investment Revenue	12,011,958	12,011,958	-	12,011,958	11,946,445	-65,513	-1%	This refers to interest earned in the external investments of the municipality. The actual as at 30 June 2022 was R 11.9 million, resulting in a positive variance of 1% above anticipated of R 12.0 million. This variance is due to amounts invested are of a short-term period where the interest rate varies.
Transfers Recognised - Operatioı	635,194,000	656,101,470	-	656,101,470	655,590,177	-511,293	0%	Tthis relates to the conditions met on operational projejcts including the equitable share received by the municipality as per DORA allocation. The discrepancy is due to the fact that an alocation for Maphumulo sites transers has not been spent. A rollover application has been made. In addition is the re-allocation of LG Seta grant that was initially budgeted for as other revenue. Furthermore, all other operational grants were fully spent as at of 30 June 2022.
Other Own Revenue	136,351,219	152,799,673	-	152,799,673	41,161,957	-111,637,716	-73%	Included on this item is the revenue received from shared services, clearance certificates, and sale of tender documents, etc. the variance translated to 73% below a target is mainly attributable from the water gain that has been budgeted for.
Transfers) & Contributions)	**1,044,234,487**	**1,097,382,198**	**-**	**1,097,382,198**	**983,440,830**	**-113,941,368**		
Employee Costs	248,028,932	241,149,031	-	241,149,031	234,503,603	-6,645,428	-3%	This item relates to employee related costs booked in for the district, as at 30 June 2022, the total expended was R 234.5 million resulting in a 3% variance below a year to date target of R241.1 million. The variance is mainly attributable to vacant posts arising from terminations and resignations, these posts were advertised and the process to fill them is anticipated to be completed beginning of the financial year as the candidates will need to serve a notice from where they are currently working. However the variance is within acceptable norm of +-10%.
Remuneration Of Councillors	10,473,916	11,166,433	-	11,166,433	8,841,676	-2,324,757	-21%	This item relates to remuneration of Councillors. The actual expenditure as at June 2022 was R 8.8 million, while the target was R 11.1 million resulting in variance of 21% below target. This variance is attributable from the fact that the increase on cost of living was considered during the preparation of adjusted budget, whereas the actual payment has not yet considered that. The municipality has received the communication from COGTA which was stipulating the increment on remuneration for Councillors whereby the date of increase include the Councillors whom their term was terminated in November 2021.
Debt Impairment	19,215,668	19,456,260		19,456,260	112,745,390	93,289,130	479%	This item relates to amount budgeted for contribution to the provision for doubtful debt in line with GRAP. The year to date actual on this item is R112.7 million this is increase in provision for the debtors who might not honour their debt including government employees and organs of state. It should be noted that the municipality had a debt write off amount to R70 million during the current financial year. The municipality is still waiting for the latest analysis on municipal consumer debtors from the revenue enhancement consultant. Once the data is received the municipality will process the recommendation accordingly.
Depreciation & Asset Impairment	114,056,528	114,056,528	-	114,056,528	136,146,554	22,090,026	19%	This category records the actual depreciation and asset impairment as per the requirements of GRAP and MFMA. This is a non-cash item and will therefore not affect cash flow. The actual as at June 2022 was R 135.8 million resulting on a 19% variance above for the target of R 114.0 million. This is due to the number of projects that have capitalised in the current financial year.

ILEMBE DISTRICT MUNICIPALITY
UNAUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2022

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	6,757,303	5,305,622	-	5,305,622	8,552,664	3,247,043	61%	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 2022 was R 5.3 million, while the actual incurred for this period was R 8.5 million, which is above the target by 61%. This is due to the fact that the financial liability with Umngeni water was discounted in terms of GRAP 104 which was not anticipated during the budget process.
Contracted Services	137,372,998	172,249,989	10,000.00	172,259,989	170,004,881	-2,245,108	-1%	This item consists of all contracted services of the municipality like electrical repairs, bulk maintenance, catering, grass cutting etc. The total budget for this item is R172.2 million and the actual expenditure as at 30 June 2022 was R 170.0 million which is 1% below the anticipated expenditure of R 172.2 million. The variance is however at an acceptable norm of +-10%.
Other Expenditures	492,158,281	532,234,811	-10,000.00	532,224,811	381,301,717	-150,933,094	-28%	This item consist of various running operation expenses of the municipality, including the water loss budget that was budgeted for. The total budget is R532.2 million and actual expenditure as at 30 June 2022 the actual expenditure on this item was R381.3 million which resulted to a variance of 28% below when compared to R532.2 million anticipated. The variance is due to the water loss budget that is included in other expenditure in terms of financial statements and there is no movement due to GRAP requirements.
Total Expenditure	**1,028,063,626**	**1,095,618,673.81**	**-**	**1,095,618,674**	**1,052,096,484**	**-43,522,190**		
Surplus/(Deficit)	**16,170,861**	**1,763,524.63**	**-**	**1,763,525**	**-68,655,654**	**-70,419,179**		
Transfers Recognised - Capital	236,859,000	252,995,925	-	252,995,925	236,931,776	-16,064,149	-6%	This relates to the conditions met on capital projejcts. The discrepancy is due to the fact that there was a Water Intervention grant of R25 million that was received in December 2021, whereby its projects relate to bth financial years 2022 and 2023 as per the business plan approved by KZNCOGTA. however the variance is within the acceepted norm of +-10%.
Transfers and subsidies - capital (in-kind - all)				-	0	0	0%	
Contributions Recognised - Capital & Contributed Assets	2,273,449.00	2,273,449.00	-	2,273,449	0	-2,273,449	0%	This amount has been received and allocated to other income. It was allocated to this catergory due to mSCOA version 6.5, however it was changed to other income on mSCOA version 6.6 which is its correct catergory. Hence it is reported to other income in these financial statements.
Surplus/(Deficit) After Capital Transfers	**255,303,310**	**257,032,899.09**	**-**	**257,032,899**	**168,276,122**	**-88,756,777**		
Profit/(Loss)						0		
Surplus/(Deficit For The Year	**255,303,310**	**257,032,899.09**	**-**	**257,032,899**	**168,276,122**	**-88,756,777**		
Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	205,964,348	219,996,456.67	-	219,996,456.67	194,820,807	-25,175,650	-11%	The variance is due to the capital projects that were estimated to be completed in June 2023 hence budgeted for in the current financial year 2022 as its allocation was received in December 2021 for Water Intervention.
Borrowing	0	-	-	-	-	0	0%	
Internally Generated Funds	26,671,266	35,175,325.80	-	35,175,325.80	26,816,996	-8,358,330	-24%	The variance is due to the fact that the proejcts were delayed due to floods that washed away most of the documents whereby the SCM processes needed to be performed again. Prior to floods there was court order which was issued by ConCourt in relation to SCM process that affected most procurement process on projects.
Total Sources Of Capital Funds	**232,635,614**	**255,171,782.47**	**-**	**255,171,782**	**221,637,803**	**-33,533,980**		

ILEMBE DISTRICT MUNICIPALITY
UNAUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2022

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 2021			
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	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 - Operational	613,308,937	700,257,567	-	700,257,567	694,949,947	-5,307,620	-1%	This 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
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%
Total Revenue (Excluding Capital Transfers) & Contributions)	**893,732,168.04**	**992,035,156.33**	**-**	**992,035,156.33**	**995,749,387.86**	**3,714,231.53**		
Employee Costs	253,689,832.67	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	9,818,859.27	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	18,300,637.96	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 Impairment	78,805,010.00	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
UNAUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2022

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	12,690,706.87	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	216,200,000.00	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	145,349,293.75	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
Other Expenditures	150,883,496.85	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 Expenditures	**885,737,837.36**	**944,294,393.85**	**-**	**944,294,393.85**	**1,022,599,433.02**	**78,305,039.17**	-86%	
	7,994,330.68	**47,740,762.48**	**-**	**47,740,762.48**	**(26,850,045.16)**	**(74,590,807.64)**		
Transfers Recognised - Capital	225,227,563	234,931,124	-	234,931,124	238,082,068	3,150,944	1%	This 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
Contributions Recognised - Capital & Contributed Assets	0	-		-	0	0	0%	
Surplus/(Deficit) After Capital Transfers & Contributions	**233,221,893.68**	**282,671,886.32**	**-**	**282,671,886.32**	**211,232,022.36**	**(71,439,863.96)**		
				-		-		
Surplus/(Deficit For The Year	233,221,893.68	282,671,886.32	-	282,671,886.32	211,232,022.36	(71,439,863.96)		
				-		-		
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 delivery 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	**202,645,577.78**	**248,841,911.35**	**-**	**248,841,911.35**	**237,679,054.07**	**-11,162,857.28**		

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2022

Reportable Segments for the year ended 30 June 2022

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 2022

	2021/2022			
	Trading Services	**Unallocated**	**Other**	**Total**
Segment Revenue	**960,947,018**	**178,578,544**	**102,347,044**	**1,241,872,606**
External revenue from non-exchang	679,546,464	112,224,784	100,868,222	**892,639,470**
External revenue from exchange tra	281,400,554	9,758,627	1,478,822	**292,638,002**
Revenue from transactions with other segments				-
Interest revenue	-	56,595,133		**56,595,133**
Segment Expenses	**458,464,596.74**	**384,432,583.45**	**226,682,440.07**	**1,069,579,620**
Total Segment expenses	458,464,597	347,122,104	121,112,521	926,699,222
Depreciation and amortisation	-	27,222,815	105,569,919	132,792,734
Interest expense	-	10,087,664	-	10,087,664
Internal charges				-
Share of Surplus/(Deficit) of Associates / Joint Ventures				-
Taxation				-
Surplus/deficit for the year	**502,482,421**	**- 205,854,039**	**- 124,335,397**	**172,292,986**

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	Trading Services	Unallocated	Other	Total
ASSETS					
Current Assets					
Cash and cash equivalents	3	(405,129,745)	(297,269,444)	905,185,908	**202,786,719**
Trade and other receivables from ex	2	368,278,316	(150,464,643)	(550,193)	**217,263,480**
Value Added Tax	7	(57,005,973)	64,739,768	683,725	**8,417,520**
Inventories	5	(58,033,637)	69,936,876	(120,857)	**11,782,382**
Total current assets		**(151,891,038)**	**(313,057,443)**	**905,198,583**	**440,250,102**
Non-current assets					
Non-current receivables	6		1,250,785		**1,250,785**
Other non-current financial assets	4		100		**100**
Property, plant and equipment	10	398,342,399	2,684,693,096	(266,980,373)	**2,816,055,122**
Intangible assets	12		8,505,261		**8,505,261**
Heritage Assets	11		205,578		**205,578**
Total non-current assets		**398,342,399**	**2,694,654,820**	**(266,980,373)**	**2,826,016,846**
Total assets		**246,451,361**	**2,381,597,377**	**638,218,209**	**3,266,266,947**
LIABILITIES					
Current liabilities					
Trade and other payables from exch	13	19,366,987	158,366,470	(6,488,683)	**171,244,774**
Consumer Deposits	14	(125,200)	6,040,293		**5,915,093**
Value Added Tax	7	-	-	-	**-**
Trade and other payables from non	15	(335,517,668)	381,468,765	(9,219,229)	**36,731,868**
Current portion of borrowings	16		7,869,646		**7,869,646**
Current portion of finance lease liabi	17		12,456,066		**12,456,066**
Current portion of financial liability:U	45		29,168,076		**29,168,076**
Current portion of employee benefits	46		1,188,736		**1,188,736**
Total current current liabilities		**(316,275,881)**	**596,558,054**	**(15,707,912)**	**264,574,260**
Non-current liabilities					
Non-current unspent conditional grants and receipts					
Non-current borrowings	16		23,474,208		**23,474,208**
Non-current finance lease liability	17		1,828,426		**1,828,426**
Non-current financial liabilities:Umng	45		-		**-**
Employee benefits	46		16,905,077		**16,905,077**
Total non-current liabilities		**-**	**42,207,711**	**-**	**42,207,711**
Total liabilities		**(316,275,881)**	**638,765,764**	**(15,707,912)**	**306,781,971**
Net assets		**562,727,242**	**1,742,831,612**	**653,926,122**	**2,959,484,976**
Reserves					
Accumulated surplus		302,484	2,899,187,883	59,994,609	**2,959,484,976**
Total net assets		**302,484**	**2,899,187,883**	**59,994,609**	**2,959,484,976**

ILEMBE DISTRICT MUNICIPALITY - DC29
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**
External revenue from non-exchang	703,976,955	121,183,450	108,226,157	**933,386,563**
External revenue from exchange tra	230,566,875	15,982,196	2,140,970	**248,690,042**
Revenue from transactions with other segments				**-**
Interest revenue	-	51,616,860		**51,616,860**
Segment Expenses	**477,878,067.30**	**324,116,523.97**	**220,466,850.88**	**1,022,461,442**
Total Segment expenses	477,878,067	292,783,698	111,071,168	881,732,933
Depreciation and amortisation	-	25,475,204.49	109,395,683.17	134,870,888
Interest expense	-	5,857,621.67	-	5,857,622
Internal charges				-
Share of Surplus/(Deficit) of Associates / Joint Ventures				-
Taxation				-
Surplus/deficit for the year	**456,665,764**	- **135,334,018**	- **110,099,724**	**211,232,022**

ILEMBE DISTRICT MUNICIPALITY - DC29
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 ex	2	269,339,966	(136,641,325)	2,025,998	**134,724,639**
Trade and other receivables from nc	4				
Value Added Tax	7	(37,753,306)	55,309,694	871,891	**18,428,279**
Inventories	5	(44,483,138)	55,431,304	(59,482)	**10,888,684**
Total current assets		**(163,815,327)**	**(71,949,703)**	**602,841,620**	**367,076,589**
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	2,702,890,761	(152,849,969)	**2,727,639,286**
Intangible assets	12		6,254,887		**6,254,887**
Heritage Assets	11		205,578		**205,578**
Total non-current assets		**177,598,494**	**2,710,431,842**	**(152,849,969)**	**2,735,180,367**
Total assets		**13,783,167**	**2,638,482,139**	**449,991,650**	**3,102,256,956**
LIABILITIES					
Current liabilities					
Trade and other payables from exch	13	97,642,773	97,984,610	(22,080,456)	**173,546,927**
Consumer Deposits	14	(87,223)	5,817,194		**5,729,971**
Trade and other payables from non	14	(375,552,781)	457,370,562	(79,600,937)	**2,216,844**
Current portion of borrowings	15		5,518,810		**5,518,810**
Current portion of finance lease liabi	16.1		18,710,298		**18,710,298**
Current portion of financial liability:U	35		9,579,510		**9,579,510**
Current portion of employee benefits	36		2,893,000		**2,893,000**
Total current current liabilities		**(277,997,231)**	**597,873,985**	**(101,681,393)**	**218,195,361**
Non-current liabilities					
Non-current unspent conditional gra	14				
Non-current borrowings	15		27,665,130		**27,665,130**
Non-current finance lease liability	16.1		14,284,493		**14,284,493**

Non-current financial liabilities:Umng	35		39,710,693		**39,710,693**
Employee benefits	36		15,212,000		**15,212,000**
Total non-current liabilities		**-**	**96,872,315**	**-**	**96,872,315**
Total liabilities		**(277,997,231)**	**694,746,300**	**(101,681,393)**	**315,067,676**
Net assets		**291,780,398**	**1,943,735,839**	**551,673,044**	**2,787,189,280**
Reserves					
Accumulated surplus		59,703	2,727,489,724	59,639,853	**2,787,189,280**
Total net assets		**59,703**	**2,727,489,724**	**59,639,853**	**2,787,189,280**

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.

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

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 - 70	Machinery and equipment	2 - 30
Sewerage	5 - 70	Furniture and equipment	5 - 30
Other	0 - 30	Motor vehicles	3 - 15
Computer equipment	2 - 30	Buildings	5 - 30

There are 350 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 websites 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.

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 VALU

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

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.

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 EXPENDITU

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

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 revenue from vat refunds on cash basis.

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 municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate

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

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 2022			
Service debtors			
Water and Sewerage	658,043,850	(474,971,912)	183,071,938
Direct Payments	(239,527)	-	(239,527)
Total	**657,804,323**	**(474,971,912)**	**182,832,411**
Other Receivables			
Accrued Income	23,836,268	-	23,836,268
Ilembe Enterprise	64,922	-	64,922
Outstanding deposits	67,283	-	67,283
Sundry Debtors	2,740,147	-	2,740,147
Other debtors	18,903,368	(11,530,384)	7,372,983
Acknowledgement of debt	349,466	-	349,466
Vat receivable	-	-	-
Total other Receivables	**45,961,454**	(11,530,384)	**34,431,069**
Total Trade and other receivables	**703,765,777**	**(486,502,296)**	**217,263,480**
as at June 2021			
Service debtors			
Water and Sewerage	549,648,889	(426,717,329)	122,931,560
Direct Deposits	(308,529)		(308,529)
Total	**549,340,360**	**(426,717,329)**	**122,623,031**
Other receivables			
Umngeni water debtor		-	-
Accrued interest	2,358,864	-	2,358,864
Ilembe Enterprise	-	-	-
Outstanding deposits	289,556	-	289,556
Sundry Debtors	2,765,783	-	2,765,783
Other debtors	10,741,158	(4,151,851)	6,589,308
Acknowledgement of debt	98,098	-	98,098
Vat receivable	-	-	-
Other receivables	**16,253,458**	**(4,151,851)**	**12,101,608**
Total Trade and other receivables	**565,593,819**	**(430,869,180)**	**134,724,639**

Summary of Debtors by Customer Classification	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
For the period ended 30 June 2022			
Current (0 – 30 days)	20,468,610	3,974,058	4,533,945
31 - 60 Days	16,481,666	2,963,366	2,460,453
61 - 90 Days	16,646,495	1,203,040	1,977,028
91 - 120 Days	17,059,791	834,242	1,432,190
121 - 365 Days	14,857,331	763,961	1,039,344
+ 365 Days	515,185,663	19,260,526	16,902,141
Sub-total	**600,699,558**	**28,999,192**	**28,345,100**
Less: Allowance for impairment on receivables	(456,271,982)	(18,699,930)	
Total debtors by customer classification	**144,427,576**	**10,299,262**	**28,345,100**
at 30 June 2021			
Current (0 – 30 days)	17,372,255	4,383,189	1,797,136
31 - 60 Days	15,637,073	1,736,150	835,177
61 - 90 Days	15,403,052	1,399,022	532,835
91 - 120 Days	13,049,973	1,378,123	437,107
121 - 365 Days	13,214,190	1,072,001	464,630
+ 365 Days	428,273,825	10,768,517	10,235,578
Sub-total	**502,950,368**	**20,737,002**	**14,302,463**
Less: Allowance for impairment on receivables	(409,820,153)	(16,897,177)	-
Total debtors by customer classification	**93,130,215**	**3,839,825**	**14,302,463**

	2022 R	2021 R *Restated*
Water and Sewerage: Ageing		
Current (0 – 30 days)	28,976,613	24,514,166
31 - 60 Days	21,905,485	19,499,055
61 - 90 Days	19,826,563	18,747,971
91 - 120 Days	19,326,224	15,730,297
121 - 150 Days	16,660,636	15,370,144
+ 365 Days	551,348,329	455,787,255
Total	**658,043,850**	**549,648,889**

Reconciliation of the debt impairment provision - Trade Receivables

	2022 R	2021 R
Balance at beginning of the year	(426,717,329)	(309,047,297)
Contributions to provision VAT inclusive	(121,042,843)	(120,402,742)
Bad debts recovered/ Consumer Accounts Adjustments		412,897
Doubtful debts written off against provision	72,788,260	2,319,813
Balance at end of year	**(474,971,912)**	**(426,717,329)**
Contributions to provision exluding VAT - Consumer Debtos	(105,367,905)	(104,698,036)
Contributions to provision exluding VAT - Other Debtos	(7,377,484)	
	-112,745,390	**-104,698,036**

3 CASH AND CASH EQUIVALENTS

	2022 R	2021 R
Cash and cash equivalents consist of the following:		
Petty cash and cash on hand	44,000	44,000
Bank statement balance	202,742,719	202,990,987
	202,786,719	**203,034,987**

The Municipality has the following bank accounts: -

Water Bank Account

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

	2022	2021
Cash book balance at beginning of year	15,341	(463,304)
Cash book balance at end of year	**13,491**	**15,341**
Bank statement balance at beginning of year	160,194	658,298
Bank statement balance at end of year	**64,911**	**160,194**

Salaries Bank Account

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

	2022	2021
Cash book balance at beginning of year	59,891	107,698
Cash book balance at end of year	**183,831**	**59,891**
Bank statement balance at beginning of year	116,010	2,272,594
Bank statement balance at end of year	**183,831**	**116,010**

Main Bank Account

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

	2022	2021
Cash book balance at beginning of year	17,576,375	(14,579,766)
Cash book balance at end of year	**8,376,346**	**17,576,375**
Bank statement balance at beginning of year	17,581,495	8,391,149
Bank statement balance at end of year	**8,376,346**	**17,581,495**

Revenue Bank Account

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

	2022	2021
Cash book balance at beginning of year	8,970,755	13,975,078
Cash book balance at end of year	**12,028,472**	**8,970,755**
Bank statement balance at beginning of year	8,843,479	13,387,106
Bank statement balance at end of year	**12,114,216**	**8,843,479**

Projects Bank Account

First National Bank - Durban Branch
Account Number 62046718641 - Current Account

	2022	2021
Cash book balance at beginning of year	32,717,597	(60,192,071)
Cash book balance at end of year	**20,377,451**	**32,717,597**
Bank statement balance at beginning of year	32,717,638	9,385,846
Bank statement balance at end of year	**21,761,790**	**32,717,638**

FNB Sub-Main
First National Bank - Stanger Branch
Account Number 62824322862 : Current Account

	2022	2021
Cash book balance at beginning of year	**(11,386,711)**	**500,143**
Cash book balance at end of year	**(8,637,565)**	**(11,386,711)**
Bank statement balance at beginning of year	**325,126**	**506,476**
Bank statement balance at end of year	**5,753,761**	**325,126**

	2022	2021
Inter Bank Transfers		-

Investment Current Account
ABSA Bank Account - Durban Branch
Account Number 9114541258 : Call Account

	2022	2021
Bank statement balance at the begining of the year	-	507
Bank statement balance at the end of the year	**-**	**-**

	2022 R	2021 R
Investment Current Account		
FNB Bank Call Account -		
Business Nstd : 62129309937 Call account-		
Bank statement balance at the begining of the year	7 722 652	22 969 811
Bank statement balance at the end of the year	**-**	**7 722 652**
Investment Current Account		
FNB Call Account -		
Account Number 61085067093 - Call Account		
Bank statement balance at the begining of the year	267 424	46 875 334
Bank statement balance at the end of the year	**270 814**	**267 424**
Investment Current Account		
Fixed Deposit STD		
Account Number 00458544396-012		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
Fixed Deposit STD		
Account Number 00458544396-013		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
Fixed Deposit STD		
Account Number 00458544396-014		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
Fixed Deposit STD		
Account Number 00458544396-015		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
32 Day Notice Deposit		
Account Number 00458544396-016		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
Fixed Deposit STD		
Account Number 00458544396-017		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
Fixed Deposit STD		
Account Number 00458544396-018		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
32 Day Notice Deposit STD		
Account Number 00458544396-019		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
32 Day Notice Deposit STD		
Account Number 00458544396-020		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**-**	**-**
Investment Current Account		
32 Day Notice Deposit STD		
Account Number 00458544396-021		
Bank statement balance at the begining of the year		
Bank statement balance at the end of the year	**-**	
Investment Current Account		
32 Day Notice Deposit STD		
Account Number 00458544396-022		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**-**	
Investment Current Account		
32 Day Notice Deposit STD		
Account Number 00458544396-023		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**-**	

	2022 R	2021 R
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62758088746 : Call Account		
Bank statement balance at the begining of the year	2 877 337	2 410 998
Bank statement balance at the end of the year	**2 990 636**	**2 877 337**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773448462 : Call Account		
Bank statement balance at the begining of the year	475 821	161 104
Bank statement balance at the end of the year	**1 798**	**475 821**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773447729 : Call Account		
Bank statement balance at the begining of the year	9 229	1 363
Bank statement balance at the end of the year	**599**	**9 229**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773446929 : Call Account		
Bank statement balance at the begining of the year	172 127	716 640
Bank statement balance at the end of the year	**367**	**172 127**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773449965 : Call Account		
Bank statement balance at the begining of the year	7 043 649	9 278 052
Bank statement balance at the end of the year	**3,248,279**	**7 043 649**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773451366 : Call Account		
Bank statement balance at the begining of the year	44 685 728	39 856 777
Bank statement balance at the end of the year	**34,072,869**	**44 685 728**
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
Bank statement balance at the end of the year	**16,619,287**	**-**
Investment Current Account		
First National Bank Account		
Account Number 62905591170 : Call Account		
Bank statement balance at the begining of the year	1 044 491	-
Bank statement balance at the end of the year	**1 084 161**	**1 044 491**
Investment Current Account		
ABSA Fixed Deposit		
Account Number 2080258065		
Bank statement balance at the begining of the year	**-**	
Bank statement balance at the end of the year	**-**	
Investment Current Account		
First National Bank		
Account Number 63006114134		
Bank statement balance at the begining of the year	**-**	
Bank statement balance at the end of the year	**31 632 981**	
Investment Current Account		
INVESTEC FIXED		
Specify (INVESTEC BANK (1100435877503):Call Account		
Bank statement balance at the begining of the year	**-**	1 399 624
Bank statement balance at the end of the year	**-**	**-**
Investment Current Account		
First National Bank		
Account Number 62313562309 : Call Account		
Bank statement balance at the begining of the year	401 046	47 395 538
Bank statement balance at the end of the year	**1 286 427**	**401 046**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62896350817 : Call Account		
Bank statement balance at the begining of the year	36 805 325	-
Bank statement balance at the end of the year	**406 271**	**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	103 184	-
Bank statement balance at the end of the year	**107 103**	**103 184**
Investment Current Account		
First National Bank Account		
Account Number 74905604134 :		
Bank statement balance at the begining of the year	17 698 989	-
Bank statement balance at the end of the year	**36 383 308**	**17 698 989**
Investment Current Account		
First National Bank Account		
Account Number 62905587806 : Call Account		
Bank statement balance at the begining of the year	1 295 470	-
Bank statement balance at the end of the year	**3 876 070**	**1 295 470**
Investment Current Account		
First National Bank Account		
Account Number 62905590007 : Call Account		
Bank statement balance at the begining of the year	685 984	-
Bank statement balance at the end of the year	**13**	**685 984**

	2022 R	2021 R
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62828232520: Call Account		
Bank statement balance at the begining of the year	21 958 589	16 960 766
Bank statement balance at the end of the year	**22 506 879**	**21 958 589**
Petty cash and cash on hand	**44,000**	**44,000**
Total investments	**154,487,865**	**143,247,046**
Bank Statement Balance	**48,254,855**	**59,743,942**
Cash book balance at beginning of year	47,997,249	(60,608,221)
Cashbook balance at year end	**32,386,028**	**47,997,249**

4 INVESTMENT IN CONTROLLED ENTITY

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

Ordinary Share: 100 @ R1 each

5 INVENTORIES

Opening balance of inventories:	**10,888,684**	**10,533,659**
Consumable stores - at Net Replacement Cost	8,140,982	8,900,382
Prior period adjustment		294,393
Water	2,747,702	1,338,883
Receipts (Acquisitions)	**207,261,536**	**237,546,940**
Consumable stores	15,386,115	8,973,506
Water	191,875,420	228,573,434
Issued (expensed):	**(204,308,642)**	**(236,851,104)**
Consumable stores	(12,271,783)	(9,686,489)
Water	(192,036,860)	(227,164,615)
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	(2,059,195)	**(340,811)**
Consumable stores	(2,059,195)	(340,811)
Water		
Closing balance of inventories:	**11,782,382**	**10,888,684**
Consumable stores	9,196,119	8,140,982
Water	2,586,263	2,747,702

There is no inventory pledged as a security for liability.

6 NON-CURRENT RECEIVABLES

Staff Debtors	1,011,022	840,754
Councillor A Baardman Salary Overpayment	239,763	239,763
Total	**1,250,785**	**1,080,517**

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

7 Value Added Tax

PERIOD ENDED 30 JUNE 2022

LEDGER ANALYSIS		
ITEM DESCRIPTION	**VAT RECEIVABLE**	**VAT PAYABLE**
VAT CONTROL - SARS NET VAT REFUNDABLE	6,948,568.02	
INPUT VAT SUSPENSE - OUTSTANDING CREDITORS INVOICES (NOT PAID YE	15,280,481.58	
INPUT VAT PAID BUT NOT PAID	3,848,257.16	-
OUTPUT VAT ON CONSUMER BILLING - OPENING BAL 01/07/2021		-72,007,268.16
OUTPUT VAT ON CONSUMER BILLING - 2021 FIN YEAR MOVEMENT		-17,472,129.88
OUTPUT VAT ON CONSUMER RECOGNISED - 2021 FIN YEAR MOVEMENT		-1,659.70
VAT - PROVISION ON DOUBTFUL DEBTS (PRIOR YEARS)		56,016,085.15
VAT - PROVISION ON DOUBTFUL DEBTS (2022 FIN YEAR MOVEMENT)		15,805,185.80
TOTAL VAT RECEIVABLE / PAYABLE PER THE LEDGER	**26,077,306.76**	**-17,659,786.79**
NET VAT RECEIVABLE / (PAYABLE)	**8,417,519.97**	**-**

DETAILED VAT ANALYSIS	
JUNE 2022 VAT Claim (Per SARS VAT Return)	6,948,568.02
Input VAT Claimable (Not included in June 2022 SARS VAT Return)	3,848,257.16
Input VAT Claimable (Accrued Creditors Invoices payable during 2021/22 Fin Y	15,280,481.58
Sub-Total Input VAT Claimable	**26,077,306.76**
NET Input VAT Claimable during 2022/23 Financial Year	**26,077,306.76**
Output VAT on Consumer Billing - Opening Balance as at 01/07/2021	-72,007,268.16
Output VAT on Consumer Billing - Movement During 2021/22 Financial Year	-17,472,129.88
Output VAT on Consumer Recognised - Movement During 2021/22 Financial Year	-1,659.70
Sub-Total Output VAT	**-89,481,057.74**
Less VAT Provision on Doubtful Debts	**71,821,270.95**
NET Output VAT Payable	**-17,659,786.79**
NET VAT RECEIVABLE / (PAYABLE)	**8,417,519.97**

	2022 R	2021 R

PERIOD ENDED 30 JUNE 2021

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 Impairment and Correction of Prior Year Errors being

NARRATIVE INFORMATION	PROVISIONS	VAT IMPLICATIONS
Cummulative Provision for Debt Impairment - 30 June 2020 (Inclusive of VAT)	309,053,911.00	
Cummulative Provision for Debt Impairment - 30 June 2020 (Exclusive of VAT)	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 VAT)	120,402,741.81	
Provision for Debt Impairment - 30 June 2021 (Exclusive of VAT)	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 Year)	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 Surplus)	**-5,295,596.84**
NET Input VAT Claimable	**41,824,144.21**
Output VAT on Consumer Billing - Opening Balance as at 01/07/2021	-35,738,239
Output VAT on Consumer Billing - Movement During 2020/21 Financial Year	-36,269,029
Sub-Total Output VAT	**-72,007,268**
Less VAT Provision on Doubtful Debts	**56,016,085**
NET Output VAT Payable	**-15,991,183**
Prior year adjustment	**-7,404,682**
NET VAT RECEIVABLE / (PAYABLE)	**18,428,279**

8 DIVIDENDS

	2022	2021
Siza Water Dividends	21,500,000	-
	21,500,000	**-**

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 2021	**3,092,908**	**22,195,002**	**2,638,787,534**	**7,419,638**	**2,111,091**	**3,429,574**	**50,603,539**	**2,727,639,286**
Cost/Revaluation	3,092,908	34,484,212	3,449,500,205	10,436,583	4,409,732	5,366,959	79,335,859	3,586,626,458
Correction of prior year error (note 30) - Cost		-	(23,250)	-	-	23,250		-
Correction of prior year error (note 30) - Accumulated depreciation and impairment losses			354,756			(18,615)	23,032	359,173
Accumulated depreciation and impairment losses	-	(12,289,210)	(811,044,177)	(3,016,944)	(2,298,642)	(1,942,021)	(28,755,353)	(859,346,348)
Acquisitions	-		-	2,255,991	-	415,524	7,093,224	9,764,740
Capital under Construction	-		216,542,015		(0)	-	-	216,542,015
Depreciation	-	(1,214,947)	(104,593,439)	(2,306,525)	(289,735)	(575,628)	(19,866,997)	(128,847,271)
Carrying value of disposals	**-**	**-**	**(3,730,978)**	**(53,207)**	**(71,389)**	**(35,949)**	**(524,016)**	**(4,415,539)**
Cost/Revaluation	-	-	(26,026,356)	(369,445)	(383,953)	(353,326)	(2,013,786)	(29,146,867)
Accumulated depreciation and impairment losses	-	-	22,295,378	316,238	312,564	317,377	1,489,770	24,731,327
Impairment loss/Reversal of impairment loss	-	-	(3,080,085)	-	(1,023)	(272,712)		(3,353,820)
Transfer into Assets	-	-	210,793,556		-	426,509	-	211,220,065
Transfer from asset		-	(210,793,556)		(426,509)		-	(211,220,065)
Accumulated depreciation and impairment losses: Transfers					399,191	(399,191)		-
Other movements (change in accounting estimates)	-	-	(1,060,413)	(136,363)	(31,155)	(46,357)	-	(1,274,288)
For the period ended 30 June 2022	**3,092,908**	**20,980,055**	**2,742,864,633**	**7,179,536**	**1,690,470**	**2,941,768**	**37,305,750**	**2,816,055,122**
Cost/Revaluation	3,092,908	34,484,212	3,639,992,614	12,323,130	3,599,269	5,878,916	84,415,297	3,783,786,346
Accumulated depreciation and impairment losses	-	(13,504,157)	(897,127,981)	(5,143,594)	(1,908,799)	(2,937,148)	(47,109,547)	(967,731,226)

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:

Groutville Professional fees (Vumesa)	1,625,162
Augmentation of Sokesimbone Water Supply Scheme and Construc	7,687,855
Bulk Mains: Southern Regional (Escongweni)	24,049,954
Construction of bulk pipeline at Ngcebo / Kwadukuza Zone G	6,239,514
Distribution: Ndwedwe Reticulation	12,792,421
Distribution: Sonkombo Water Reticulation	1,326,658
Driefontein Professional Fees	6,687,208
MACAMBINI WATER SUPPLY SCHEME	10,766,487
MAQHUMBI CWSS ZONE A B D & E P	13,052,648
Masibambisane Water Supply Refurbishment	30,218,525
Ndwedwe Reticulation Refurbishment Esidumbini; Mantobelo an	839,169
Ntunjambili Water Supply Scheme	3,959,556
Profesional fees darnal (Makhaotse)	7,589,845
Profesional fees DKG	10,258,746
Profesional fees DNPC consulting	10,849,128
Profesional fees FMA engineers	4,966,119
Profesional fees Zimane consulting	434,474
Pump Station: Pump replacement	3,207,470
Reservoirs: WOSIYANE EXTENSION	11,070,163
Sewer Pipe Replacement - Internal project	41,637
SUNDUMBILI WASTE WATER TREATMENT	6,736,377
Telemetry sytem	1,593,378
Ndulinde Phase 1ML & 3.5ML Reservoir	2,069,810
TS/179/2017	32,534,906
TS/182/2017	38,641,348
TS/201/2019	18,322,662
TS/205/2019 Distribution:Warre	17,230,291
TS/206Distribution:Shakaville	16,062,525
TS/209/2020Pump Station:DARNAL	23,518,969
TS/210/2022	18,902,332
TS/212Water Treatment Works	5,377,094
TS/213Boreholes:COVID19 Spring	15,649,870
TS/217/2021	17,632,551
TS/218/2021	5,114,557
TS/220/2021	17,602,971
TS/222/2021	1,222,356
TS/87/2012 TS/93/TS130	3,325,611
TS/94/2013	22,846,927
Umvoti Electrical supply to water pump stations	674,412
Upgrade of Frasers WWTW	4,995,208
Ward 2 - Ndwedwe Water Scheme Rehabilitation	407,831
Waste Water Treatment Works: Kwadukuza	3,779,564
Waste Water Treatment Works: Lindelani	18,766,899
Wosiyane Water Scheme Rehabilitation	619,362
	461,290,548

Delayed Projects as 30 June 2022:

Telemetry sytem
TS/94/2013
Groutville housing (TS/179, TS/87, TS/93, TS/130)

Asset under Construction Reconcilliation:	
Opening Balance at 1 July 2021	455,932,568
Prior period error	(390,501)
Additions	216,542,015
Transferred to completed projects	(210,793,556)
Impairment	-
Closing Balance at 30 June 2022	**461,290,527**

REPAIRS AND MAINTENANCE PER ASSET CLASSIFICATI	**2022**
Intangible Assets	6,198,442
Building	2,401,367
Other Assets	24,744,001
Infrastructure (Water & Sewer)	53,627,396
Total	**86,971,206**

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 2020	**3,092,908**	**23,410,327**	**2,547,223,308**	**1,606,103**	**2,550,680**	**2,589,420**	**49,867,952**	**2,630,340,695**
Cost/Revaluation	3,092,908	34,484,212	3,258,282,347	7,080,743	4,519,655	4,114,342	61,195,854	3,372,770,061
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)	(709,704,291)	(5,474,640)	(1,968,975)	(1,524,922)	(11,327,902)	(741,074,616)
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)	(399,998)	(466,105)	(17,427,451)	(121,854,650)
Carrying value of disposals	**-**	**-**	**(5,153,904)**	**(202,814)**	**(22,081)**	**(21,574)**	**-**	**(5,400,373)**
Cost/Revaluation	-	-	(15,483,401)	(4,196,463)	(123,584)	(236,833)		(20,040,281)
Accumulated depreciation and impairment losses	-	-	10,329,497	3,993,649	101,503	215,259		14,639,908

Impairment loss/Reversal of impairment loss	-	-	(6,673,640)	16,021	2,120	(75,059)		(6,730,558)
Transfers	-	-	238,143,648			-		238,143,648
Transfer from WIP		-	(238,143,648)					(238,143,648)
*Other movements - Change in accounting estimates	-	(18,435)	(2,785,759)	(43,224)	(33,291)	(91,195)		(2,971,904)
								-
As at 30 June 2021	**3,092,908**	**22,195,001**	**2,638,456,028**	**7,419,639**	**2,111,090**	**3,424,938**	**50,580,507**	**2,727,280,110**
Cost/Revaluation	3,092,908	34,484,212	3,449,500,205	10,436,583	4,409,732	5,366,959	79,335,859	3,586,626,458
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	-	(12,289,210)	(811,044,177)	(3,016,944)	(2,298,642)	(1,942,021)	(28,755,353)	(859,346,348)

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

Capital Projects - Cancelled/Delays in Construction

<u>Name of the Project</u>

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**

11 HERITAGE ASSETS

11.1 Reconciliation of carrying value

	Mayoral Chain	Total
		R
As at 1 July 2021	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-
For the period ended 30 June 2022	**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 2020	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-
as at June 2021	**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	Total
		R	R
As at 1 July 2021	**1,612,193**	**4,642,693**	**6,254,887**
Cost	7,216,664	11,168,357	18,385,022
Prior year error (Cost)	-	-	-
Accumulated amortisation and impairment losses	(5,604,471)	(6,525,664)	(12,130,135)
Acquisitions	4,221,303	2,691,507	6,912,810
Other Movements - Change in estimate	(230,464)	(362,096)	(592,560)
Amortisation	(1,300,268)	(778,347)	(2,078,615)
Carrying value of disposals	**-**	**(1,991,262)**	**(1,991,262)**
Cost	-	(2,441,936)	(2,441,936)
Accumulated amortisation	-	450,675	450,675
For the period ended 30 June 2022	**4,302,765**	**4,202,496**	**8,505,261**
Cost	11,207,504	11,055,832	22,263,336
Accumulated amortisation and impairment losses	(6,904,739)	(6,853,336)	(13,758,075)

12 Reconciliation of carrying value

	Licenses	Computer Software	Total
	R	R	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)	-	-	-
Prior year error (Amortization)	-	-	-
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
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
As at 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)

	IDM 2022 R	IDM 2021 R *Restated*
13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	26,698,824	43,344,274
Consumer debtors with credit balances	41,099,540	14,351,157
Ilembe Enterprise	-	1,418,062
Staff leave accrual	17,262,684	17,184,921
Outstanding Payments	15,777,462	12,107,950
RD Cheques	38,681	38,681
Creditors Accruals	25,888,439	42,171,179
Other creditors	26,169,898	36,155,998
13th Cheque	18,311,956	6,774,705
Total creditors	**171,247,484**	**173,546,927**

14 CONSUMER DEPOSITS

Water	5,793,104	5,607,982
sewer	121,989	121,989
	5,915,094	**5,729,972**

15 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Conditional Grants and Receipts		
Provincial Township Establishment	1,044,395	1,044,395
FMG	-	-
RBIG	-	-
Water Services Infrastructure Grant	(0)	0
Municipal disaster relief	19,523,000	-
Rural Road Asset Management System Grant	-	-
Massification Grant	0	0
Specialised fire and rescue vehicle	(5)	200,161
Municipal Infrastructure Grant	(0)	-
Expanded Public Works Programme	0	-
Energy Efficiency and Demand-Side	5,511	972,287
Development planning & services	0	-
Rehabilitation of Nsuze	2,700,000	
Sokesimbone Water Supply Scheme	13,458,967	
KZN COGTA satelitte imagery	-	-
KZN COGTA spatial development	-	-
Total Unspent Conditional Grants and Receipts	**36,731,868**	**2,216,844**
Non-current unspent conditional grants and receipts		
Current portion of unspent conditional grants and receipts	**36,731,868**	**2,216,844**

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

16 BORROWINGS

Development Bank of South Africa	27,665,131	33,183,940
Forex liability	3,678,723	-
	31,343,854	**33,183,940**
Less : Current portion transferred to current liabilities	7,869,646	5,518,810
Development Bank of South Africa	6 030 285	5,518,810
Forex liability	1,839,361	-
Non current portion of borrowings	**23,474,208**	**27,665,130**

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.

17 LEASES

17.1 FINANCE LEASE LIABILITY

For the period ended 30 June 2022 **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	18,593,499	682,015	5,455,417	12,456,066
Within two to five years	2,538,721	63,524	646,771	1,828,426
	21,132,219	**745,539**	**6,102,188**	**14,284,493**
Less: Amount due for settlement within 12 months (current por	18,593,498.68	682,015	5,455,417	**12,456,066**
				1,828,426

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 2021 **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	30,267,439.87	2,509,898	9,047,243	18,710,298
Within two to five years	21,132,219.48	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 por	30,267,439.87			18,710,298
				14,284,493

17.2 OPERATING LEASES

Operating Lease as Lessee

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

Within one year	2,916,829	1,732,146
In the second to fifth year inclusive	5,699,736	927,960
After five years		
Total	**8,616,565**	**2,660,107**

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

The lease for heavy duty scanners negotiated for 36 months ranging from 01 April 2021 to 31 March 2024. The rentals escalation is 10% on the Annual Anniversary of the contract.

The second contract was negotiated for a period of 36 months raging from 1 June 2022 to 31 May 2025 for the photocopiers/printers/scanners machines. The rentals escalation is 10% effective on the Annual Anniversary of the contract.

SERVICE CHARGES

Sale of water	210,527,481	190,697,184
Sewerage and sanitation charges	67,069,951	52,245,983
COVID 19 - Revenue Forgone	-	(734,142)
Revenue Forgone	(2,815,697)	(1,263,363)
Total Service Charges	**274,781,735**	**240,945,662**

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

18.1 Sale of Water

Prepaid water sales	6,076,216	11,602,202
Conventional meters water sales	204,451,265	179,094,982
	210,527,481	**190,697,184**
Revenue Forgone	(2,248,655)	(1,415,704)
Total Water Sales	**208,278,827**	**189,281,479**

18.2 Sanitation charges

Sewerage and sanitation charges	67,069,951	52,245,983
Revenue Forgone	(606,526)	(581,800)
	66,463,425	**51,664,183**

	IDM 2022 R	IDM 2021 R

19 INTEREST EARNED - BANK BALANCES

	IDM 2022 R	IDM 2021 R
Interest on Bank Accounts	2,347,758	1,369,712
Short Term Investments and Call Accounts	9,598,686	9,014,348
	11,946,445	**10,384,060**

20 INTEREST EARNED - OUTSTANDING RECEIVABLES

	IDM 2022 R	IDM 2021 R
Interest on debtors	**23,148,689**	**41,232,800**

21 GOVERNMENT GRANTS AND SUBSIDIES

	IDM 2022 R	IDM 2021 R
Operational Grants		
Equitable share	600,260,000	633,119,000
WSIG	14,565,438	26,461,486
Municipal Infrastructure Grant	29,452,819	21,016,999
Other Government Grants and Subsidies	11,311,919	14,651,889
Capital Grants		
WSIG	40,434,562	48,535,074
Municipal Infrastructure Grant	187,656,181	182,751,513
Other Government Grants and Subsidies	8,841,034	6,795,480
Total Government Grant and Subsidies	**892,521,953**	**933,331,441**

21.1 Equitable Share

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	-	-
Current year receipts	600,260,000	633,119,000
Conditions met - transferred to revenue	(600,260,000)	(633,119,000)
	-	**-**

21.2 Municipal Infrastructure Grant

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	-	14,872,511
Current year receipts	217,109,000	188,896,000
Conditions met - transferred to revenue - OPEX	(29,452,819)	(21,016,999)
Conditions met - transferred to revenue - CAPEX	(187,656,181)	(182,751,513)
Adjustments and Transfers		
Conditions still to be met	**-**	**-**

21.3 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	0	6,795,480
Current year receipts	-	-
Conditions met - transferred to revenue	-	(6,795,480)
Adjustments and Transfers	-	-
Conditions Met	**0**	**0**

21.4 RURAL TRANSPORT SERVICE

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	-	153,711
Current year receipts	2,321,000	2,291,000
Conditions met - transferred to revenue	(2,321,000)	(2,291,000)
Adjustments and Transfers	-	(153,711)
Conditions still to be met	**-**	**-**

21.5 WATER SERVICES INFRASTRUCTURE GRANT

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	0	9,996,561
Current year receipts	55,000,000	65,000,000
Conditions met - transferred to revenue - CAPEX	(14,565,438)	(74,996,561)
Conditions met - transferred to revenue - OPEX	(40,434,562)	
Adjustments and Transfers		
Conditions still to be met	**0**	**0**

21.6 PROVINCIAL TOWNSHIP ESTABLISHMENT

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	1,044,395	1,103,569
Current year receipts	-	-
Conditions met - transferred to revenue	-	(59,174)
Adjustments and Transfers		
Conditions still to be met - remain in liabilities (see note 15)	**1,044,395**	**1,044,395**

21.7 ENERGY EFFICIENCY AND DEMAND-SIDE

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	972,287	3,368,134
Current year receipts	1,000,000	700,000
Conditions met - transferred to revenue	(994,776)	(2,487,847)
Adjustments and Transfers	(972,000)	(608,000)
Conditions still to be met - remain in liabilities (see note 15)	**5,511**	**972,287.33**

21.8 FINANCIAL MANAGEMENT GRANT

	IDM 2022 R	IDM 2021 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 still to be met	**-**	**-**

21.9 EXPANDED PUBLIC WORKS PROGRAMME

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	-	-
Current year receipts	6,363,000	4,746,000
Conditions met - transferred to revenue	(6,363,000)	(4,746,000)
Adjustments and Transfers	-	-
Conditions met	**-**	**-**

21.10 DEVELOPMENT PLANNING & SERVICES

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	(0)	364,027
Current year receipts	-	-
Conditions met - transferred to revenue	-	(364,027)
Adjustments and Transfers	-	-
Conditions met	**(0)**	**(0)**

21.11 KZN COGTA SPATIAL DEVELOPMENT

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	-	604,575
Current year receipts		
Conditions met - transferred to revenue	-	(604,575)
Adjustments and Transfers	-	-
Conditions met	**-**	**-**

21.12 KZN COGTA SATELITTE IMAGERY

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	-	1,000,000
Current year receipts		
Conditions met - transferred to revenue	-	(1,000,000)
Adjustments and Transfers	-	-
Conditions met	**-**	**-**

21.13 SPECIALISED FIRE AND RESCUE VEHICLE

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	200,161	2,000,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1,799,839)
Adjustments and Transfers	(200,166)	-
Conditions still to be met - remain in liabilities (see note 15)	**(5)**	**200,161**

21.14 MUNICIPAL DISASTER RELIEF - COVID 19

	IDM 2022 R	IDM 2021 R
Balance unspent at beginning of year	0	596,000
Current year receipts	19,523,000	
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	(596,000)
Conditions still to be met - remain in liabilities (see note 15)	**19,523,000**	**0**

	IDM 2022 R	IDM 2021 R
21.15 REHABILITATION OF NSUZE DAM & SIBUMBINI DAM		
Balance unspent at beginning of year	-	
Current year receipts	2,700,000	
Conditions met - transferred to revenue	-	
Adjustments and Transfers		
Conditions still to be met - remain in liabilities (see note 15)	2,700,000	-
21.16 SOKESIMBONE WATER SUPPLY SCHEME		
Balance unspent at beginning of year		
Current year receipts	22,300,000	
Conditions met - transferred to revenue	(8,841,033)	
Adjustments and Transfers		
Conditions still to be met - remain in liabilities (see note 15)	13,458,967	-
21.17 LG SETA		
Balance unspent at beginning of year	-	
Current year receipts	633,144	299,427
Conditions met - transferred to revenue	(633,144)	(299,427)
Adjustments and Transfers	-	
Conditions still to be met - remain in liabilities (see note 15)	**-**	**-**

22 OPERATIONAL REVENUE

	IDM 2022 R	IDM 2021 R
Tender Documents	323,129	499,350
Clearance certificates	3,049,441	3,608,153
Shared Service	1,478,822	1,165,350
Construction Contract	8,089,740	-
Development Charges	2,634,097	
Bad debt Recovered,Commission,Administrative,cash surpluses	309,841	535,847
	15,885,070	**5,808,701**

23 AGENCY SERVICES

	IDM 2022 R	IDM 2021 R
Siza Water Concession	2,010,681	1,935,679
	2,010,681	**1,935,679**

24 FINES & PENALTIES

	IDM 2022 R	IDM 2021 R
Illegal Connections	-	-
Water Tampering	74,015	53,767
Disconnections	9,549	-
	83,564	**53,767**

25 LICENCES & PERMITS

	IDM 2022 R	IDM 2021 R
Atmospheric Emission	30,000	-
Licences and Permits	3,954	1,355
	33,954	**1,355**

26 EMPLOYEE RELATED COSTS

	IDM 2022 R	IDM 2021 R
Employee related costs - Salaries and Wages	156,843,990	147,475,751
Employee related costs - Contributions for UIF, pensions and medical aids	34,353,377	32,892,391
Travel, motor car, accommodation, subsistence and other allowances	5,634,918	5,028,831
Housing benefits and allowances	710,704	697,806
Overtime payments	3,861,512	3,221,128
Performance and other bonuses	11,537,251	11,579,855
Long-service awards	(11,187)	2,010,196
Telephone Allowance	1,525,450	1,469,654
Payments in lieu of Leave	77,764	3,582,940
Non-Pensionable Allowance	9,180,181	7,493,960
Other employee related costs	10,789,643	11,943,933
Employee Related Costs	**234,503,603**	**227,396,445**

There were no advances to employees.

26.1

	IDM 2022 R	IDM 2021 R
Senior Management	6,488,278	5,339,772
Municipal Staff	228,015,325	222,056,673
Total	**234,503,603**	**227,396,445**

Remuneration of the Municipal Manager	IDM 2022 R	IDM 2021 R
Basic Salary	1,979,268	*1,314,634*
Bonus Provision	76,940	*76,940*
Service-Related Benefits	-	-
Allowances	158,271	*179,215*
Bargaining Council	124	*119*
Group Life Insurance	-	-
Pension	91,326	91,326
Post-Retirement Benefit: Medical	-	-
Post-Retirement Benefit: Pension	-	-
Post-Retirement Benefit: Other Benefits	-	-
Unemployment Insurance	2,125	1,813
Less: Costs Capitalised	-	-
Total	**2,308,055**	**1,664,047**

Remuneration of the Chief Financial Officer	IDM 2022 R	IDM 2021 R
Basic Salary	1,030,263	*1,030,263*
Bonus Provision	55,414	*55,414*
Service-Related Benefits	-	-
Allowances	93,369	*120,162*
Bargaining Council	124	*119*
Group Life Insurance	-	-
Pension	-	-
Post-Retirement Benefit: Medical	-	-
Post-Retirement Benefit: Pension	-	-
Post-Retirement Benefit: Other Benefits		
Unemployment Insurance	2,125	1,813
Less: Costs Capitalised	-	-
Total	**1,181,295**	**1,207,771**

Remuneration of Individual Senior Managers	**TOTAL**	**Technical Services R**	**Corporate Services R**	**Community Service R**
For the period ended 30 June 2022				
Basic Salary	2,256,253	779,823	654,431	821,999
Bonus Provision	145,897	48,632	48,632	48,632
Service-Related Benefits	-	-	-	-
Allowances	427,547	148,763	181,606	97,178
Bargaining Council	371	124	124	124
Group Life Insurance	-	-	-	-
Pension	162,484	63,195	99,289	-
Post-Retirement Benefit: Medical	-	-	-	-
Post-Retirement Benefit: Pension	-	-	-	-
Post-Retirement Benefit: Other Benefits	-	-	-	-
Unemployment Insurance	6,376	2,125	2,125	2,125
Less: Costs Capitalised	-	-	-	-
Total	**2,998,927.8**	**1,042,662**	**986,207**	**970,059**

Senior Manager:Corporate Services is currently suspended. The Municipality has appointed internal incumbent to act in this post.

Senior Manager:Community Services has resigned, which resulted in this post being vacant. The Municipality has appointed internal incumbent to act in this post.

			IDM 2022 R	IDM 2021 R
	R	R	R	R
June 2021				
Basic Salary	1,818,252.1	385,334.4	692,378	740,540
Bonus	145,897.1	48,632.4	48,632	48,632
Service-Related Benefits	-	-	-	-
Allowances	368,435.2	74,213.3	209,222	85,000
Bargaining Council	267.3	49.5	119	99
Group Life Insurance	-	-	-	-
Pension	130,852.6	25,806.6	105,046	-
Post-Retirement Benefit: Medical	-	-	-	-
Post-Retirement Benefit: Pension	-	-	-	-
Post-Retirement Benefit: Other Benefits	-	-	-	-
Unemployment Insurance	4,249.4	921	1,813	1,516
Less: Costs Capitalised	-	-	-	-
	-	-	-	-
Total	**2,467,953.6**	**534,957**	**1,057,210**	**875,787**

27 REMUNERATION OF COUNCILLORS

Mayor	1,053,740	1,087,797
Deputy Mayor	873,106	878,397
Speaker	735,649	565,167
Chief Whip	287,005	-
Executive Committee	1,782,627	2,181,585
All Other Councillors	4,109,550	4,208,440
Total	**8,841,676**	**8,921,386**

27.1 MAYOR

Allowances and Service Related Benefits		
Basic Salary	647,943	732,898
Cell phone Allowance	38,420	40,800
Market Related Non-Pensionable Allowance	310,761	314,099
Travelling Allowance	-	-
Use of Personal Facilities	-	-
Social Contributions	-	
Medical Aid Benefits	-	-
Pension Fund Contributions	56,616	-
Total	**1,053,740**	**1,087,797**

27.2 DEPUTY MAYOR

Allowances and Service Related Benefits		
Basic Salary	584,036	628,198
Cell phone Allowance	40,800	40,800
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	128,668	28,476
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	66,776	180,923
Use of Personal Facilities	-	-
Social Contributions	-	
Medical Aid Benefits	-	-
Pension Fund Contributions	52,827	-
Total	**873,106**	**878,397**

27.3 SPEAKER

Allowances and Service Related Benefits		
Basic Salary	586,036	565,167
Cell phone Allowance	23,800	-
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	17,108	-
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	108,705	-
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	**735,649**	**565,167**

27.4 Chief Whip

Allowances and Service Related Benefits		
Basic Salary	184,243	-
Cell phone Allowance	23,800	-
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	4,726	-
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	47,404	-
Use of Personal Facilities	-	-
Social Contributions		-
Medical Aid Benefits	-	
Pension Fund Contributions	26,832	-
Total	**287,005**	**-**

27.5 EXECUTIVE COMMITTEE

Allowances and Service Related Benefits		
Basic Salary	1,283,226.13	1,443,560.69
Cell phone Allowance	110,639.28	119,000.00
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable	237,726.27	264,795.50
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	59,902.37	233,725.00
Use of Personal Facilities	-	-
Social Contributions	-	
Medical Aid Benefits	-	-
Pension Fund Contributions	91,132.56	120,503.55
Total	**1,782,626.61**	**2,181,584.74**

27.6 ALL OTHER COUNCILLORS

Allowances and Service Related Benefits		
Basic Salary	2,758,732.20	2,653,402.86
Cell phone Allowance	313,412.26	326,400.00
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable	541,064.98	511,998.60
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	295,738.97	579,838.44
Use of Personal Facilities	-	-
Social Contributions	-	
Medical Aid Benefits	-	-
Pension Fund Contributions	200,601.92	136,799.76
Total	**4,109,550.33**	**4,208,439.66**

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

The Mayor, Deputy Mayor and Speaker have use of the Council owned vehicle for official duties. The Mayor has 2 full-time Protectors and 1 driver. Deputy Mayor has 2 full time drivers, and Speaker has 1 full-time Protector and 1 full-time driver.

28 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

	IDM 2022 R	IDM 2021 R
Depreciation	130,121,560	128,864,428
Impairment of Assets/Reversal	3,353,819	4,262,921
Intangible assets Amortisation	2,671,175	1,744,531
Total Depreciation, Impairment and Amortisation	**136,146,554**	**134,871,879**

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

29 FINANCE COSTS

	IDM 2022 R	IDM 2021 R
Borrowings	2,658,202	3,146,422
Leases	2,535,898	2,711,200
Interest on Discounting of Financial Instrument (CUC)	3,358,564	
Total Finance Costs	**8,552,664**	**5,857,622**

30 INVENTORY CONSUMED

	IDM 2022 R	IDM 2021 R
COVID 19 water bulk purchase	-	12,423,300
Bulk purchase Water	-	216,150,134
Total Bulk Purchases	**-**	**228,573,434**
INVENTORY CONSUMED		
Water Issues	192,036,860	
Buildings Repairs	2,828	6,879
Electrical appliances consumables	3,950	3,113
COVID 19 RETICULATION MAINTENANCE		665,548
Repairs Bulk Main - Material KZ294	642,274	655,337
Repairs Bulk Main - Material KZ292	5,590,421	3,145,838
Reticulation Repairs Bulk Main - Material KZ291	1,357,315	1,009,356
Reticulation Repairs Bulk Main - Material KZ293	1,447,214	776,572
SEWER RETICULATION REPAIRS - Material KZ291	75,111	11,568
SEWER RETICULATION REPAIRS - Material KZ292	282,501	185,638
CHEMICALS (330/320700)	4,200,395	3,442,658
	205,638,868	**9,902,507**
	205,638,868	**238,475,941**

31 CONTRACTED SERVICES

	IDM 2022 R	IDM 2021 R
Contracted services for:		
Plant Hire	11,108,124	7,074,804
COVID-19 WATER TANKER HIRE	-	13,415,403
COVID - 19 Hygiene	91,440	816,572
Security	35,742,389	33,490,091
Caseware system Assist lic	-	230,000
District Sattelite Map	-	869,565
VIP Toilets Expenditure (MIG Operational)	27,094,838	18,275,651
Rural Roads Assets Systems Management Grant (RRAMS) Expenditure	2,018,261	2,022,945
Service advisory - LGSETA	1,702	43,478
Analysis of water and effluen	2,240,825	5,628,395
Eedsm implementation - retrofit contractor	-	599,795
EEDSM IMPLEMENTATION - SOLAR PV PROJECT	865,022	
Internal audit	230,087	59,608
Hygiene services	351,331	264,977
Cleaning services	970,350	241,046
Risk management awareness	-	-
Consumer data analytics	240,000	486,817
Disciplinary Board Committee	17,936	
LM Support	6,087	-
MSCOA CONSULTING FEES	-	374,000
Youth Programme	489,099	410,785
EAP Staff Awards Sound	2,000	2,500
EAP EVENTS - SOUND	4,700	
EAP Councilling Referrals to Psychologist	-	4,425
Audit Committee	130,293	206,771
Payroll Support	22,463	24,646
consulting asset management	569,167	328,741
Munsoft consulting fees	555,390	257,125
Risk management committee	-	8,640
Medical exams	2,340	4,680
Implementation of an automated supplier invoice tracking sys	99,996	99,996
Employee Vaccine & surveillance	103,622	39,200
Water conservation demand	9,735,525	23,009,988
Afs high level review	64,348	-
EEDSM IMPLEMENTATION - Clean Energy Technologies	-	1,563,550
Spatial Dev. Framework	250	525,717
Food Sampling	82,539	72,238
Legal Fees	999,443	1,013,189
Vehicle fire extinguishers	6,700	-
Catering Services	655,272	275,655
Luthuli Soccer Tournament - Medical services	5,700	
METER READING CONTRACTORS	5,718,076	200,920
CONVENTIONAL METERS	664,344	
New Meter Connection	-	1,231,367
AIR QUALITY MANAGEMENT PLAN	-	367,004
SAGE VIP license SLA	147,999	138,317
COVID-19 ELECTRICAL REPAIRS	-	1,541,305
Repairs and Maintenance Contracted	68,967,222	39,443,509
	170,004,881	**154,663,413**

32 TRANSFERS AND SUBSIDIES

	IDM 2022 R	IDM 2021 R
Allocations in kind: Social Assistance		
Social Relief Aid	3,596	
Specialised Fire Vehicle		1,736,479
	3,596	**1,736,479**
Local Economic Development Projects (Entity transfers)		
LED Projects	1,441,891	2,889,995
Development of SMMEs	2,915,602	2,571,812
Enterprise iLembe grant	29,399,967	27,881,673
Tourism	1,704,361	2,023,731
	35,461,820	**35,367,211**
	35,465,416	**37,103,690**

The Municipality have donated specialized fire vehicle to Ndwedwe Local Municipality

33 OPERATIONAL COSTS

Included in general expenses are the following:-

	IDM 2022 R	IDM 2021 R
Advertising	1,950,087	905,658
Audit fees	3,885,598	3,880,257
Bank charges	587,493	479,670
Bursaries	10,653	5,441
Fuel and oil	24,745,624	18,090,834
Insurance	5,915,659	4,874,341
Licence fees - vehicles	382,577	253,377
Membership fees	3,031,214	2,697,236
Postage	1,798,694	2,269,270
Printing and stationery	235,598	201,590
Disaster Management	354,476	263,521
Property rates	433,050	622,340
Telephone cost	414,090	187,173
Training	1,653,714	424,976
Travel and subsistence	2,608,237	2,106,235
Uniforms & overalls	295,548	2,642,039
COVID -19 Pretective clothing	-	84,219
COVID - 19 UNIFORM	-	3,812
Umgeni Water Contribution	6,986,413	
Umshwathi Phase 5 Bulk Water Supply	8,089,740	
Water and Sanitation - Siza Water Concession area	6,214,566	6,489,443
Electricity & Water	41,605,610	36,510,635
Operational Cost (Repairs and Maintenance)	8,602,370	8,630,381
Vehicle Hire	1,447,796	1,282,129
Other	12,566,538	13,864,501
	133,815,347	**106,769,080**

	IDM 2022 R	IDM 2021 R
34 Repairs and Maintenance		
Repairs and Maintenance is made up of the following:		
Operational Costs	8,602,370	15,087,118
Inventory Consumed	9,401,613	
Contracted Services	68,967,222	40,984,814
Total Expenditure on Repairs and Maintenance	**86,971,205**	**56,071,931**
35 Fair value adjustment (Losses) - CUC	(17,483,136)	
Refer to note 46 for further details.	**(17,483,136)**	**-**
36 Gain/(Loss) on sale of assets		
Intangible Assets:Losses	(1,991,262)	(11,789)
Computer Equipment:Losses	(9,759)	
Computer Equipment:Losses	(33,893)	(151,148)
Computer Equipment:Losses	(9,555)	(30,568)
Furniture and Office Equipment:Losses	(71,389)	(19,961)
Machinery and Equipment:Losses	(35,949)	(21,574)
Sanitation Infrastructure:Losses	(524,190)	(789,497)
Transport Assets:Gains	284,294	
Transport Assets:Losses	(148,310)	
Water Supply Infrastructure:Losses	(2,874,625)	(2,817,405)
Water Supply Infrastructure:Losses	(332,163)	
Total Gain / (loss) on sale of assets	**(5,746,801)**	**(3,841,941)**

37 CORRECTION OF PRIOR YEAR ERRORS, CHANGE IN ACCOUNTING POLICY AND ADJUSTMENTS

37.1 Prior Period Correction of Errors

	25,554,535
FairValue adjustment on CUC	***25,554,535***

37.2

Property, plant and equipment	
Correction of prior year transactions	359,172
Reassessment of useful life	
Trade and other Receivables from exchange transactions	
VAT adjustment	(7,404,682)
Accrued Interest	-
Trade and other receivables	
Reversal of prior year transactions	(2,605,292)
Other	
Trade and other Payables	
Reversal of prior year transactions	4,718,797
Correction of error	
Other	
Financial liability	
Adjustments in prior year Fair value CUC	(3,596,864)
Other	(253)
	(8,529,123)

36.2 CASH FLOW STATEMENT

	Amounts as previous reported	Correction	
NET CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sales of goods and services	181,345,970	(46,811,501)	134,534,469
Grants	895,752,000	(1,058,284)	894,693,716
Other income	88,494,946	(39,324,653)	49,170,293
Payments			
Employee costs	231,632,038	4,713,279	236,345,317
Suppliers	616,984,373	(4,846,288)	612,138,085
Interest paid	(6,093,136)	(235,514)	(5,857,622)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of fixed assets (PPE)	(314,392,190)	(80,495,221)	(233,896,969)
Proceeds from sale of fixed assets		(1,570,221)	1,570,221
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Umgnei Water CUC Debt	(7,070,400)	(1,123,866)	(5,946,534)
Repayment of finance lease liability	(14,301,642)	(3,636,609)	(10,665,033)

38 RECLASSIFICATIONS

iLembe enterprise prior year balance classified under payables has been reclassified as Other Receivables from Exchange Transactions		
Ilembe Enterprise	-	1,092,763

CURRENT ASSET	
Value Added Tax have been reclassified from trade receivable to its own line items	25,832,961

REVENUE	
Revenue from non-exchange transaction	
Licences and Permits disclosed separate from Fines and Penalties	
	2021
Fines and Penalties	55,122
	2021
Fines and Penalties	53,767
Licences Or Permits	1,355

Revenue from exchange transactions	
Service charges from water and waste water management diclosed separately	
	2021
Service charges	240,945,662
	2021
Services charges - Water	189,281,479
Services charges - Sanitation	51,664,183

REVENUE - Operational Revenue	
Agency services disclosed separate from other income	
Other income have been renamed as operational revenue	
	2021
Other income	8,043,807
	2021
Operational revenue	5,808,701
Agency services	1,935,679
Reclassified from operational revenue to grants and subsidies	
LGSeta	299,427

	IDM 2022 R	IDM 2021 R

EXPENDITURE
Expenditure reclassified from general expenditure to transfers and subsidies

	2021
General expenses	153,775,277

	2021
General expenditure is diclosed as operational cost	108,505,559
Enterprise iLembe Grant	27,881,673
Development of SMMEs	2,571,812
Tourisim 420312250	2,023,731
LED projects	2,889,995
Specialised Fire Vehicle	1,736,479

Reclasssification from Operational Cost to Inventory Consumed	2021
Buildings Repairs	6,879
Electrical appliances consumables	3,113
COVID 19 RETICULATION MAINTENANCE	665,548
Repairs Bulk Main - Material KZ294	655,337
Repairs Bulk Main - Material KZ292	3,145,838
Reticulation Repairs Bulk Main - Material KZ291	1,009,356
Reticulation Repairs Bulk Main - Material KZ293	776,572
SEWER RETICULATION REPAIRS - Material KZ291	11,568
SEWER RETICULATION REPAIRS - Material KZ292	185,638
CHEMICALS (330/320700)	3,442,658

Casflow Statement

Reclassification of VAT refund from investing activities to operational activities	-	88,494,946

TRADE AND OTHER CREDITORS
Reclassified from trade and other creditor to its own line item as consume deposits

	2021
Trade and other payables from exchange transactions	183,995,695

Cosumer Deposits	2021
Water	5,607,982
Sewer	121,988

Bulk purchases reclassified to Inventory Consumables

Water purchase	228,573,434

Doubtful Debts reclassifed as Debt Impairment

39 CASH GENERATED BY OPERATIONS

	2022	2021
Surplus/(deficit) for the year	172,292,986	211,232,022
Adjustment for:-		
Depreciation and amortisation	136,146,555	133,301,643
FV Adjustment on Financial Liability	17,483,136	-
Forex gain/(loss)	-	-
Loss on disposal of PPE	5,746,801	3,841,941
Contribution to provisions - non-current	-	-
Contribution to provisions - current	(11,187)	2,671,642
Operating surplus before working capital changes:	**331,658,291**	**351,047,248**
Increase/ (decrease) in inventories	(893,698)	(355,025)
Increase/(decrease) in trade receivables	(82,538,841)	11,457,387
Increase in conditional grants and receipts	34,515,024	(38,637,725)
(Decrease) Increase in trade payables	(2,299,443)	(75,899,828)
Consumer Deposits	185,122	5,729,972
VAT receivable	10,010,759	(18,428,279)
Increase/(decrease) in long term receivables	(170,268)	(472,235)
Cash generated by/(utilised in) operations	**290,466,946**	**234,441,513**

40 Deviations

Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:

	2022 R	2021 R
Total value	6,119,138	5,006,980
	6,119,138	**5,006,980**

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government

	2022	2021
Opening balance	-	-
Council subscriptions	2,600,516	2,600,516
Amount paid - current	(2,600,516)	(2,600,516)
Adjustment	-	-
Balance unpaid (included in payables)	**-**	**-**

41.2 Audit fees

	2022	2021
Current year audit fee	3,885,598	3,880,257
Amount paid - current year	(3,885,598)	(3,880,257)
Balance unpaid (included in payables)	**-**	**-**

41.3 VAT

VAT input receivables and VAT output payables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

41.4 PAYE and UIF

	2022	2021
Opening balance	3,116,108	1,297,361
Current year payroll deductions	40,028,774	37,643,708
Amount paid - current year	(36,825,460)	(34,527,599)
Amount paid - previous years	(3,116,108)	(1,297,361)
Balance unpaid (included in payables)	**3,203,314**	**3,116,108**

The balance represents PAYE and UIF deducted in June 2022 payroll. This amount was paid in July 2022

41.5 Pension and Medical Aid Deductions

	2022	2021
Opening balance	2,540,116	2,343,106
Current year payroll deductions and Council Contributions	53,777,703	51,381,496
Amount paid - current year	(51,075,599)	(48,841,380)
Amount paid - previous years	(2,540,116)	(2,343,106)
Balance unpaid (included in payables)	**2,702,105**	**2,540,116**

The balance represents Pension & Medical aid deducted in June 2022 payroll. These amounts are paid in July 2022 except for Medical Aid and RA were paid in the month of deduction which is June 2022.

41.6 Councillor's arrear consumer accounts

	2022	2021
Councillor Ngidi TS	-	888
Councillor Singh R	-	10,119
Councillor NGCOBO CM	19,080	
Councillor Van Whye GJ	477	
Councillor MS Singh	-	2,994
Councillor IP Dube	-	902
Councillor Zulu SB	-	1,825
Councillor Sibisi MM	-	5,132
Councillor Ngwane ZP	5,087	
Councillor Cele SSPP	2,605	
Total Councillor Arrear Consumer Accounts	**27,249**	**21,860**

	IDM 2022 R	IDM 2021 R
42 Material losses		
42.1 Asset impairment (losses)/ Reversal	**(3,353,820)**	**6,730,558**

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

42.2 Debt impairment (losses)	**72,788,260**	**2,319,813**

The recognised debt impairment loss is not as a result of floods.

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.
The economic has been affected by the COVID 19 which resulted an increase in the number of consumers to be written off due to affordability.

42.2

Distribution Losses	**Percentage distribution**		
Units lost (kilolitres)			
Illegal connections and other	8%	1,273,757	2,204,781
Main leaks	26%	4,139,709	7,937,212
Reservoir overflows	1%	140,627	1,322,868
Metering Inaccuracies	7%	1,114,537	2,204,781
Service connection leaks	58%	9,253,327	3,968,606
Units lost (kilolitres)	**100%**	**15,921,957**	**17,638,248**
Units lost (sales price per kilolitre - rands)		180,590,286	182,289,460
Units lost (purchase price per kilolitre - rands)		106,003,945	111,710,509
Units lost (percentage)		46.11%	48.87%

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.

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

	2021/22	**2020/21**
Number of days unpaid creditors at 30 June	34 days	41 days
Average number of days unpaid creditors during the year	27 days	28 days
Value of creditors not paid within 30 days during the year	10,632,266	42,144,201
Percentage of creditors paid within 30 days	99%	95%

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.

44 Forex Loss

	2,022	**2,021**
Total Forex Liability as at 30 June	3,678,723	-
Forex Gain/ (Losses)	(635,286)	137,991

The Sport rate at 30 June 2022 was 16.25. Should the sport rate increase by 1% the foreign liability will be R3 715 509.98 and the foreign loss will increase to R 641 639.15. Should the spot rate decrease by 1% the Forex liability will be R 3 641 935.52 and the Forex loss will decrease to R 628 933.42.

Foreign Liability increase R 3 678 722.75*1.01 =R3 710 459.22

Foreign loss increase R 635 286.29* 1.01 = R641 639.

FOREIGN EXCHANGE FLUCTUATIONS			
This relates to the recognition of gains realized from or losses incurred in foreign exchange transactions as a result of currency fluctuations over the duration of the agreement. Gains realized has a fourable impact in that it reduces Forex Liability whilst losses incurred increases Forex Liability.	**FOREIGN EXCHANGE GAINS**	**FOREIGN EXCHANGE LOSSES**	**NET GAIN / (LOSS)**
	474,130.06	(1,109,416)	**(635,286)**

45 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 Concessionaire) is responsible for rendering services on behalf of the Municipality within the Concession Area. Forming part of the principal services that the Concessionaire 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	**-**	**1,587,902**

	IDM 2022 R	IDM 2021 R
46 UMNGENI CAPITAL UNIT CHARGE		
Capital Unit Charge		
-Opening balance	49,290,203	78,318,273.00
- Deposit	47,644,214	-
- Payments	(2,624,082)	(7,070,400)
- Transferred to current portion	(29,168,076)	(9,579,510)
- Other adjustments	(65,142,259)	(21,957,670)
Long Term Portion	**0**	**39,710,693**
LESS	**29,168,076**	**9,579,510**
Current portion transferred to current liabilities	29,168,076	6,526,523.00
Adjustments on current portion		3,052,987
Total Capital Unit Charge	**29,168,076**	**49,290,203**

Payments made during the year

2022		**5,982,646**	**7,070,400**
June		-	543,877
July		543,877	543,877
August		543,877	543,877
September		543,877	543,877
October		543,877	543,877
November		543,877	543,877
December		543,877	543,877
January		543,877	543,877
February		543,877	543,877
March		543,877	543,877
April		543,877	543,877
May		543,877	543,877
June		-	543,877

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

BALANCE AT THE BEGINNING OF THE YEAR
ADDITIONS / (PAYMENTS) DURING THE YEAR
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 Municiplality 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 920 321.84.

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.

The financial liability was recognised on initial recognition using a repayment term of 144 months, monthly instalments of R543 877 and an effective interest rate of 7%. At 30 June 2022 the Umngeni Water Board passed a credit note of R34 million for over payment on Bulk purchases. The water Board requested IDM to set- off the credit note against the financial liability. In addition, the terms of agreement were renegotiated. The new terms required IDM to pay an amount of R3,7 million per month over a period of 8 months to settle the liability.

Due to this significant change in the terms and conditions applicable to the financial liability, the Municipality de-recognised the balance of financial liability initially recognised. A new financial liability was recognised relating to the amended terms based on 8 monthly repaymnet of R3,7 million aat an effective interest rate oof 9%. Both the de-reconition of initial financial liability and the initial recognition of a new financial liability were processed to the fair value adjustment account in the general ledger and the statemnt of financial performance.

47 EMPLOYEE BENEFITS INFORMATION

47.1 Defined contribution plan

The following are either defined contribution plans or defined benefit plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These plans are all multi employer plans. Sufficient information is not available to enable the Municipality to account for those plans which are defined benefit plans using defined benefit accounting. This is due to Municipality's portion of the plan asset and plan liabilities not being determined by the ectuaries of the multi employer plans. Accordingly all of the multi employer plans have been accounted for as if they were defined contribution plans. Contributions have been expensed.

	IDM 2022 R	IDM 2021 R

47.2 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:

	IDM 2022 R	IDM 2021 R
Discount rate per annum	9.20%	9.20%
Inflation rate	5.78%	5.78%
Net effective discount rate	3.23%	3.23%
Benchmark inflation (equal to salary inflation)	4.00%	4.00%
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	18%	18%
Age 30	12%	12%
Age 40	10%	10%
Age 50	6%	6%
Age 55+	0%	0%
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	**18,093,813**	**18,105,000**

EMPLOYEE BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

	IDM 2022 R	IDM 2021 R
Balance at beginning of the year	18,105,000	15,433,358
Prior year adjustment		
Current service cost	1,507,000	1,043,679
Interest cost	1,535,000	966,517
Benefit payments	(2,465,895)	(1,320,659)
Actuarial (gains)/losses	(587,292)	1,982,105
Policy amendments		
Balance at end of year	**18,093,813**	**18,105,000**

The timing of the employee benefits is as follows:

	IDM 2022 R	IDM 2021 R
Current portion of employee benefits	1,188,736	2,893,000
Employee benefit obligation	16,905,077	15,212,000
	18,093,813	**18,105,000**

The amounts recognised in the Statement of Financial Performance were as follows:

	IDM 2022 R	IDM 2021 R
Current service cost	1,507,000	1,043,679
Interest cost	1,535,000	966,517
Actuarial (gains)/losses	(587,292)	1,982,105
	2,454,708	**3,992,301**

	IDM 2022 R	IDM 2021 R
48 CAPITAL COMMITMENTS		
48.1 Commitments in respect of capital expenditure		
- Approved and contracted for	**287,204,651**	**244,815,489**
Infrastructure	287,204,651	244,815,489
Community		
- Approved but not yet contracted for	**-**	**-**
Infrastructure	-	-
Community	-	-
Total	**287,204,651**	**244,815,489**
This expenditure will be financed from:		
Grant funded	287,204,651	244,815,489
Council funded	-	-
External Loans	-	-
TOTAL CONTRACTUAL COMMITMENTS	**287,204,651**	**244,815,489**

The amounts disclosed are VAT inclusive

49 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*	
Related party balances		
Amount owed to Ilembe Enterprise included in other payables	-	1,418,062
Amount owed by Ilembe Enterprise included in other receivables	64,922	-
Related party transactions		
Transactions with Enterprise Ilembe Development Agency		
Grant funding from the parent iLembe District Municipality to Enterprise iLembe	35,461,820	35,367,211
Shared Services - Contributions by local municipalities towards the development planning shared services	1,478,822	1,254,850

49.1 STAFF MEMEBR: EN Ngcobo

General Expenses for the year	48,162	21,189

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

49.2 STAFF MEMEBR: PM Zulu

General Expenses for the year	1,509,671	-

Mrs P M Zulu is an employee of the Municipality and her husband is a director of Zamani Sondlisizwe which transacted with the Municipality during the financial year under review.

49.3 Staff Member: Z V Mzimela

General Expenses for the year	18,463	-

Mrs Z V Mzimela is an employee of the Municipality and her mother in-law and brother in-law are directors of Mtholeni Trading Company, Sibongiseni Trading Company and Gobstar Trading which transacted with the Municipality during the financial year under review.

49.4 Staff Member: S V Mthethwa

General Expenses for the year	18,745	

Mr SV Mthethwa is an employee of the Municipality and his wife is a directors of Mzwamahlubi Primary Cooperative Limited which transacted with the Municipality during the financial year under review.

49.5 Staff Member: B S Ngema

General Expenses for the year	58,530	

Mr. B S Ngema is an employee of the Municipality is the director of Zwide kaLanga Suppliers which transacted with the Municipality during the financial year under review.

50 CONTINGENT LIABILITY

50.1 Icon Construction

Icon Construction | Interest Charges on arrear payments & standing time	**-**	**5,477,678.88**

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 negotiating 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**

	IDM 2022 R	IDM 2021 R
50.2 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

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 challenge the litigation.

Balance as at 30 June 2021	-	1,408,436
50.3 TL Mbili Attorneys Legal Costs - Application for Court Interdict and subsequent Legal Representations	-	-

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 practitioner 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	-	-
50.4 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	5,079,680

as at 30 June 2022

The service provider has reported the matter at National Treasury. We are therefore awaiting the outcome.

The Municipality filed the notice to oppose the matter and a court date is being awaited.

as at 30 June 2021

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.

Balance as at 30 June 2022	5,079,680	5,079,680
50.5 Orees Plant Hire - Claim for services rendered with respect to the hiring of a variety of Plant & Machinery (Excavator, Water Tanker and TLB)	87,345	

as at 30 June 2022

Of the contingent liability of R1 300 594.12 reported during 2020/21 financial year, a settlement agreement in the sum of R1 213 249.43 was reached with Orees Plant Hire and paid during 2021/22 financial year. The balance of R87 344.69 remains under dispute until Orees Plant Hire is in a position to furnish the Municipality with documentary evidence regarding appointment and confirmation of services rendered.

as at 30 June 2021

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.

Balance as at 30 June 2022	87,345	-

51 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.

52 RISK MANAGEMENT

52.1 Maximum credit risk exposure

Credit risk is the risk that a counter party to a financial instrument will 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	658,043,850	549,648,889
Other debtors	-	-
Non Current Receivables	1,250,785	1,080,517
	659,294,635	**550,729,406**
Ageing of consumers		
Current (0 – 30 days)	28,976,613	24,514,166
31 - 60 Days	21,905,485	19,499,055
61 - 90 Days	19,826,563	18,747,971
91 - 120 Days	19,326,224	15,730,297
121 - 365 Days	16,660,636	15,370,144
+ 365 Days	551,348,329	455,787,255
Total	658,043,850	549,648,889
Less: Provision for bad debts	(474,971,912)	(426,717,329)
Net consumer debtors	**183,071,938**	**122,931,560**
Cash and cash equivalents	202,786,719	203,034,987
Other investments	-	-
	202,786,719	**203,034,987**

These balances represent the maximum exposure to credit risk.

52.2 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.

		IDM 2022 R	IDM 2021 R
2022	**Within a year**	**Between 2 to 5 years**	**Total**
Gross finance lease obligations	12,456,066	1,828,426	**14,284,493**
Borrowings	6,030,285	23,474,208	**29,504,493**
Trade and other payables	207,979,352	-	**207,979,352**
Employee Benefit Obligation	1,188,736	16,905,077	**18,093,813**
	227,654,439	**42,207,711**	**269,862,150**

2021	**Within a year**	**Between 2 to 5 years**	**Total**
Gross finance lease obligations	18,710,298	14,284,493	**32,994,791**
Borrowings	7,006,397	26,177,543	**33,183,940**
Trade and other payables	186,212,539	-	**186,212,539**
Employee Benefit Obligation	2,893,000	17,883,642	**20,776,642**
	214,822,234	**58,345,678**	**273,167,912**

52.3 Interest rate risk

The Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities are fixed interest loans.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.
The Municipality is exposed to fair value interest rate on its external loan liabilities , which are all fixed interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	202,786,719	203,034,987
Other investments	-	-
Gross finance lease obligations	14,284,493	32,994,791
Borrowings	31,343,854	33,183,940
Consumer debtors	658,043,850	549,648,889

53 RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

	Key	**Operating**	**Financing**	**Investing**	**Total**
Amount as present in the budget statement		313,039,060.09	(38,014,314)	(271,497,487)	3,527,259
Actual amount as presented in the cash flow statement		290,466,948	(58,155,648)	(232,559,567)	(248,267)
Basis difference	*Applicable*	-34,210,656			(34,210,656)
Timing differences	*Not applicable*	-	-	-	
Entity differences	*Not applicable*	-	-	-	
Variance		**56,782,768**	**20,141,334**	**(38,937,920)**	**37,986,183**
Variance percentage		**18.14%**	**-52.98%**	**14%**	**1077%**

54 Living and Non-Living Resources

The Municipality has the following Non-Living Resources:

Boreholes:

Ø Maqumbi Borehole F1
Ø Maqumbi RES I Borehole
Ø Maqumbi RES T Borehole
Ø Maqumbi RES A (G2) Otimati
Ø Thafamasi BH
Ø Ekwazini res
Ø Ndukwende BH
Ø Mxhosa Borehole
Ø Ntunjambili Borehole No.01
Ø Ntunjambili Borehole No.02
Ø Ntunjambili Borehole No.03
Ø Mdlalose Borehole
Ø Amatikulu Borehole
Ø Ethembeni Water Supply Scheme
Ø Glendale Water Supply Scheme
Ø Hlanganani Water Supply Scheme
Ø Lambothi Borehole
Ø Ngididi Borehole
Ø Thafamasi Borehole

Spring Protection:

Ø Ndulinde near Bhengu store -Ward 6.(old)
Ø Mhlubulweni near Dube or N2 freeway -Ward.(new)
Ø Mangethe near Mpanza – Ward 9.(new)
Ø Magundaneni near Dlamuka- Ward11.(old)
Ø Sithebe near Ngema – Ward 11.(old)
Ø Ethembeni near Mkhize – Ward 11.(old)
Ø Mangethe Emangeza – Ward 3.(old)
Ø Enembe emhlangeni near Ndwandwe – Ward5.(old)
Ø Enembe emhlangeni near Gumede – Ward 5. (old)
Ø Emagundaneni near Maphatha store – Ward 11. (old)

54 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

54.1 Unauthorised expenditure

	2022 R	2021 R	2020 R	2019 R	2018 R	2017 R
Reconciliation of unauthorised expenditure						
Balance brought forward	14,746,808	14,746,808	14,746,808	14,746,808	22,845,946	-
Unauthorised expenditure current year	-	-	-	-	-	40,409,739
Certified as irrecoverable and written off by council in terms of MFMA sec	-	-	-	-	(8,099,138)	(17,563,793)
Transfer to receivables for recovery	-	-	-	-	-	-
Balance carried forward	**14,746,808**	**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%**	**0%**	**35%**	**43%**

Incident

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 **R126mi**l. 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.

Action/s taken

- This matter was presented before Council during 2017/18 financial year wherein Council considered and noted the unauthorised expendture 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 2020, Council considered MPAC Recommendations and, in its wisdom, opted and resolved to refer the matter to the newly

5.2 Fruitless and wasteful expenditure

	2022 R	2021 R	2020 R	2019 R	2018 R	2017 R
Reconciliation of fruitless and wasteful expenditure						
Balance brought forward	4,375,888	-	76,804	76,804	523,114	-
Fruitless and wasteful expenditure raised in the current year but relating to p	-	4,375,888	-	-	-	-
Fruitless and wasteful expenditure current year	7,377,483	-	-	-	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	**11,753,371**	**4,375,888**	**-**	**76,804**	**76,804**	**523,114**
Percentage written off during the period under review	**0.0%**	**0.0%**	**100.0%**	**0.0%**	**87.2%**	**-1.9%**

Incident

1) First Works (Pty) Ltd

During the audit of 2020/21 financial year, the Auditor General identified and concluded on certain claims by First Works (Pty) Ltd 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

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this fruitless and wasteful and was satisfied with the representations made by Management. The Committee therefore recommended that Council should consider certifying this expenditure as irrecoverable and approve it for write off. In arriving to the above recommendation, MPAC had been made to understand that the project delays in question were beyond Management control and therefore that there is no individual who could be held accountable for the resultant financial losses that ensued thereof.

- The recommendations of MPAC with regards to the fruitless and wasteful expenditure incurred on the construction of Ndulinde Water Supply Scheme by First Works (Pty) Ltd are

Incident

2) Icon Construction (Contract TS/180/2017)

Icon Construction had been appointed in 2017 for the construction of bulk sewer infrastructure at Chris Hani, Lloyds & Ntshawini as well as a 600m³/day Waste Water Treatment Plant in Gledhow. During the implementation of this contract, some contractual disputes arose between iLembe District Municipality and Icon Construction with regards to delays that had arrisen as a result of the appointment of subcontractors (appointment of contractors was a condition set the Municipality in line with its Supply Chain Management Regulations). These delays allegedly resulted in additional costs being incurred by the main contractor (i.e. Icon Construction) who in turn issued a claim to the Municipality in a bid to recoup such additional costs (being extension of time in the main). The dispute was then subjected to arbitration processes where the parties in dispute were unable to reach an agreement. The matter was escalated to the court of law and the court's ruling was granted in favor of Icon Construction. At the date of reporting, the cummulative claims owed and paid to Icon Construction under the Contract

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this fruitless and wasteful and requested for further details surrounding the circumstances that led to incurring the fruitless and wasteful expenditure in question.

- At the time of concluding the compilation of annual financial statements for the year ended 30 June 2022, this matter was still under investigation by MPAC.

Incident

3) Icon Construction (Contracts TS/175/2017 & TS/180/2017

During the implementation of projects under construction contract numbers TS/175/2017 & TS/180/2017constracts, from time to time, the Municipality experienced funding delays that would sometimes lead to delays in honoring Contractors' claims (including Icon Construction). The common cause for the dalays in payments was usually due to National Government's Grant Allocation not being released timeously as planned. The Municipality would often negotiate for extended payment terms which the Contractors involved would normally agrre to.

Due to deteriorating relations between relevant Municipal staff members and representatives of Icon Construction, it eventually became extremely difficult to negotiate any extended payment terms with this Contractor. In actual fact, Icon Constraction began to apply very tight and sometimes unreasonably demands when it came to the payment of their claims. On several occassions, attempts to find common ground on issues of disputes failed dismally. This led to the formal dispute resolution mechanisms to ensue. The dispute was then subjected to arbitration processes where the parties in dispute were unable to reach an agreement. The matter was escalated to the court of law and the court's ruling was granted in favor of Icon Construction. At the date of reporting, the cummulative claims owed and paid to Icon Construction under the Contract TS/180/2017 amounted to **R1 282 377.43** inclusive of interest on late payments, sheriff fees as well as taxed bill of costs given that the Municipality lost the case in court.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this fruitless and wasteful and requested for further details surrounding the circumstances that led to incurring the fruitless and wasteful expenditure in question.

- At the time of concluding the compilation of annual financial statements for the year ended 30 June 2022, this matter was still under investigation by MPAC.

Incident

4) Bosch Munitech (PTY) LTD (Contract TS/149/2015)

Bosch Munitech (PTY) LTD had been appointed by the Municipality in 2015 to implement the Maphumulo/KwaDukuza Regional Water Supply Schemen project (otherwise referred to as the Maphumulo/KwaDukuza RWSS Zone A). Towards the completion of the project, Bosch Munitech claimed for quantities which were more than what was quantified in the bill of quantities (BOQ). As per the arguments advanced by the contractor for such a claim was the fact that there were some changes on the pipe routes and access routes to the reservoirs which formed part of the scope of the project implementation. The Municipality disputed the reasons advanced by the contractor and instead pointed out its disatisfaction on the overall quality of work performed by Bosch Munitech.

During the time of releasing contractor's retention, there was no more budget available for honoring the retention payment since the contractor had exhausted all funds budgeted for this project including additional funds for the approved 20% Variation Order (VO).

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this fruitless and wasteful and requested for further details surrounding the circumstances that led to incurring the fruitless and wasteful expenditure in question.

- At the time of concluding the compilation of annual financial statements for the year ended 30 June 2022, this matter was still under investigation by MPAC.

5.3 Irregular expenditure

	2022 R	2021 R	2020 R	2019 R	2018 R	2017 R
Reconciliation of irregular expenditure						
Balance brought forward	101,410,296	107,857,846	479,023,962	53,405,687	8,523,373	-
Irregular expenditure raised in current year but relating to prior years	6,639,226	-	95,075,157	350,819,890	-	-
Irregular expenditure incurred during the current financial year	41,480,580	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 of MFMA sectior	-	(44,912,741)	(517,898,371)	-	(142,713)	-
Balance carried forward	**149,530,101**	**101,410,296**	**107,857,846**	**479,023,962**	**53,405,687**	**8,523,373**
Percentage written off during the period under review	**0.0%**	**30.7%**	**82.8%**	**0.0%**	**0.3%**	**0.0%**

54 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

2022	2021	2020	2019	2018	2017
R	R	R	R	R	R

5.3.1 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.

	2021/22	2020/21
Isidingo Security Services	41,480,580	38,465,190
	41,480,580	**38,465,190**

Incident

1) 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 spefification 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) appealled 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.

Action/s taken

- Historically, 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 recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

- Subsequent to Isidingo Security had approached High Court to have the ruling of MBAT set aside and seeking for the court rule in favour of Isidingo Security Services being awarded the contract on the basis that they were the second most responsive bidder in the security bid being a subject of court review, KZN Provincial Treasury appointed SD Moloi & Associates (firm of attorneys) to defend the matter on behalf of both KZN PT and iLembe District Municipality.

- The matter set before the court on the 30th of July 2021 but the judgement was reserved at the time. On the 12th of April 2022, Honorable Madam Justice Hadebe of the High Court of South Africa, KwaZulu Natal Local Division, Durban handed down judgement by dismissing the application with costs (including costs of Senior Counsel).

- Isidingo Security Services then lodged an application for leave to appeal the judgement of the Honorable Madam Justice Hadebe granted on the 12th of April 2022 and the matter was set down for hearing in the High Court of South Africa, KwaZulu Natal Local Division, Durban on the 25th of May 2022. Isidingo Security Services attempted to petition the Supreme Court of Appeal to grant them leave to appeal with no success.

- Subsequent to the matter being finalized in the courts, the Municipality terminated the services of Isidingo Security Services on the 30th of June 2022 and proceeded to appoint two security service providers for a period of six months. This is an interim meassure while the Municiplaity is undergoing open bid processes in order to secure a three year security contract.

- The matter has progressively been reported to Council during the course of the year under review. With regards to expenditure incurred during the year, Council resolved to refer this to

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

As at the 30th of June 2022, no expenditure had been certified as irrecoverable and approved by Council for write off. At the time of reporting, all the active cases of irregular expenditure had been referred to MPAC and the Municipal Disciplinary Board for further investigations.

5.3.3 Outstanding Matters of Irregular Expenditure

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	Total
Utility Systems (Pty) LTD	-	-	-	-	6,335,238.78	-	**6,335,238.78**
Joat Consulting Group		-	95,075,156.66	-	-	-	**95,075,156.66**
Isidingo Security Services	41,480,579.54	-	-	-	-	-	**41,480,579.54**
Lihlenathi Property Construction	6,639,225.92	-	-	-	-	-	**6,639,225.92**
	48,119,805.46	**-**	**95,075,156.66**	**-**	**6,335,238.78**	**-**	**149,530,200.90**
							99.78

Incident

2) Utility Systems (Pty) LTD

Utlity 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.

Action/s taken

- 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 Municpal Disciplinary Board for further investigation and at the time of concluding compilation of annual financial statement for 2021/22 financial year the investigation in question had not yet been finalized. There has been a gap in the functioning of the Municipal Disciplinary Board subsequent to the expiry of the term of the Board Chairperson. The processes are under way to have the vacant position filled. The investigation processes will thereafter resume (once the functioning of the Board is restored through appointing a new Chaiperson).

3**) 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 serioes 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.

54 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

	2022	2021	2020	2019	2018	2017
	R	R	R	R	R	R

Action/s taken
- 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 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 2020, 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. This matter has therefore been handed over to the Municpal Disciplinary Board for further investigation.

4) Lihlenathi Property Construction

This matter pertains to irregular expenditure arising from the final payment made to Lihlenathi Property Construction during the current financial year being for the "Release of Retention" on a construction project that was amongst the contracts that were extended in 2016 without fully complying with the provisions of Section 116 of the MFMA. Previous expenditure incurred on this project had been classified as irregular and was certified as irrecoverable and approved for write off by Council per Council Resolution No. C681 after all due processes in terms of investigating the instances that had led to such irregular expenditure being incurred were followed as directed by Section 32 of the MFMA.

Action/s taken
- After the matter had been referred to MPAC by Council, the Committee interrogated the irregular expenditure arising from the final payment made to Lihlenathi Property Construction during 2021/22 financial year being in respect of the "Release of Retention amounting to **R6 639 225.92**" on a construction project that was amongst the contracts that were extended in 2016 without fully complying with the provisions of Section 116 of the MFMA. Through perusing the previous Council records, particularly **Council Resolution No. C681**, MPAC established that the historical (and similar) irregular expenditure on the same contract had previously been certified as irrecoverable and written off by Council.

- MPAC had found no substantive reasons to deviate from previous Council decision on this matter. MPAC therefore recommended that Council considers certifying this expenditure as irrecoverable and approve it for write off.

- The recommendations of MPAC with regards to the irregular expenditure incurred as a result of release of final payment to Lihlenathi Property Construction (being release of retention monies) are therefore waiting to be tabled before Council for consideration.

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX A
UNAUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2022

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2021	Interest Paid during the period	Interest Accrued at year end	Redeemed / written off during the period	Balance at 30 June 2022
			R	R	R	R	R
LONG-TERM LOANS							
Development Bank of SA		12/31/2025	33,183,941	2,905,602	0	5,518,810	27,665,131
							-
Total Borrowings - DBSA Loan			**33,183,941**	**2,905,602**	**-**	**5,518,810**	**27,665,131**
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			-		2,658,202		2,658,202
Total Accrued Interest - DBSA Loan			**-**	**-**	**2,658,202**	**-**	**2,658,202**

FOREX LIABILITY AS AT 30 JUNE 2022

PRINCIPAL LIABILITY

	INTEREST RATE	DATE OF EXPIRY	FOREX LIABILITY AT CONTRACT START DATE (01 JULY 2021)	NET CHANGES AS A RESULT OF FOREIGN EXCHANGE FLUCTUATIONS	SETTLEMENT OF LIABILITY DURING THE REPORTING PERIOD	FOREX LIABILITY AT 30 JUNE 2022
The Municipality has an Agreement with Microsoft Ireland Corporation (Microsoft) for Microsoft Volume Licenses for all Microsoft products (covering both Operating and Application Software) currently utilized by the Municipality. The agreement covers the period 01 July 2021 to 30 June 2024. In terms of the agreement, the Municipality acquires the right of use of Microsoft licenses upfront and make payments in three annual, equal instalments over the duration of the contract (i.e. 3 years). The payments are denominated in US Dollars (US$).	0.00%	6/30/2024	4,854,498.67	(635,286.29)	1,811,062.21	**3,678,722.75**
Current Portion of Long Term Forex Liability						**1,839,361.25**
Non-Current Portion of Long Term Forex Liability						**1,839,361.50**

FOREIGN EXCHANGE FLUCTUATIONS

	FOREIGN EXCHANGE GAINS	FOREIGN EXCHANGE LOSSES	NET GAIN / (LOSS)
This relates to the recognition of gains realized from or losses incurred in foreign exchange transactions as a result of currency fluctuations over the duration of the agreement. Gains realized has a fourable impact in that it reduces Forex Liability whilst losses incurred increases Forex Liability.	474,130.06	(1,109,416.35)	**(635,286.29)**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 JUNE 2022

	Cost / Revaluation							Accumulated Depreciation								Transfers	
	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	R
						-											
Land	3,092,908	-	-	-		-	3,092,908	-	-	-	-	-	-	-	-	-	3,092,908
	3,092,908	**-**	**-**	**-**		**-**	**3,092,908**	**-**	**-**	**-**				**-**	**-**	**-**	**3,092,908**
															-		-
Buildings	**34,484,212**	**-**	**-**	**-**	**-**	**-**	**34,484,212**	**(12,289,210)**	**(1,214,947)**	**-**	-	-		-	**(13,504,157)**	**-**	**20,980,055**
																-	
Infrastructure																	
Sewerage Mains & Purification	288,580,111	-		(6,269,473)	1,881,249	-	284,191,887	(97,104,375)	(10,435,854)	5,745,283	-	(88,324)	-	(301,973)	(102,185,243)	-	182,006,644
Water Mains & Purification	2,702,519,891	-	367,251	(19,756,883)	208,912,306	-	2,892,042,565	(711,472,167)	(94,157,585)	16,550,095	354,756	(972,089)	84,244	(2,862,356)	(792,475,103)	-	2,099,567,462
Under construction	455,932,568	-	(390,501)		(210,793,556)	216,542,015	461,290,526	-	-	-	-	-		-	-		461,290,526
	3,447,032,570	**-**	**(23,250)**	**(26,026,356)**	**-**	**216,542,015**	**3,637,524,979**	**(808,576,542)**	**(104,593,439)**	**22,295,378**	**354,756**	**(1,060,413)**	**84,244**	**(3,164,329)**	**(894,660,346)**	**-**	**2,742,864,633**
Total carried forward	**3,484,609,690**	**-**	**(23,250)**	**(26,026,356)**	**-**	**216,542,015**	**3,675,102,099**	**(820,865,752)**	**(105,808,386)**	**22,295,378**	**354,756**	**(1,060,413)**	**84,244**	**(3,164,329)**	**(908,164,503)**	**-**	**2,766,937,596**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 JUNE 2022

	Cost / Revaluation							Accumulated Depreciation									
	Opening Balance	Additions	Change in policy/prior year errors	Disposals		Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors			Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Carrying Value
	R	R		R		R	R	R	R	R				R	R	R	R
Total brought forward	**3,484,609,690**	**-**	**-23,250.00**	**(26,026,356)**	**-**	**216,542,015**	**3,675,102,099**	**(820,865,752)**	**(105,808,386)**	**22,295,378**	**354,756**	**(1,060,413)**	**84,244**	**(3,164,329)**	**(908,164,503)**	**-**	**2,766,937,596**
								1,942,021	0								
Other Assets																	
Office Equipment	4,409,733	-	-	(383,953)	(426,509)	-	3,599,271	(2,298,642)	(289,735)	312,564	-	(31,155)		(1,023)	(2,307,990)	399,191	1,690,470
Machinery & Equipment	5,366,959	415,524.10	23,250	(353,326)	426,509	-	5,878,916	(1,942,021)	(575,628)	317,377	(18,615)	(46,357)		(272,712)	(2,537,956)	-399,191	2,941,769
Transport Assets	35,078,929	7,093,224.35	-	(2,013,786)	-	-	40,158,367	(8,400,952)	(5,163,607)	1,489,770		-		-	(12,074,788)	-	28,083,579
Computer Equipment	5,297,213	2,255,991.37	-	(311,387)		-	7,241,818	(2,493,488)	(596,336)	292,073	(992)	(136,363)		-	(2,935,106)	-	4,306,712
							-										
	50,152,834	**9,764,739.82**	**23,250**	**(3,062,452)**	**(0)**	**-**	**56,878,371**	**(15,135,103)**	**(6,625,306)**	**2,411,784**	**(19,607)**	**(213,875)**	**-**	**(273,735)**	**(19,855,841)**	**-**	**37,022,530**
Finance Lease Assets																	
Computer Equipment	5,139,370			(58,058)			5,081,312	(522,464)	(1,710,189)	24,165					(2,208,488)		2,872,823
Vehicles	44,256,930	-	-	-		-	44,256,930	(20,354,401)	(14,703,390)	-	23,032				(35,034,760)	-	9,222,171
	49,396,300	**-**	**-**	**(58,058)**	**-**	**-**	**49,338,242**	**(20,876,866)**	**(16,413,579)**	**24,165**	**23,032**			**-**	**(37,243,248)**	**-**	**12,094,994**
Total	**3,584,158,824**	**9,764,739.82**	**-**	**(29,146,867)**	**(0)**	**216,542,015**	**3,781,318,712**	**(856,877,721)**	**(128,847,271)**	**24,731,327**	**358,181**	**(1,274,288)**	**84,244**	**(3,438,064)**	**(965,263,591)**	**-**	**2,816,055,120**

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	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	Transfers R	Carrying Value R
Land	3,092,908	-		-			3,092,908	-	-	-	-			-	-	-	3,092,908
	3,092,908	**-**	**-**	**-**		**-**	**3,092,908**	**-**	**-**	**-**	**-**			**-**	**-**	**-**	**3,092,908**
Buildings	**34,484,212**	**-**	**-**	**-**	**-**	**-**	**34,484,212**	**(11,073,885)**	**(1,196,891)**	**-**		**(18,435)**			**(12,289,210)**	**-**	22,195,001
Infrastructure																	
Sewerage Mains & Purification	231,430,148	-	-	(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	2,447,623,341	-	89,386,265	(11,009,491)	176,519,775	-	2,702,519,891	(624,021,876)	(90,765,102)	6,645,084	(1,354,747)	(2,531,147)	-	555,622	(711,472,167)	-	1,991,047,724
Under construction	579,228,584	-	(89,386,265)		(238,143,666)	206,701,550	458,400,203	-	-	-	-			(2,467,635)	(2,467,635)		455,932,568
	3,258,282,073	**-**	**-**	**(15,483,401)**	**(18)**	**206,701,550**	**3,449,500,205**	**(709,704,072)**	**(100,855,456)**	**10,329,497**	**(1,354,747)**	**(2,785,759)**	**-**	**(6,673,640)**	**(811,044,177)**	**-**	**2,638,456,028**
Total carried forward	**3,295,859,192**	**-**	**-**	**(15,483,401)**	**(18)**	**206,701,550**	**3,487,077,325**	**(720,777,957)**	**(102,052,347)**	**10,329,497**	**(1,354,747)**	**(2,804,193)**	**-**	**(6,673,640)**	**(823,333,387)**	**-**	**2,663,743,937**

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	Transfers	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Change in estimate		Impairment loss/Reversal of impairment loss R	Closing Balance R	Transfers R	Carrying Value R
Total brought forward	**3,295,859,192**	**-**	**-**	**(15,483,401)**	**(18)**	**206,701,550**	**3,487,077,325**	**(720,777,957)**	**(102,052,347)**	**10,329,497**	**(1,354,747)**	**(2,804,193)**	**-**	**(6,673,640)**	**(823,333,387)**	**-**	**2,663,743,937**
Other Assets																	
Office Equipment	4,519,657	13,660.00		(123,584)		-	4,409,733	(1,968,976)	(399,998)	101,503		(33,291)		2,120	(2,298,642)	-	2,111,089
Machinery & Equipment	4,114,342	1,489,450.00		(236,833)	-	-	5,366,959	(1,524,921)	(466,105)	215,259		(91,195)		(75,059)	(1,942,021)	-	3,424,938
Transport Assets	21,080,934	13,997,995.00		-	-	-	35,078,929	(5,618,968)	(2,781,984)	-		-		-	(8,400,952)	-	26,677,977
Computer Equipment	3,955,335	2,412,933.22		(1,071,127)		-	5,297,213	(2,548,443)	(786,046)	868,205		(43,224)		16,021	(2,493,488)	-	2,803,725
	33,670,268	**17,914,038.22**	**-**	**(1,431,544)**	**-**	**-**	**50,152,834**	**(11,661,308)**	**(4,434,133)**	**1,184,967**	**-**	**(167,711)**	**-**	**(56,918)**	**(15,135,103)**	**-**	**35,017,729**
Finance Lease Assets																	
Other Assets	43,240,256	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	**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	**3,372,769,717**	**27,195,418.62**	**-**	**(20,040,281)**	**(18)**	**206,701,550**	**3,586,626,459**	**(741,074,396)**	**(121,853,658)**	**14,639,908**	**(1,354,747)**	**(2,971,904)**	**-**	**(6,730,558)**	**(859,345,355)**	**-**	**2,727,281,102**

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX C
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2022

	Cost / Revaluation						Accumulated Depreciation					
	Opening Balance R	Additions R	Change in policy/prior year errors/ Transfers	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	45,515,512	9,349,216	-		(2,383,231)	52,481,497	(11,416,904)	(7,470,132)	1,806,008	(137,355)	(17,218,382)	35,263,114
Finance & Admin	47,353,812	415,524	23,250		(737,279)	47,055,307	(16,529,873)	(2,080,310)	629,941	(369,862)	(18,350,104)	28,705,203
Waste Management	288,580,111	-	1,881,249		(6,269,473)	284,191,887	(97,104,375)	(10,435,854)	5,745,283	(390,297)	(102,185,243)	182,006,644
Water	2,702,519,891	-	209,279,557	-	(19,756,883)	2,892,042,565	(711,472,167)	(94,157,585)	16,550,095	(3,395,446)	(792,475,103)	2,099,567,462
Under Construction	455,932,568	-	(211,184,056)	216,542,015	-	461,290,526	-	-	-	-	-	461,290,526
Other	44,256,930	-			-	44,256,930	(20,354,401)	(14,703,390)	-	23,032	(35,034,760)	9,222,171
Total	**3,584,158,824**	**9,764,740**	**-**	**216,542,015**	**(29,146,867)**	**3,781,318,712**	**(856,877,721)**	**(128,847,271)**	**24,731,327**	**(4,269,927)**	**(965,263,591)**	**2,816,055,118**

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX D
UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2022

2021 Actual Income R	2021 Actual Expenditure R *Restated*	2021 Surplus / (Deficit) R		2022 Actual Income R	2022 Actual Expenditure R	2022 Surplus / (Deficit) R
47,847,899	29,218,379	18,629,519	Executive & Council	45,364,579	29,694,208	15,670,371
188,782,075	328,876,487	(140,094,412)	Finance & Admin	156,685,306	294,764,288	(138,078,982)
11,664,589	162,965,358	(151,300,768)	Planning & Development	8,734,528	167,924,244	(159,189,716)
50,854,639.54	36,312,876	14,541,763	Community & Social Services	48,247,937	38,815,945	9,431,992
196,766,262	52,494,108	144,272,154	Waste Management	223,702,605	175,991,852	47,710,753
737,777,568	412,593,801	325,183,767	Water	680,652,192	283,903,623	396,748,569
1,233,693,033	**1,022,461,009**	**211,232,021**	**Total**	**1,163,387,146**	**991,094,159**	**172,292,986**