Audited Annual Financial Statements
for

ILEMBE DISTRICT MUNICIPALITY - DC29

For the year ended 30 June 2023

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

Contact Information:

Name of Municipal Manager:	**Sazi Mbhele**
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Chief Financial Officer:	**Dumisani Dlamini**
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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 Thobani Philani Shandu	**Mayor**	
Councillor JG Van Whyne	**Deputy Mayor**	
Councillor Monitha Dolly Shandu	**Speaker**	
Councillor Sandeep Oudhram	**CHIEFWHIP**	
Councillor Musawenkosi Aubrey Maphumulo	Member of the Executive Committee	
Councillor Makatha Hlengiwe Lindiwe	Member of the Executive Committee	
Councillor Ncube Nduduzo	Member of the Executive Committee	
Councillor Bhekamaswazi Doctor Dlamini	Member of the Executive Committee	Appointed 08 November 2022
Councillor Sakhile Zondo	Member of the Executive Committee	Appointed 20 January 2023
Councillor Vallan Jennifer	*Member*	
Councillor Sing Krsna	*Member*	
Councillor Khanyile Mangalisile	*Member*	
Councillor Cele Solomon Sphiwe	*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 Ngcobo Nombuso	*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*	

Cllr HN Ngcobo resigned on 30 October 22 and was replaced by Cllr BD Dlamini on 08 November 2022
Cllr MM Mthiyane resigned in January 2023 and was replaced by Cllr S Zondo 20 January 2023

Accounting Officer	Sazi Mbhele - Municipal Manager from 01 January 2023
Chief Financial Officer	Dumisani Dlamini 1-Aug-23
Grading of Local Authority	Four
Auditors	The Auditor-General, South Africa
Bankers	First National Bank

General information (continued)

Ilembe House

Physical address: Ilembe House
59/61 Mahatma Ghandhi Street
KwaDukuza
4450

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KwaDukuza
4450

Telephone number: 032 437 9300

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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 prepared 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 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 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 2024 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements are prepared on the basis that the municipality is a going concern and that the 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 27 and 28 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 Government's determination in accordance with the Act.

Accounting Officer

Date: 31 August 2023

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2023

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	2023 R	2022 R Restated
ASSETS			
Current Assets			
Cash and cash equivalents	3	281,504,897	202,786,719
Trade and other receivables from exchange transactions	2	102,170,011	243,428,151
Inventories	5	12,105,992	10,708,413
Total current assets		**395,780,899**	**456,923,284**
Non-current assets			
Non-current receivables	6	1,494,993	1,250,785
Other non-current financial assets	4	100	100
Property, plant and equipment	10	2,959,799,026	2,816,055,122
Intangible assets	12	5,709,908	8,505,261
Heritage Assets	11	205,578	205,578
Total non-current assets		**2,967,209,605**	**2,826,016,846**
Total assets		**3,362,990,504**	**3,282,940,130**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	13	182,843,213	186,884,970
Consumer Deposits	14	6,054,131	5,915,094
Trade and other payables from non - exchange transactions	15	45,757,289	36,731,868
Current portion of borrowings	16	8,728,787	7,869,646
Current portion of finance lease liability	17	1,828,426	12,456,066
Current portion of financial liability:Umngeni Water CUC	48	-	29,168,076
Current portion of employee benefits	49	1,269,460	1,188,736
Total current current liabilities		**246,481,305**	**280,214,456**
Non-current liabilities			
Non-current borrowings	16	15,047,915	23,474,208
Non-current finance lease liability	17	-	1,828,426
Non-current financial liabilities:Umngeni Water CUC	48	0	0
Employee benefits	49	15,984,546	16,905,077
Total non-current liabilities		**31,032,461**	**42,207,711**
Total liabilities		**277,513,766**	**322,422,167**
Net assets		**3,085,476,738**	**2,960,517,963**
Accumulated surplus		3,085,476,738	2,960,517,963
Total net assets		**3,085,476,738**	**2,960,517,963**

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2023

	Note	2023 R	2022 R
Revenue from exchange transactions		**438,372,925**	**349,233,136**
Service charges - Water	18	248,165,785	208,278,827
Service charges - Sanitation	18	63,416,012	66,463,425
Interest earned - external investments	19	23,627,600	11,946,445
Interest earned - outstanding receivables	20	62,210,086	23,148,689
Dividends	8	19,000,000	21,500,000
Operational revenue	22	19,817,842	15,885,070
Agency Services	23	2,135,600	2,010,681
Revenue from non exchange transactions		**1,052,272,340**	**893,226,763**
Fines and Penalties	24	539,709	83,564
Licences Or Permits	25	8,223	33,954
Public Contributions and Donations	26	5,814,850	-
Gain on Long Service	49.2	2,455,702	587,292
Government grants and subsidies	21	1,043,453,856	892,521,953
Total revenue		**1,490,645,266**	**1,242,459,899**
Expenses			
Employee related costs	27	242,837,692	230,014,083
Remuneration of councillors	28	10,513,970	8,841,676
Debts Impairment	2	275,587,435	112,745,390
Depreciation & amortisation	29	127,681,028	131,906,583
Impairment	30	95,727	3,353,819
Finance costs	31	4,047,319	8,552,664
Inventory consumed	32	134,263,301	119,575,105
Contracted services	33	256,037,659	170,856,824
Transfers and subsidies	34	38,289,958	35,465,416
Operational Cost	35	167,746,393	133,815,347
Loss on sale of assets	38	2,816,864	5,746,801
Loss on Forex	47	572,213	635,286
Loss on Fair value	37	-	17,483,136
Inventory loss	39	105,196,931	93,100,696
Total expenses		**1,365,686,490**	**1,072,092,825**
Surplus for the period		**124,958,775**	**170,367,073**

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2023

	Note	IDM Accumulated Surplus/(Deficit) Total
		R
Audited Opening Balance at 01 July 2021		**2,787,189,280**
Prior year corrections and adjustments	**40**	2,961,608
Restated balance		**2,790,150,889**
Restated Surplus / (deficit) for the year		170,367,073
Balance at 30 June 2022		**2,960,517,963**
Opening Balance, 1 July 2022		**2,960,517,963**
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the year		124,958,775
Balance at 30 JJune 2023		**3,085,476,738**

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

		Note	IDM 2022 R	IDM 2021 R *Restated*
Receipts			**1,333,334,078**	**1,084,884,239**
	Sales of goods and services		155,647,331	116,685,305
	Grants		1,052,479,276	927,036,977
	Other income		84,707,471	41,161,957
	Dividends		40,500,000	
Payments			**958,445,644**	**797,811,073**
	Employee costs		(249,505,812)	(238,340,464)
	Suppliers		(708,939,832)	(559,470,610)
CASH GENERATED FROM OPERATIONS			**2,291,779,722**	**1,882,695,313**
	Interest received		23,627,600	11,946,445
	Interest paid		(4,047,319)	(8,552,664)
Net cash flows from operating activities		39	**394,468,715**	**290,466,947**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets (PPE)			(266,897,866)	(226,306,755)
Proceeds from sale of fixed assets			260,081	660,000
Increase in investments			-	(6,912,810)
Purchase of intangibles				
Net cash flows from investing activities			**(266,637,785)**	**(232,559,565)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings			(7,567,152)	(1,840,086)
Repayment of finance lease liability			(12,456,067)	(18,710,298)
Repayment of Umgnei Water CUC Debt			(29,168,076)	(37,605,264)
Net cash flows from financing activities			**(49,191,296)**	**(58,155,649)**
Net increase / (decrease) in net cash and cash equivalents			78,639,634	(248,266)
Net cash and cash equivalents at beginning of period			202,786,721	203,034,987
Net cash and cash equivalents at end of period		3	**281,426,355**	**202,786,721**

ILEMBE DISTRICT MUNICIPALITY
AUDITED 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	220,087,044	271,180,433	-	271,180,433	248,165,785	-23,014,648	-8%	The service charges budgeted to be expended by 30 June 2023 was R 341.2 million, while the total billed to consumers was R312.6 million resulting on 8% below variance. This is attributable from the increase on tariffs, a continuous exercise on consumers who were not getting billed are now captured into the system, additional areas in KZ291 and beneficiaries of Housing projects in KZ292 who have been added into the system, there was a system error which has caused this huge increase in billing. It should be noted that this is after the approved adjusted budget. The reason for the lower billing against anticipated is the fact that there were areas that had no water but they were billed, the exercise of data cleansing has been in process to ensure that all those areas are being taken out of the billing system. This has not yet started to make a difference in the gross debtors as the process is still in progress hence the increase in gross debtors does not comprise of these debtors mentioned. Even though the variance is below anticipated, it is however acceptable as it is within the norm of +-10%.
Service Charges- Sanitation	70,216,720	70,111,720		70,111,720	63,416,012	-6,695,708		
Interest earned - external investments	16,189,509	16,189,509	-	16,189,509	23,627,600	7,438,091	46%	This refers to interest earned in the external investments of the municipality. The actual as at 30 June 2023 was R23.6 million while the target on this date was R 16.1 million, resulting in a variance of 46% above the anticipated. This variance is due to amounts invested during the month of July to date considering receipt of equitable share, grants received and other income received to date. The higher the investment the better interest earned.
Interest earned - outstanding receivable	21,341,016	60,341,073	-	60,341,073	62,210,086	1,869,014		
Dividends	0				19,000,000			
Rental of Facilities	5,922				0			
Operational revenue	9,190,101	77,658,034	-	77,658,034	19,817,842	-57,840,192		
Agency Services	2,060,819	2,060,819	-	2,060,819	2,135,600	74,781	4%	These are operational grants for operational projects. The varriance is attributable from the KZNEDTEA that was received in the month of June 2023.
Exchange Revenure								
Fines and Penalties	134,402	726,473	-	726,473	539,709	-186,764		
Licences Or Permits	40,000	40,000	-	40,000	8,223	-31,777		
Gains	125,517,399	123,674,985		123,674,985	2,455,702	-121,219,283		
Transfers Recognised - Operatioı	734,686,519	771,839,393	-	771,839,393	756,040,343	-15,799,050		

ILEMBE DISTRICT MUNICIPALITY
AUDITED 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		
Total Revenue (Excluding Capital Transfers) & Contributions)	**1,199,469,452**	**1,393,822,439**	**-**	**1,393,822,439**	**1,197,416,903**	**-215,405,536**		
Employee Costs	277,283,700	272,332,106	-	272,332,106	242,837,692	-29,494,414	-11%	This item relates to employee related costs booked in for the district,the actual expenditure was R241.3 million resulting in 11% variance below the anticipated expenditure of R 272.3 million. This is due to vacant posts that have been budgeted for and not yet filled especial for Senior Management (Finance Services, Community Services and Corporate Services) that were anticipated to be filled prior end of the financial year. The vacant posts arise from resignations, death, and terminations. Senior Management posts were re-advertised due to processes and amendments of Municipal Systems Act resulted to Senior Managers post to be re-advertised. However, these posts are currently in the recruitment process to be filled, anticipated to be filled during the first quarter of the new year as the process for these posts take longer when compared to other municipal posts. All other budgeted posts are anticipated to be filled during the new financial year.
Remuneration Of Councillors	13,882,814	11,235,480	-	11,235,480	10,513,970	-721,510	-6%	This item relates to remuneration of Councillors. The actual expenditure as at 30 June 2023 was R 10.3 million, the year to date target was R11.2 million resulting in 8% variance below anticipated. This variance is acceptable as it is within the norm of +-10%. The variance is due to the fact that there has been no allowance increment that has granted to all councillors due to the absence of the Determination of Upper Limits Gazette.
Debt Impairment	22,987,456	23,085,919	-	23,085,919	275,587,435	252,501,516	1094%	This is a non-cash item, which is a provision for bad debts impairment. As at 30 June 2023 the actual expenditure was R13.4 million and that resulted to 42% variance below the anticipated expenditure of R23.1 million. This is calculated every year end (June) as per GRAP after assessing the financial situation of all municipal consumers if they will be able to honour their debt.
Depreciation & Amortisation	109,016,479	111,447,408	-	111,447,408	127,681,028	16,233,620		
Impairment	5,000,000	5,000,000	-	5,000,000	95,727	-4,904,273	-98%	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 do not affect cash flow. The actual as at 30 June 2023 is R 130.9 million against the target of R118.2 million, resulting on 12% variance above anticipated. The impairment of assets is done once annually and that will determine the realistic impairment against the provisional budget.

ILEMBE DISTRICT MUNICIPALITY
AUDITED 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	4,823,034	3,592,110		3,592,110	4,047,319	455,209	13%	This is interest paid by the municipality to Financial Institutions for money borrowed by the municipality from those institutions and finance leases for municipal fleet and computer equipment. The expenditure anticipated for the period ended 30 June 2023 was R 3.5 million, while the actual incurred for this period was R3.1 million, as a result the variance was 12% below target.
Inventory Consumed	271,904,324	248,783,619	-	248,783,619	134,263,301	-114,520,318	-46%	This item refers to the expenditure relating to repairs and material expenditure and water issues. The expenditure at the end of June 2023 on this item amounted to R227.6 million, resulting in a variance 9% below target when compared to the year to date target of R 248.7 million. The variance is acceptable.
Contracted Services	187,466,177	274,179,534	-	274,179,534	256,037,659	-18,141,875	-7%	This item consists of all contracted services of the municipality and its entity. The majority of items relates to Electrical pump repairs and maintenance, vehicle repairs and maintenance done by services providers, hire of plants (water tanker, TLB, etc). As at June 2023, the actual expenditure on this item was R 243.5 million which is 11% below the anticipated expenditure of R274.1 million.
Transfers and Subsidies	38,289,958	38,289,958		38,289,958	38,289,958	0	0%	These are the monies transferred to Municipal Entity. The variance is tranpired from the adjustments made during end of financial year. The variance is acceptable.
OperationalCost	152,591,606	248,247,851	-	248,247,851	167,746,393	-80,501,458	-32%	
Losses	109,655,727	109,655,727	-	109,655,727	108,586,008	-1,069,719	-1%	This item consist of all general operating expenses of the municipality and its entity. As at the end of June 2023, the actual year to date expenditure was R433.3 million which is 11% variance above the anticipated expenditure of R357.9 million. This variance is mainly due to accrualsmade during end of financial year in respect of
Total Expenditure	**1,192,901,276**	**1,345,849,713**	**-**	**1,345,849,713**	**1,365,686,490**	**19,836,778**		
Surplus/(Deficit)	**6,568,177**	**47,972,726.04**	**-**	**47,972,726**	**-168,269,588**	**-235,242,314**		
Transfers Recognised - Capital	277,498,003	318,056,994	-	318,056,994	287,413,513	-30,643,481	-10%	This relates to the conditions met on capital projejcts. The discrepancy is due to the fact that there was a Water Intervention grant of R16 million that was received in December 2022, whereby its projects relate to both financial years 2023 and 2024 as per the business plan approved by KZNCOGTA, additional allocation made to Water Services Infrastructure Grant and Disaster Recovery Grant that was incorrectly allocated to the municipality and corrected by end of March 2023 which was then correctly allocated during the special adjusted budget approved in April 2023. However the variance is within the acceepted norm of +-10%.
Transfers and subsidies - capital (in-kin	0	10,500,000		10,500,000	5,814,850	-4,685,150	-45%	This was the communication made by DBSA to donate the infrastructure assets (Borehole, Water Treatment and Water Tanker) to iLembe District municipality due the floods took place in April 2022. These were not donated until the end of the reporting date 30 June 2023.
Contributions Recognised - Capital & Contributed Assets	-	-	-	-	0	0	0%	
Surplus/(Deficit) After Capital Transfers & Contributions	**284,066,180**	**376,529,720.04**	**-**	**376,529,720**	**124,958,775**	**-270,570,945**		
Surplus/(Deficit For The Year	**284,066,180**	**376,529,720.04**	**-**	**376,529,720**	**124,958,775**	**-270,570,945**		
Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	252,321,742	276,571,301	-	276,571,301	250,829,811	-25,741,490	-9%	The variance is due to the capital projects that were added to the budget end of April 2023 through correction of Disaster Recovery Grant by National Government and additional allocation on WSIG and Provincial grants allocation for Water Intervention grant receied in December 2022.
Public Contributions & Donations		10,500,000			5,814,850		0%	
Borrowing	57,566,888	-	-	-	-	0	0%	
Internally Generated Funds	38,117,532	51,604,677	-	51,604,677	16,228,041	-35,376,636	-69%	The variance of 48% is due to the fact that the proejcts were delayed like procurement of Generators, others postponed to the new financial year.
Total Sources Of Capital Funds	**348,006,162**	**338,675,977.81**	**-**	**328,175,978**	**272,872,702**	**-61,118,126**		

ILEMBE DISTRICT MUNICIPALITY
AUDITED 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		

ILEMBE DISTRICT MUNICIPALITY
AUDITED 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		

Reportable Segments for the year ended 30 June 2023

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 key business units that we consider to be reportable segment comprise of:

- Trading services which includes water management and waste water management;
- Community
- Unallocated Reconciliation

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 2023

2022/2023

	Trading Services	Community	Total Segment	Unallocated Reconciliation	Total Income Statement
Segment Revenue	**1,130,790,609**	**54,703,292**	**1,185,493,902**	**305,151,364**	**1,490,645,265**
External revenue from non-exchange transactions	806,885,771	54,703,292	861,589,063	190,683,277	**1,052,272,340**
External revenue from exchange transactions	323,904,839	-	323,904,839	9,630,400	**333,535,239**
Interest revenue	-		-	104,837,686	**104,837,686**
Segment Expenses	**553,696,966.14**	**42,889,368.69**	**586,848,919.22**	**769,100,156**	**1,365,686,491**
Total Segment expenses	553,696,966	42,889,369	596,586,335	635,479,466	1,232,065,801
Depreciation and amortisation	-	-	-	127,681,028	127,681,028.37
Interest expense	-	-	-	5,939,661	5,939,661
Surplus/deficit for the year	**577,093,643**	**11,813,924**	**597,744,195**	**- 463,948,792**	**124,958,775**

ILEMBE DISTRICT MUNICIPALITY - DC29
CAPITAL EXPENDITURE
For the year ended 30 June 2023

Trading Services	Community	Total Segment	Unallocated Reconciliation	Total Income Statement

	Trading Services	Community Services	Total Segment	Unallocated Reconciliation	Total Income Statement
Total	**249,426,665**	**137,950**	**249,564,615**	**3,420,208**	**252,984,823**
Total Segment acquisitions	249,426,665	137,950	249,564,615	3,420,208	**252,984,823**

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

	Trading Services	Community	Total Segment	Unallocated Reconciliation	Total Income Statement
Segment Revenue	**960,947,018**	**43,957,649**	**1,004,904,667**	**237,555,231**	**1,242,459,898**
External revenue from non-exchange transactions	679,546,464	43,957,649	723,504,113	169,722,649	**893,226,762**
External revenue from exchange transactions	281,400,554	-	281,400,554	11,237,449	**292,638,002**
Interest revenue	-		-	56,595,133	**56,595,133**
Segment Expenses	**460,424,717.58**	**38,777,990.00**	**499,202,707.58**	**572,890,079**	**1,072,092,787**
Total Segment expenses	460,424,718	38,777,990	499,202,708	430,895,832	930,098,540
Depreciation and amortisation	-	-	-	131,906,583	131,906,583
Interest expense	-	-	-	10,087,664	10,087,664
Surplus/deficit for the year	**500,522,301**	**5,179,659**	**505,701,959**	**- 335,334,848**	**170,367,111**

ILEMBE DISTRICT MUNICIPALITY - DC29
CAPITAL EXPENDITURE
For the year ended 30 June 2022

	Trading Services	Community Services	Total Segment	Unallocated Reconciliation	Total Income Statement
Total	**220,767,155**	**134,500**	**220,901,655**	**12,317,910**	**233,219,565**
Total Segment acquisitions	220,767,155	134,500	220,901,655	12,317,910	**233,219,565**

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

GRAP 1 Presentation on Financial Statements
GRAP 103 Heritage Assets
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 20 Related Party Disclosures
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 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 Recognition and Derecognition of Land
IGRAP 19 Liabilities to Pay Levies
IGRAP 20 Accounting for Adjustments to Revenue
IGRAP 21The Effect of Past Decisions on Materiality

Guidelines of the Standard of GRAP approved and effective

Guidelines on Accounting for Arrangements Undertaken into. to the National Housing Programmed 2023
Guideline on Accounting for Landfill Sites 2023

Guidelines which are not authoritative where entities are encouraged to apply the Guideline when preparing their financial statements

Guideline on The Application of Materiality to Financial Statements 2023
Guidelines on the Application of Materiality to Financial Statements

Guidelines withdrawn

Guideline on Accounting for Public-Private Partnerships 2019

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 2022 to 30 June 2023. 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 2023 is presented in note 52. 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 52. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

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

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

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

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

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

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.1.3 DEPRECIATION AND IMPAIRMENT

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

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

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

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

Infrastructure	Years	Other	Years
Water	5 - 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 1000 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 information

(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 information

(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 consideres the conversion cost incurred through out the process of purification. The method of valuation is own cost deemed to be fair value based on cost.

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

Water and purified effluent are measured at the lowest of purified cost which is deemed to be fair value and net realisable value insofar as it is stored and controlled in

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 VALUE

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 COST

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

7.7 DERECOGNITION

7.7.1 FINANCIAL ASSETS

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

7.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when , and only, it is extinguished . A financial liability is extinguished when the debtor either:
(a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities , goods or services.
(b) Is legally released from primary responsibility for the liability either by process(expires) of law or by the creditor (cancelled). If the debtor has given a guarantee , this condition may still be met.
(c) Waives the debt or it is assumed by another municipality by way of a non- exchange transaction.
Interest, dividends or similar distributions , losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when , the municipality:
(i) Currently has a legally enforceable right to set off the recognised amounts; and
(ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

8 FOREIGN CURRENCY TRANSACTION

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

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

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

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

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

9.1 IDENTIFICATION AND INTERNAL REPORTING

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

9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

9.3 EXTERNAL REPORTING

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

10 IRREGULAR EXPENDITURE

Irregular expenditure is defined in section 1 of the MFMA as follows:
"irregular expenditure", in relation to a municipality or municipal entity, means—
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

10.1 IDENTIFICATION AND INTERNAL REPORTING

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

10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

10.3 EXTERNAL REPORTING

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

11 FRUITLESS AND WASTEFUL 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 in the current financial year.

11.3 EXTERNAL REPORTING

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

12 PROVISIONS

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

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

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

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

13 LEASES

13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.
Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the asset's useful life or the lease term.

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

13.2 MUNICIPALITY AS LESSOR

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

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

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

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.
Service charges from sewerage and sanitation are based on the value of consumption used from one point of meter supply and this is set out in the tariffs of charges approved by Council.
Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

Interest revenue is recognised on a time proportion basis.

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

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

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

14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

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

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

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

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

14.3 RECOGNITION

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied:
(a) When the resource is controlled by the entity as a result of a past event;
(b) It is probable that the future economic benefits or service potential associated with the resource will flow to the municipality; and
(c) The fair value of the resource can be measured reliably.

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

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

The municipality does not recognise service in - kind.
The municipality recognises 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 bonds. The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

16.2.3 OTHER LONG - TERM BENEFITS PLANS

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

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

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

16.2.4 TERMINATION BENEFITS

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

17 VALUE ADDED TAX (VAT)

The Municipality uses accrual basis of accounting for transactions. This includes accounting for VAT component on such transactions, whether it is Output VAT or Input VAT. The Municipality, however, accounts for VAT payable and receivable on payment basis in terms of the applicable VAT laws.

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. The VAT portion due to SARS is considered to be a statutory receivable.

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 contracts or social security benefit commitments are excluded.

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
The municipality operates within it municipal jurisdiction, as per the boundaries and demarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout were sufficiently similar to warrant aggregation.

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

Reportable segment Goods and/or services
Water management and Waste managementProvision of water and waste management

OtherProvision for infrastructural projects and other services

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 2023			
Service debtors			
Water and Sewerage	834,622,609	(784,246,478)	50,376,131
Direct Deposit	(4,756,721)	-	(4,756,721)
Total	**829,865,888**	**(784,246,478)**	**45,619,410**
Other Receivables			
Accrued Income	8,534,207	-	8,534,207
Ilembe Enterprise	0	-	0
Outstanding deposits	5,099,110	-	5,099,110
Sundry Debtors	2,740,147	-	2,740,147
Other debtors	19,179,677	(11,407,683)	7,771,994
Acknowledgement of debt	95,212	-	95,212
Input VAT accrual on outstanding creditors	20,762,433		20,762,433
Value Added Tax Receivable from SARS	11,547,497		11,547,497
Total other Receivables	**67,958,284**	(11,407,683)	**56,550,601**
Total Trade and other receivables	**897,824,172**	**(795,654,161)**	**102,170,011**
as at June 2022			
Service debtors			
Water and Sewerage	658,043,850	(474,971,912)	183,071,938
Direct Deposits	(239,527)		(239,527)
Total	**657,804,323**	**(474,971,912)**	**182,832,411**
Other receivables			
Umngeni water debtor		-	-
Accrued interest	23,836,268	-	23,836,268
Ilembe Enterprise	64,922	-	64,922
Outstanding deposits	102,368	-	102,368
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
Value Added Tax Receivable from SARS	6,948,568	-	6,948,568
Value Added Tax Input Accrual on outstanding creditors	19,181,018		19,181,018
Other receivables	**72,126,125**	**(11,530,384)**	**60,595,741**
Total Trade and other receivables	**729,930,448**	**(486,502,296)**	**243,428,151**

Summary of Debtors by Customer Classification	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
For the period ended 30 June 2023			
Current (0 – 30 days)	25,676,407	5,459,633	3,747,730
31 - 60 Days	22,455,272	2,181,954	2,953,603
61 - 90 Days	20,770,335	1,300,406	1,594,242
91 - 120 Days	18,584,235	1,416,147	1,384,727
121 - 365 Days	19,382,120	1,678,013	1,692,876
+ 365 Days	656,744,351	28,514,112	19,086,444
Sub-total	**763,612,721**	**40,550,266**	**30,459,622**
Less: Allowance for impairment on receivables	(760,263,013)	(23,983,465)	
Total debtors by customer classification	**3,349,708**	**16,566,801**	**30,459,622**
at 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**

	2023 R	2022 R *Restated*
Water and Sewerage: Ageing		
Current (0 – 30 days)	34,883,770	28,976,613
31 - 60 Days	27,590,830	21,905,485
61 - 90 Days	23,664,984	19,826,563
91 - 120 Days	21,385,109	19,326,224
121 - 150 Days	22,753,009	16,660,636
+ 365 Days	704,344,907	551,348,329
Total	**834,622,609**	**658,043,850**

Reconciliation of the debt impairment provision - Trade Receivables

	2023 R	2022 R
Balance at beginning of the year	(474,971,912)	(426,717,329)
Contributions to provision VAT inclusive	(316,925,550)	(121,042,843)
Bad debts recovered/ Consumer Accounts Adjustments	540,194	
Doubtful debts written off against provision	7,110,790	72,788,260
Balance at end of year	**(784,246,478)**	**(474,971,912)**
Contributions to provision excluding VAT - Consumer Debtors	(275,587,435)	(105,367,905)
Contributions to provision excluding VAT - Other Debtors	-	(7,377,484)
	(275,587,435)	**(112,745,390)**

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2023 R	2022 R
Petty cash and cash on hand	44,000	44,000
Bank statement balance	281,460,897	202,742,719
	281,504,897	**202,786,719**

The Municipality has the following bank accounts: -

Water Bank Account

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

	2023	2022
Cash book balance at beginning of year	13,491	15,341
Cash book balance at end of year	**10,442**	**13,491**
Bank statement balance at beginning of year	64,911	160,194
Bank statement balance at end of year	**4,756,721**	**64,911**

Salaries Bank Account

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

	2023	2022
Cash book balance at beginning of year	181,121	59,891
Cash book balance at end of year	**8,763,796**	**181,121**
Bank statement balance at beginning of year	183,831	116,010
Bank statement balance at end of year	**8,763,796**	**183,831**

Main Bank Account

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

	2023	2022
Cash book balance at beginning of year	8,376,346	17,576,375
Cash book balance at end of year	**45,156,912**	**8,376,346**
Bank statement balance at beginning of year	8,376,346	17,581,495
Bank statement balance at end of year	**45,156,912**	**8,376,346**

Revenue Bank Account

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

	2023	2022
Cash book balance at beginning of year	12,028,472	8,970,755
Cash book balance at end of year	**21,592,656**	**12,028,472**
Bank statement balance at beginning of year	12,114,216	8,843,479
Bank statement balance at end of year	**16,503,071**	**12,114,216**

Projects Bank Account

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

	2023	2022
Cash book balance at beginning of year	20,377,451	32,717,597
Cash book balance at end of year	**1,831,373**	**20,377,451**
Bank statement balance at beginning of year	21,761,790	32,717,638
Bank statement balance at end of year	**8,174,633**	**21,761,790**

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

	2023	2022
Cash book balance at beginning of year	(8,637,565)	(11,386,711)
Cash book balance at end of year	**21,797,790**	**(8,637,565)**
Bank statement balance at beginning of year	5,753,761	325,126
Bank statement balance at end of year	**35,429,329**	**5,753,761**

Investment Current Account
FNB Bank Call Account -
Business Nstd : 62129309937 Call account-

	2023	2022
Bank statement balance at the begining of the year	-	7 722 652
Bank statement balance at the end of the year	**3 369**	**-**

Investment Current Account
FNB Call Account -
Account Number 61085067093 - Call Account

	2023	2022
Bank statement balance at the begining of the year	270 814	267 424
Bank statement balance at the end of the year	**10 413 026**	**270 814**

	2023 R	2022 R
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62758088746 : Call Account		
Bank statement balance at the begining of the year	2 990 636	2 877 337
Bank statement balance at the end of the year	**3 194 524**	**2 990 636**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773448462 : Call Account		
Bank statement balance at the begining of the year	1 798	475 821
Bank statement balance at the end of the year	**1 059 210**	**1 798**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773447729 : Call Account		
Bank statement balance at the begining of the year	599	9 229
Bank statement balance at the end of the year	**2 615**	**599**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773446929 : Call Account		
Bank statement balance at the begining of the year	367	172 127
Bank statement balance at the end of the year	**781 690**	**367**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773449965 : Call Account		
Bank statement balance at the begining of the year	3 248 279	7 043 649
Bank statement balance at the end of the year	**27,434**	**3 248 279**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773451366 : Call Account		
Bank statement balance at the begining of the year	34 072 869	44 685 728
Bank statement balance at the end of the year	**20,819,373**	**34 072 869**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62796879206 : Call Account		
Bank statement balance at the begining of the year	16 619 287	-
Bank statement balance at the end of the year	**12 534 396**	**16 619 287**
Investment Current Account		
First National Bank Account		
Account Number 62905591170 : Call Account		
Bank statement balance at the begining of the year	1 084 161	1 044 491
Bank statement balance at the end of the year	**1 158 074**	**1 084 161**
Investment Current Account		
First National Bank		
Account Number 63006114134		
Bank statement balance at the begining of the year	31 632 981	
Bank statement balance at the end of the year	**30 341 361**	**31 632 981**
Investment Current Account		
First National Bank		
Account Number 62313562309 : Call Account		
Bank statement balance at the begining of the year	1 286 427	401 046
Bank statement balance at the end of the year	**17 906 354**	**1 286 427**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62896350817 : Call Account		
Bank statement balance at the begining of the year	406 271	36 805 325
Bank statement balance at the end of the year	**505 285**	**406 271**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62905593837 : Call Account		
Bank statement balance at the begining of the year	107 103	103 184
Bank statement balance at the end of the year	**114 405**	**107 103**
Investment Current Account		
First National Bank Account		
Account Number 74905604134 :		
Bank statement balance at the begining of the year	36 383 308	17 698 989
Bank statement balance at the end of the year	**38 995 520**	**36 383 308**
Investment Current Account		
First National Bank Account		
Account Number 62905587806 : Call Account		
Bank statement balance at the begining of the year	3 876 070	1 295 470
Bank statement balance at the end of the year	**4 599 600**	**3 876 070**
Investment Current Account		
First National Bank Account		
Account Number 62905590007 : Call Account		
Bank statement balance at the begining of the year	13	685 984
Bank statement balance at the end of the year	**-**	**13**

	2023 R	2022 R
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62828232520: Call Account		
Bank statement balance at the begining of the year	22 506 879	21 958 589
Bank statement balance at the end of the year	**20 220 199**	**22 506 879**
Petty cash and cash on hand	**44,000**	**44,000**
Total investments	**162,676,435**	**154,487,865**
Bank Statement Balance	**118,784,462**	**48,254,855**
Cash book balance at beginning of year	32,383,318	47,997,249
Cashbook balance at year end	**99,196,970**	**32,383,318**

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:	**10,708,413**	**10,888,684**
Consumable stores - at Net Replacement Cost	9,196,119	8,140,982
Water	1,512,294	2,747,702
Receipts (Acquisitions)	**244,126,000**	**215,825,428**
Consumable stores	16,413,114	15,386,115
Water- System input- Purification cost	10,435,821	8,563,892
Water- System input- Bulk purchases	217,277,064	191,875,420
Issued (expensed):	**(137,531,490)**	**(120,845,807)**
Consumable stores	(15,459,616)	(12,271,783)
Water	(122,071,874)	(108,574,025)
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	**(105,196,931)**	**(95,159,891)**
Consumable stores	-	(2,059,195)
Water Loss	(105,196,931)	(93,100,696)
	12,105,992	**10,708,413**
Consumable stores	10,149,617	9,196,119
Water	1,956,375	1,512,294

6 NON-CURRENT RECEIVABLES

Opening Balance	1,250,785	1,080,517
Staff Debtors Addition	316,195	222,631
Less :	**(71,987)**	**(52,362)**
Collections and Recoveries	(71,987)	(52,362)
Councillor A Baardman Salary Overpayment -Repayment	-	-
Less: Provision for bad debts	-	-
Total	**1,494,993**	**1,250,785**
Councillor A Baardman Salary Overpayment	219,870	239,763
Councillor A Baardman Salary Overpayment - Repayment	-	(19,892)
	219,870	**219,870**

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

8 DIVIDENDS

	2023 R	2022 R
Siza Water Dividends	19,000,000	21,500,000.00
	19,000,000	**21,500,000.00**

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 2022	**3,092,908**	**20,980,056**	**2,742,864,561**	**7,179,535**	**1,650,904**	**2,718,708**	**37,568,379**	**2,816,055,122**
Cost/Revaluation	3,092,908	34,484,212	3,637,524,688	12,323,130	3,599,269	5,878,916	84,415,297	3,781,318,420
Correction of prior year error (note 30) - Cost		-	-	-	-	-336,170	336,170	-
Correction of prior year error (note 30) - Accumulated depreciation and impairment losses			-		(39,567)	113,108	(73,541)	-
Accumulated depreciation and impairment losses	-	(13,504,157)	(894,660,127)	(5,143,593)	(1,908,799)	(2,937,147)	(47,109,548)	(965,263,371)
Acquisitions	-		-	3,113,294	-	686,489	-	3,799,784
Assets under construction acquisitions	-	-	263,098,083	-	-	-	-	263,098,083
Depreciation	-	(1,137,419)	(106,439,230)	(2,976,603)	(175,391)	(595,759)	-13,594,615.12	(124,919,018)
Carrying value of disposals	**-**	**-**	**(1,647,674)**	**(312,093)**	**(8,878)**	**(19,387)**	**(228,546)**	**(2,216,578)**
Cost/Revaluation	-	-	(10,833,071)	(1,620,097)	(87,824)	(128,787)	(5,547,715)	(18,217,494)
Accumulated depreciation and impairment losses	-	-	9,185,397	1,308,004	78,946	109,400	5,319,169	16,000,916
Impairment loss/Reversal of impairment loss	-	-	-	-	(24)	(95,703)		(95,727)
Transfer into Assets	5,212,000	-	172,027,126		-	-	-	177,239,126
Transfer from assets under construction		-	(171,424,276)		-		-	(171,424,276)
Accumulated depreciation and impairment losses: Transfers			-		-	-		-
Other movements (change in accounting estimates)	-	(34,139)	(1,290,279)	(10,170)	(31,848)	(19,080)	(351,901)	(1,737,418)
For the period ended 30 June 2023	**8,304,908**	**19,808,497**	**2,897,188,310**	**6,993,964**	**1,434,761**	**2,675,267**	**23,393,317**	**2,959,799,026**
Cost/Revaluation	8,304,908	34,484,212	3,890,392,550	13,816,327	3,511,445	6,100,448	78,851,852	4,035,461,741
Accumulated depreciation and impairment losses	-	(14,675,715)	(993,204,240)	(6,822,363)	(2,076,684)	(3,425,181)	(55,458,535)	(1,075,662,717)

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

8,304,907.72	19,808,497	2,897,188,180	6,993,897	1,474,403	2,898,307	23,393,317

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

0	0	130	67	(39,642)	(223,039)	(0)

Assets Under Construction is made of the following:

Augmentation of Sokesimbone Water Supply Scheme and Construc	21,681,166
Avon pipe peaking power replacement	2,000,000
Borehole Sonkombo	126,086
Construction of bulk pipeline at Ngcebo / Kwadukuza Zone G	3,539,574
COVID19 Spring Protection - acquisition	17,236,933
Profesional fees darnal (Makhaotse)	9,284,528
TS/209/2020Pump Station:DARNAL	30,010,439
TS/227/2022	6,922,113
Distribution: Glenhills	32,737,949
Distribution: Inyoni Bulk Water	435,784
Distribution: Padianager Pumpstation and Pipeline	1,479,854
Distribution: Sonkombo Water Reticulation	4,985,721
Distribution: Warrenton and Glenhills Reticulation	471,379
Driefontein Housing Bulk Sewer	10,356,537
Groutville D - Priority 5: Ward 10	25,899,272
Inyoni Housing Bulk Sewer	117,079
KDM Sewer Mains Replacement	9,158,514
Macambini Water Supply - Phase Phase 5A	53,357,062
Macambini Water Supply Phase 5 - Phase 5B	15,455,771
Macambini Water Supply Phase 5C	910,895
Manda Farm Water Borne Sanitation Project	434,474
Mandeni Reticulation refurb	3,541,011
Maphumulo Town Bulk Sewer	7,983,943
Masibambisane Regional Water Suppy	33,223,826
Mechanical Screen replacement	1,327,454
Ndulinde Phase 1Ml & 3.5Ml Reservoirs	23,783,404
Ndwedwe Reticulation Refurbishment Esidumbini; Mantobelo an	839,169
New Borehole- kz293	2,612,451
Ntunjambili Bulk Water Supply Scheme	9,870,121
PROFESSIONAL FEES - TS 184- 2017/TS 197/205/206-2019	7,121,922
PUMP REPLACEMENT	3,397,557
reburbishment of reticulation - Sonkombo	2,087,461
Reprioritization: Ngcebo Pumps Upgrade	7,846,552
Reservoirs: WOSIYANE EXTENSION	11,070,163
Reservoirs:Offtake 13A - Ingelmere Estate Helmsley Mursia Cane Reservoir	10,849,128
Sewer Pipe Replacement - Internal project	41,637
Southern Regional BLK - Pipeline	9,357,014
Southern Regional BLK - Pump station	29,684,247
TELEMETRY SYSTEM (MC650 / 37 0 111)	1,593,378
TS/179/2017	32,534,906
TS/182/2017	38,641,348
TS/212Water Treatment Works	5,377,094
TS/87/2012 TS/93/TS130	3,325,611
TS/94/2013	22,846,927
Umvoti Electrical supply to water pump stations	1,242,072
Upgrade of Frasers WWTW	5,979,749
Waste Water Treatment Works: Kwadukuza	3,779,564
Waste Water Treatment Works: Lindelani	18,766,899
Waste Water Treatment Works: SUNDUMBILI WASTE WATER UPGRADE	6,736,377
Wosiyane Water Scheme Rehabilitation	902,241
	552,964,355

Delayed Projects as 30 June 2023:

Projects	**Comments**
Profesional fees DNPC consulting (Resevoir offtake 13)	This project was designed and put on hold due to various reasons, one of the reasons is that project ran out of funding at a planning stage due to RBIG grant being discontinued and some of the funding to go into construction was to be sourced from Developer's contribution which never materialised as KwaDukuza Municipality had no plans to connect electricity in the area that time.
Profesional fees Zimane consulting (Manda farm waterborne sa	This project is at inception/initiation stage, as iLembe we cannot move due to Mandeni delaying us on their side. Mandeni needs to do their preliminary designs and give us layouts which show us where are the tie- in points and the required flows to be accomodated by our bulk infrastructure. They are in the process of still appointing a service provider to undertake their planning studies and this process has been really slow from their side. That is why there is
Reservoirs: WOSIYANE EXTENSION	The project is on hold because Umgeni Water is busy with the design for the bulk pipeline that will supply the project. There are no other water sources that can meet the demand for the area. The project will resume once Umgeni Water has implemented Umshwathi Phase 6 Bulk Water Supply that will supply the area.
SUNDUMBILI WASTE WATER TREATMENT	The project is at preliminary design stage. During the studies conducted, it was discovered that the plant, in its current location, is in a flood plane. This is supported by the constant flooding after heavy rains. Investigations are currently underway to identify an alternative site that will be suitable for a new Waste Water Treatment Works.
Umvoti Electrical supply to water pump stations	Umvoti Balancing and Kearsney pump station are connected to the rural electrical supply which consistantly causes unpredicted power disruptions affecting the full operation of both pumps. Project's objective was to supply a dedicated electricity supply to uMvoti balancing pump stations. Studies and preliminary designs were conducted and finalized. The cost of dedicated electricity supply was more than the bugdet allocated, hence we opted for a diesel
Waste Water Treatment Works: Kwadukuza	The project is at preliminary design stage. During the preliminary design stage it was required that an environmental study be undertaken which will entail the application for a Water Use Licence (WULA) to DWS , as part of the enquiries to DWS it was requested that a specialist study be undertaken to determine the assimilative capacity of the uMvoti River to see if it can take the sewer effluent from the plant. it was discovered that the uMvoti river is
Waste Water Treatment Works: Lindelani	The municipality is currently in a legal dispute with the design consultant for the project. The matter is awaiting a court date. The project is on hold pending the outcome of the Court.
TS/94/2013 (Ndwedwe town development)	Project is delayed due to funding
TS/182/2017(Southern regional BLK wtr-Sew)	The scope of the project is largely bulk gravity sewer infrastructure which is naturally required to be constructed in low lying areas typically along water courses to collect sewage from high lying areas under gravity. For this reason, there isn't much flexibility to reroute gravity sewer pipelines in undulating topography unless multiply pump stations are introduced which then becomes uneconomical. Based on this pipeline routing along water courses, a Water Use License is required. The general project requirements and the Water Use Licence requires consent from the effected landowners for which the pipeline is proposed to traverse which resulted in a major delay to the start of project as the option of rerouting was not possible. The tender process started in November 2017 on the basis that the WULA will be obtained prior to commencement of construction. A Contractor was appointed in May 2018 but was instructed not to commence with work. Three landowners did not want to sign the WULA consent forms in order for the WUL application to be submitted. Negotiations continued from 2017 to 2019 where one landowner was left to sign. Agreement was reached in principle after many valuation reports and the involvement of the landowner's lawyer. Construction commenced in November 2019 on the basis that the outstanding landowner consents were imminent and the scope which had major environmental triggers are put on hold until the WUL is obtained during construction. At the time, DWS introduced an e-WULA system whereby the application can be submitted online which had an expected response time of 90days. The landowner did not end up signing the consent which caused a further delay to the WUL application submission after construction commenced. In March 2021, the WUL application was submitted online however, the 90days response time became 300 days. Based on the late submission of the WUL application and since the project had already commenced, the scope (major environmental triggers) that was put on hold was de-scoped from the project as it could not be carried out without the WUL. The Contractor completed the work that could be done and was issued with practical completion in September 2021 with outstanding work such as the N2 pipe jack which was completed in December 2021 and the provision of asbuilt survey. The asbuilt survey was reviewed in November 2021 and the Employers Agent found that the Contractor did not construct the pipeline according to the design and within the tolerances of SABS 1200 and as a result had a negative impact on the performance of the sewer infrastructure . A list of NCR's was issued to the Contractor to resolve in December 2021. The Contractor did not resolve/ close these NCR's. In April 2022, the floods damaged a portion of the pipeline recently constructed by the Contractor and at this time the Contractor still did not attempt to resolve the NCR's. There was back and forth communication between the project team attempting to resolve the matter and by December 2022 a dispute in accordance with GCC 2015 was raised as the Contractor did not resolve the NCR's and was questioned as to whether the flood damage could be remedied by the Contractors insurance. The adjudication process was concluded in March 2023 and was found that the Contractor had achieved Completion in December 2021 however, they were required to resolve the NCR's that were not damaged by the floods within the Defects Liability Period. The Final Approval Certificate for the project to this day has not been issued and the final retention has not been released as the Contractor has not resolved these NCR's. On 5th June 2023, the Employers Agent issued the Contractor an instruction to make good of defects as per the NCR's. On 23rd June 2023, the Contractor communicated that they reject the instruction. The Employers Agent is currently finalising a response. Should the Contractor fail to resolve the NCR's, the Employer will then be entitled to have such work done by their workmen or by others and the associated costs will be for the Contractors account. The final retention due to the Contractor is being held until either the work is done by the Contractor or until the work is done by others and costs verified which then be offset from the retention. The Phase 2 of the project which is expected to be advertised at the end of this month will include the previously descoped work, the flood damaged work and possibly work to resolve the NCR's. The Water Use License Authorisation was obtained in November 2022.

Asset under Construction Reconcilliation:	
Opening Balance at 1 July 2022	461,290,529
Prior period error	-
Additions	263,098,083
Transferred to completed projects	(171,424,276)
Impairment	-
Closing Balance at 30 June 2023	**552,964,335**

REPAIRS AND MAINTENANCE PER ASSET CLASSIFICATI	**2023**
Intangible Assets	7,955,662
Building	738,957
Other Assets	42,821,173
Infrastructure (Water & Sewer)	60,927,477
Total	**112,443,269**

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 2021	**3,092,908**	**22,195,001**	**2,638,787,534**	**7,419,640**	**2,111,090**	**3,429,573**	**50,603,538**	**2,727,639,280**
Cost/Revaluation	3,092,908	34,484,212	3,447,032,570	10,436,583	4,409,732	5,366,959	79,335,859	3,584,158,823
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	(992)		(18,615)	23,032	358,181
Accumulated depreciation and impairment losses		(12,289,210)	(808,576,542)	(3,015,951)	(2,298,642)	(1,942,021)	(28,755,353)	(856,877,720)
Acquisitions	-	-	-	2,255,991	-	415,524	7,093,224	9,764,740
Capital under Construction	-	-	216,542,015		-	-	-	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)
Transfers	-	-	210,793,556			-		210,793,556
Transfer from WIP		-	(210,793,556)		(426,509)	426,509		(210,793,556)
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)
								-
As at 30 June 2022	**3,092,908**	**20,980,055**	**2,742,864,561**	**7,179,536**	**1,690,470**	**2,941,769**	**37,305,749**	**2,816,055,048**
Cost/Revaluation	3,092,908	34,484,212	3,637,524,688	12,323,130	3,599,269	5,878,916	84,415,297	3,781,318,420
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	-	(13,504,157)	(894,660,127)	(5,143,593)	(1,908,799)	(2,937,147)	(47,109,548)	(965,263,371)

Name of the Project

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**

11 HERITAGE ASSETS

11.1 Reconciliation of carrying value

	Mayoral Chain	Total
		R
As at 1 July 2022	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-
For the period ended 30 June 2023	**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 2021	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-
as at June 2022	**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 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)
Acquisition	-	-	-
Other Movements - Change in estimate	(152,475)	(467,833)	(620,308)
Amortisation	(670,096)	(644,582)	(1,314,678)
Carrying value of disposals	**(93,641)**	**(766,726)**	**(860,367)**
Cost	(3,180,825)	(4,813,052)	(7,993,877)
Accumulated amortisation	3,087,184	4,046,326	7,133,510
For the period ended 30 June 2023	**3,386,552**	**2,323,355**	**5,709,908**
Cost	7,874,204	5,774,948	13,649,152
Accumulated amortisation and impairment losses	(4,487,651)	(3,451,593)	(7,939,244)

12 Reconciliation of carrying value

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

13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	IDM 2023 R	IDM 2022 R *Restated*
Trade Creditors and Accruals	91.178.727	51.990.267
Consumer debtors with credit balances	17.174.348	41.099.540
Ilembe Enterprise	3.497.171	-
Staff leave accrual	18.178.230	17.262.684
Outstanding Payments	16.304.432	15.777.462
RD Cheques	38.681	38.681
Other creditors	25.934.370	36.298.797
13th Cheque	7.808.460	6.757.752
Consumer water deposits		
Total creditors	**180,114,418**	**169,225,183**
Value Added Tax		
Output VAT Accrual on outstanding debtors	110.430.591	89.481.058
Output VAT Accrual on Provision for debts impairment	(113.159.386)	(71.821.271)
Total Value Added Tax - Payables	**2.728.795**	**17.659.787**
TOTAL TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	**182,843,213**	**186,884,970**

14 CONSUMER DEPOSITS

	IDM 2023 R	IDM 2022 R
Water	5.932.141	5.793.104
sewer	121.989	121.989
	6,054,131	**5,915,094**

15 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	IDM 2023 R	IDM 2022 R
Unspent Conditional Grants and Receipts		
Provincial Township Establishment	1.044.395	1.044.395
Finance Management Grant	-	-
KZN Economic Development Tourism and Environmental Affairs	9.368.522	-
Local Government Sector Education and Training Authority Grant	-	-
Water Services Infrastructure Grant	9.544.518	(0)
Municipal disaster Recovery	14.549.000	
Municipal disaster relief	3.013	19.523.000
Rural Road Asset Management System Grant	722.425	-
Specialised fire and rescue vehicle	(5)	(5)
Municipal Infrastructure Grant	0	(0)
Expanded Public Works Programme	0	0
Energy Efficiency and Demand-Side	0	5.511
Rehabilitation of Nsuze	41.181	2.700.000
Sokesimbone Water Supply Scheme	25.478	13.458.967
Sonkombo	10.458.762	
Ndwedwe water supply	-	
Total Unspent Conditional Grants	**45,757,289**	**36,731,868**
Non-current unspent conditional grants and receipts		
Current portion of unspent conditional grants	**45,757,289**	**36,731,868**

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

16 BORROWINGS

	IDM 2023 R	IDM 2022 R
Development Bank of South Africa	21.634.845	27.665.131
Forex liability	2.141.856	3.678.723
	23.776.701	**31.343.854**
Less : Current portion transferred to current liabilities	8.728.787	7.869.646
Development Bank of South Africa	6 586 931	6 030 285
Forex liability	2.141.856	1.839.361
Non current portion of borrowings	**15,047,915**	**23,474,208**

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 2023 **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	2.538.721	63.524	646.771	1.828.426
Within two to five years	-	-	-	-
	2.538.721	**63.524**	**646.771**	**1.828.426**
Less: Amount due for settlement within 12 months (current	2.538.720.80	63.524	646.771	**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 2022 **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	18.593.498.68	682.015	5.455.417	12.456.066
Within two to five years	2.538.720.80	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	18.593.498.68	682.015	5.455.417	12.456.066
				1,828,426

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:

	IDM 2023 R	IDM 2022 R
Within one year	3,034,935	2,916,829
In the second to fifth year inclusive	2,883,227	5,699,736
After five years		
Total	**5,918,162**	**8,616,565**

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 Annivessary 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

	IDM 2023 R	IDM 2022 R
Sale of water	251.294.995	210.527.481
Sewerage and sanitation charges	64.239.194	67.069.951
Revenue Forgone	(3.952.392)	(2.815.697)
Total Service Charges	**311,581,797**	**274,781,735**

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

18.1 Sale of Water

	IDM 2023 R	IDM 2022 R
Prepaid water sales	2.484.026	6.076.216
Conventional meters water sales	248.810.969	204.451.265
	251.294.995	**210.527.481**
Revenue Forgone	(3.129.210)	(2.248.655)
Total Water Sales	**248,165,785**	**208,278,827**

18.2 Sanitation charges

	IDM 2023 R	IDM 2022 R
Sewerage and sanitation charges	64.239.194	67.069.951
Revenue Forgone	(823.182)	(606.526)
	63,416,012	**66,463,425**

	IDM 2023 R	IDM 2022 R
19 INTEREST EARNED - BANK BALANCES		
Interest on Bank Accounts	5.582.102	2.347.758
Short Term Investments and Call Accounts	18.045.498	9.598.686
	23.627.600	**11.946.445**
20 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Interest on debtors	**62.210.086**	**23.148.689**
21 GOVERNMENT GRANTS AND SUBSIDIES		
Operational Grants		
Equitable share	680.949.000	600.260.000
Water Services Infrastructure Grant	24.239.642	14.565.438
Municipal Infrastructure Grant	34.184.294	29.452.819
Other Government Grants and Subsidies	16.667.407	11.311.919
Capital Grants		
Water Services Infrastructure Grant	66.215.840	40.434.562
Municipal Infrastructure Grant	187.290.707	187.656.181
Other Government Grants and Subsidies	33.906.966	8.841.034
Total Government Grant and Subsidies	**1.043.453.856**	**892.521.953**
21.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	680.949.000	600.260.000
Conditions met - transferred to revenue	(680.949.000)	(600.260.000)
Balance at year end	**-**	**-**
21.2 Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current year receipts	221.475.000	217.109.000
Conditions met - transferred to revenue - Operational Expenditure	(34.184.294)	(29.452.819)
Conditions met - transferred to revenue - Capital Expenditure	(187.290.706)	(187.656.181)
Adjustments and Transfers		
Conditions met	**-**	**-**
21.3 MUNICIPAL DISASTER RECOVERY		
Balance unspent at beginning of year	0	0
Current year receipts	14.549.000	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 15)	**14.549.000**	**0**
21.4 RURAL ROAD ASSET MANAGEMENT SYSTEM		
Balance unspent at beginning of year	-	-
Current year receipts	3.080.000	2.321.000
Conditions met - transferred to revenue	(2.357.575)	(2.321.000)
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 15)	**722,425**	**-**
21.5 WATER SERVICES INFRASTRUCTURE GRANT		
Balance unspent at beginning of year	0	0
Current year receipts	100,000,000	55,000,000
Conditions met - transferred to revenue - Capital Expenditure	(24,239,642)	(14,565,438)
Conditions met - transferred to revenue - Operational Expenditure	(66,215,840)	(40,434,562)
Adjustments and Transfers		
Conditions still to be met - remain in liabilities (see note 15)	**9,544,517**	**0**
21.6 PROVINCIAL TOWNSHIP ESTABLISHMENT		
Balance unspent at beginning of year	1.044.395	1.044.395
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
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		
Balance unspent at beginning of year	5.511	972.287
Current year receipts	-	1.000.000
Conditions met - transferred to revenue	-	(994.776)
Adjustments and Transfers	(5.511)	(972.000)
Conditions met	**-0**	**5.511.48**
21.8 FINANCIAL MANAGEMENT GRANT		
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 - remain in liabilities (see note 15)	**-**	**-**
21.9 EXPANDED PUBLIC WORKS PROGRAMME		
Balance unspent at beginning of year	-	-
Current year receipts	5.439.000	6.363.000
Conditions met - transferred to revenue	(5.439.000)	(6.363.000)
Adjustments and Transfers	-	-
Conditions met	**-**	**-**
21.10 KwaZulu-Natal Department of Economic Development and Environmental Affairs		
Balance unspent at beginning of year	(0)	(0)
Current year receipts	9.368.522	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 15)	**9.368.522**	**(0)**
21.11 NDWEDWE BOREHOLE WATER SUPPLY		
Balance unspent at beginning of year	-	-
Current year receipts	3.000.000	
Conditions met - transferred to revenue	(3.000.000)	-
Adjustments and Transfers	-	-
Conditions met	**-**	**-**
21.12 SONKOMBO WATER SUPPLY		
Balance unspent at beginning of year	-	-
Current year receipts	13.000.000	
Conditions met - transferred to revenue	(2.541.238)	-
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 15)	**10,458,762**	**-**
21.13 SPECIALISED FIRE AND RESCUE VEHICLE		
Balance unspent at beginning of year	(5)	200.161
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	(200.166)
Conditions met	**(5)**	**(5)**
21.14 MUNICIPAL DISASTER RELIEF		
Balance unspent at beginning of year	19.523.000	0
Current year receipts	-	19.523.000
Conditions met - transferred to revenue - Operational Expenditure	(7.246.567)	-
Conditions met - transferred to revenue - Capital Expenditure	(12.273.420)	
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 15)	**3,013**	**19,523,000**

		IDM 2023 R	IDM 2022 R
21.15	**REHABILITATION OF NSUZE DAM & SIDUMBINI DAM**		
	Balance unspent at beginning of year	2.700.000	-
	Current year receipts	-	2.700.000.00
	Conditions met - transferred to revenue	(2.658.819)	-
	Adjustments and Transfers		
	Conditions still to be met - remain in liabilities (see note 15)	**41,181**	**2,700,000**
21.16	**SOKESIMBONE WATER SUPPLY SCHEME**		
	Balance unspent at beginning of year	13.458.967	
	Current year receipts	-	22.300.000
	Conditions met - transferred to revenue	(13.433.489)	(8.841.033)
	Adjustments and Transfers		
	Conditions still to be met - remain in liabilities (see note 15)	**25,478**	**13,458,967**
21.17	**Local Government Sector Education and Training Authority**		
	Balance unspent at beginning of year	-	-
	Current year receipts	624.265	633.144
	Conditions met - transferred to revenue	(624.265)	(633.144)
	Adjustments and Transfers	-	-
	Balance at year end	**-**	**-**
22	**OPERATIONAL REVENUE**		
	Tender Documents	281.644	323.129
	Clearance certificates	3.303.304	3.049.441
	Shared Service	3.275.845	1.478.822
	Construction Contract	11.703.337	8.089.740
	Development Charges	964,140	2,634,097
	Bad debt Recovered,Commission,Administrative,cash surpluses,Handling fees	289.572	309.841
		19,817,842	**15,885,070**
23	**AGENCY SERVICES**		
	Siza Water Concession	2.135.600	2.010.681
		2,135,600	**2,010,681**
24	**FINES & PENALTIES**		
	Illegal Connections	49.653	-
	Water Tampering	344.694	74.015
	Disconnections	145.363	9.549
		539,709	**83,564**
25	**LICENCES & PERMITS**		
	Atmospheric Emission	4.112	30.000
	Licences and Permits	4.112	3.954
		8,223	**33,954**
26	**Public Contributions and Donations**		
	Land	5.212.000	-
	Donation - COGTA	602,850	-
		5,814,850	**-**
27	**EMPLOYEE RELATED COSTS**		
	Employee related costs - Salaries and Wages	157.747.452	154.004.187
	Employee related costs - Contributions for UIF, pensions and medical aids	37.442.406	33.487.390
	Travel, motor car, accommodation, subsistence and other allowances	6.785.940	5.634.918
	Housing benefits and allowances	686.760	654.428
	Overtime payments	9.916.406	3.096.084
	Performance and other bonuses	12.808.841	11.302.163
	Long-service awards	1.615.895	576.105
	Telephone Allowance	1.482.144	1.484.650
	Payments in lieu of Leave	915.545	77.764
	Non-Pensionable Allowance	7.306.185	8.970.179
	Other employee related costs	6.130.118	10.726.215
	Employee Related Costs	**242,837,692**	**230,014,083**

There were no advances to employees.

27.1			
	Senior Management	2.785.797	6.488.278
	Municipal Staff	240.051.896	223.525.805
	Total	**242,837,692**	**230,014,083**

Remuneration of the Municipal Manager		
Basic Salary	820.762	1.979.268
Bonus Provision	64.213	76.940
Service-Related Benefits	-	-
Allowances	191.548	158.271
Bargaining Council	82.458	124
Group Life Insurance	76	-
Contributions to UIF, Medical and Pension Funds	-	91.326
Post-Retirement Benefit: Medical	15.221	-
Post-Retirement Benefit: Pension	-	-
Post-Retirement Benefit: Other Benefits	-	-
Unemployment Insurance	-	2.125
Less: Costs Capitalised	1.771	-
Total	**1,176,049**	**2,308,055**

Included in the remuneration costs of the Municipal Manager is salaries and allowances paid to the former incumbent whose contract expired in August 2022.as well as the provision for performance bonus which he is entitled to for the duration he served in the Municipality during the financial year under review..

Also included is the responsibility allowance paid to the incumbent who acted in the position of Municipal Managerr for the period 01 October 2022 up to 31 December 2022.

The current Municipal Manager joined the Municipality on the 1st of January 2023 of which the salaries and allowances paid to him including the preovision for performance bonus equivalent to the period he served from the time he joined the Municipality up to the end of financial year under review.

Remuneration of the Chief Financial Officer		
Basic Salary	830.670	1.030.263
Bonus Provision	-	55.414
Service-Related Benefits	-	-
Responsibility Allowance	34.553	93.369
Other Allowances	33.457	124
Bargaining Council	76	-
Group Life Insurance	-	-
Performance Bonus	49.315	-
Pension Contributions	-	-
Post-Retirement Benefit: Medical	-	
Post-Retirement Benefit: Pension	-	2.125
Post-Retirement Benefit: Other Benefits		-
Unemployment Insurance	1.771	
Less: Costs Capitalised	**949,842**	**1,181,295**

Included in the remuneration costs of the Chief Financial Officer is salaries and allowances paid to the former incumbent whose contract expired in September 2022. Subsequent to the employment contract expiring, Council approved an extension on a month to month basis up to 28 February 2023 when he then tendered his resignation.

Also included is the responsibility allowance paid to the incumbent who acted in the position of Chief Financial Officer for the period 01 March 2023 to 30 June 2023 as well as provision for performance bonuses to which the former Chief Financial Officer is entitled to for the duration he served in the Municipality.

Remuneration of Individual Senior Managers	**TOTAL**	**Technical Services R**	**Corporate Services R**	**Community Service R**
For the period ended 30 June 2023				
Basic Salary	1.087.948	823.557	232.250	32.140
Performance Bonus	-			-
Service-Related Benefits	-	-	-	-
Other Allowances	237.841	159.424	72.137	6.280
Responsibility Allowance	296.524	33.515	121.428	141.581
Bargaining Council	130	130	-	-
Group Life Insurance	-		-	-
Performance Bonus	67.790	50.843	16.948	
Pension Contributions	100.106	65.091	35.015	-
Post-Retirement Benefit: Medical	-	-	-	-
Post-Retirement Benefit: Pension	-	-	-	-
Post-Retirement Benefit: Other Benefits	-	-	-	-
Unemployment Insurance		2125.44	1062.72	177.12
Less: Costs Capitalised		-	-	-
	1,790,339.4	**2,125**	**477,778**	**180,002**

The previous Municipal Manager's contract expired on 31 August 2022. The municipality appointed Senior Manager Technical Services to act on the vacant position of the Municipal Manager for the period 01 September 2022 to 31 December 2022 while the municipality was concluding the recruitment process of the Municipal Manager's post. The recruitment process was finalised and appointment was made. The incumbment has resumed his duties of Municipal Manager on 01 January 2023.

The Chief Financial Officer post was vacant as from February 2023. The municipality has appointed Manager: Asset Management to act in the post while recruitment process is ongoing. The successful candidate has been appointed to resume duties on 01 August 2023.

Senior Manager:Corporate Services is currently vacant, the Municipality has appointed Manager: Human Resources to act in this post.

Senior Manager:Community Services has resigned in the last financial year, which resulted in this post being vacant. The Municipality has appointed internal incumbent to act in this post. The municipality has finalised the recruitment process in June 2023. The incumbment will resume work in upcoming months.

June 2022	TOTAL	Technical Services R	Corporate Services R	Community Service R
Basic Salary	2.256.252.9	779.822.8	654.431	821.999
Bonus	145.897.1	48.632.4	48.632	48.632
Service-Related Benefits	-	-	-	-
Allowances	427.547.0	148.763.2	181.606	97.178
Bargaining Council	370.8	123.6	124	124
Group Life Insurance	-	-	-	-
Pension	162.483.6	63.194.9	99.289	-
Post-Retirement Benefit: Medical	-	-	-	-
Post-Retirement Benefit: Pension	-	-	-	-
Post-Retirement Benefit: Other Benefits	-	-	-	-
Unemployment Insurance	6.376.3	2.125	2.125	2.125
Total	**2,998,927.8**	**1,042,662**	**986,207**	**970,059**

28 REMUNERATION OF COUNCILLORS

	IDM 2023 R	IDM 2022 R
Mayor	1.163.283	1.053.740
Deputy Mayor	931.586	873.106
Speaker	948.292	735.649
Chief Whip	520.574	287.005
Executive Committee	2.990.802	1.782.627
All Other Councillors	3.959.432	4.109.550
Total	**10,513,970**	**8,841,676**

28.1 MAYOR

	2023	2022
Allowances and Service Related Benefits		
Basic Salary	691.830	647.943
Cell phone Allowance	43.200	38.420
Market Related Non-Pensionable Allowance	331,110	310,761
Travelling Allowance	-	-
Use of Personal Facilities	-	-
Social Contributions	-	-
Medical Aid Benefits	-	-
Pension Fund Contributions	97.144	56.616
Total	**1,163,283**	**1,053,740**

28.2 DEPUTY MAYOR

	2023	2022
Allowances and Service Related Benefits		
Basic Salary	631.403	584.036
Cell phone Allowance	43.200	40.800
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	168,122	128,668
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	(1.945)	66.776
Use of Personal Facilities	-	-
Social Contributions	-	-
Medical Aid Benefits	-	-
Pension Fund Contributions	90.806	52.827
Total	**931,586**	**873,106**

28.3 SPEAKER

	2023	2022
Allowances and Service Related Benefits		
Basic Salary	686.582	586.036
Cell phone Allowance	43.200	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	188.296	108.705
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	30.214	-
Total	**948,292**	**735,649**

28.4 Chief Whip

	2023	2022
Allowances and Service Related Benefits		
Basic Salary	338.901	184.243
Cell phone Allowance	43.200	23.800
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	7,294	4,726
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	82.111	47.404
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	49.068	26.832
Total	**520,574**	**287,005**

28.5 EXECUTIVE COMMITTEE

	2023	2022
Allowances and Service Related		
Basic Salary	2.092.066	1.283.226.13
Cell phone Allowance	172.348	110.639.28
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-	621.526.82	237.726.27
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	-1.696.28	59.902.37
Use of Personal Facilities	-	-
Social Contributions	-	-
Medical Aid Benefits	-	-
Pension Fund Contributions	106.557	91.132.56
Total	**2,990,802.09**	**1,782,626.61**

28.6 ALL OTHER COUNCILLORS

	2023	2022
Allowances and Service Related		
Basic Salary	2.927.249	2.758.732.20
Cell phone Allowance	264.000	313.412.26
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-	445.825	541.064.98
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	81.346	295.738.97
Use of Personal Facilities	-	-
Social Contributions	-	-
Medical Aid Benefits	-	-
Pension Fund Contributions	241.012.82	200.601.92
Total	**3,959,432.12**	**4,109,550.33**

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.

29 DEPRECIATION AND AMORTISATION

	IDM 2023 R	IDM 2022 R
Depreciation	125.746.042	129.235.408
Intangible assets Amortisation	1.934.986	2.671.175
Total Depreciation, and Amortisation	**127,681,028**	**131,906,583**

30 IMPAIRMENT OF ASSETS

	IDM 2023 R	IDM 2022 R
Impairment of Assets/Reversal	95,727	3,353,819
	95,727	**3,353,819**

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

31 FINANCE COSTS

	IDM 2023 R	IDM 2022 R
Borrowings	2.123.798	2.658.202
Leases	930.520	2.535.898
Interest on Discounting of Financial Instrument (Capital Unit Charge)	993.001	3.358.564
Total Finance Costs	**4.047.319**	**8.552.664**

32 INVENTORY CONSUMED

	IDM 2023 R	IDM 2022 R
Water Issues	122.071.875	108.574.025
Buildings Repairs	-	2.828
Electrical appliances consumables	8.434	3.950
Consumables:Standard Rated	1,295	
Repairs Bulk Main - Material KZ294	839.500	642.274
Repairs Bulk Main - Material KZ292	5.146.201	5.590.421
Reticulation Repairs Bulk Main - Material KZ291	1,659,996	1,357,315
Reticulation Repairs Bulk Main - Material KZ293	1,985,476	1,447,214
Sewer Reticulation Repairs - Material KZ291	84,766	75,111
Sewer Reticulation Repairs - Material KZ292	561,090	282,501
Conventional Meters	487,077	
Chemicals (330/320700)	1.417.592	1.599.467
	134.263.301	**119.575.105**

33 CONTRACTED SERVICES

	IDM 2023 R	IDM 2022 R
Contracted services for:		
Afs high level review	84.000	64.348
Analysis of water and effluen	2.387.773	2.240.825
Audit Committee	276.367	130.293
Anticorruption hot line	55.037	
Catering Services	1.532.739	655.272
Cleaning services	277.203	970.350
Consulting asset management	329.652	569.167
Consumer data analytics	270.000	240.000
Call centre management system	1.949.460	851.944
Conventional meters	-	664.344
COVID - 19 Hygiene	36.856	91.440
Debt Collection Commission	806.066	-
Disciplinary Board Committee	-	17.936
Medical support hertage day	5.773	-
Financial system enhancement	44.287	-
Employee Assistance Programme events - sound	1.500	4.700
Employee Assistance Programme Staff Awards Sound	2.000	2.000
Energy Efficiency Demand Side Management Implementation - solar pv project	-	865.022
Employee Vaccine & surveillance	129.600	103.622
Food Sampling	65.594	82.539
Hygiene services	534.285	351.331
Implementation of an automated supplier invoice tracking sys	86.957	99.996
Internal audit	-	230.087
Legal Fees	1.928.728	999.443
Local Municipality Support	94.280	6.087
Luthuli Soccer Tournament - Medical services	-	5.700
Local Artist	15.725	
Medical exams	18.000	2.340
Meter reading contractors	12.194.471	5.718.076
Munsoft consulting fees	457.965	555.390
Telemetry system	1.646.258	-
Competency Assessments & Vetting	24.207	-
Payroll Support	51.176	22.463
Plant Hire - Water Tanker	41.396.743	11.108.124
Risk management committee	15.120	-
Rural Roads Assets Systems Management Grant (RRAMS) Expenditure	2.082.263	2.018.261
SAGE VIP license SLA	-	147.999
Security	35.990.625	35.742.389
Service advisory - Local Government Sector Education and Training Authority	-	1.702
Spatial Dev. Framework	-	250
Vehicle fire extinguishers	-	6.700
VIP Toilets Expenditure (Municipal Infrastructure Grant Operational)	29.725.473	27.094.838
Water conservation demand	21.077.950	9.735.525
Youth Programme	673.862	489.099
Repairs and Maintenance Contracted	99.769.664	68.967.222
	256.037.659	**170.856.824**

34 TRANSFERS AND SUBSIDIES

	IDM 2023 R	IDM 2022 R
Allocations in kind: Social Assistance		
Social Relief Aid	-	3.596
Specialised Fire Vehicle		-
	-	**3.596**
Local Economic Development Projects (Entity transfers)		
Local Economic Development Projects	1.723.000	1.441.891
Development of Small, Medium and Micro enterprises	3.800.733	2.915.602
Enterprise iLembe grant	30.635.413	29.399.967
Tourism	2.130.812	1.704.361
	38.289.958	**35.461.820**
	38,289,958	**35,465,416**

35 OPERATIONAL COSTS

Included in operational cost are the following:-

	IDM 2023 R	IDM 2022 R
Advertising	3.020.567	1.950.087
Audit fees	3.983.697	3.885.598
Bank charges	684.579	587.493
Bursaries	24.970	10.653
Fuel and oil	36.747.313	24.745.624
Insurance	6.648.803	5.915.659
Licence fees - vehicles	676.765	382.577
Membership fees	3.085.864	3.031.214
Postage	2.670	1.798.694
Printing and stationery	272.907	235.598
Disaster Management	342.512	354.476
Property rates	504,878	433,050
Telephone cost	374.291	414.090
Training	723.499	1.653.714
Travel and subsistence	1.742.834	2.608.237
Uniforms & overalls	3.972.232	295.548
Umgeni Water Contribution	4.174.205	6.986.413
Umshwathi Phase 5 Bulk Water Supply	11.703.336	8.089.740
Water and Sanitation - Siza Water Concession area	9.240.280	6.214.566
Electricity & Water	37.514.058	41.605.610
Operational Cost (Repairs and Maintenance)	8.132.768	8.602.370
Vehicle Hire	16.931.021	1.447.796
Other	17.242.346	12.566.538
	167.746.393	**133.815.347**

	IDM 2023 R	IDM 2022 R
36 Repairs and Maintenance		
Repairs and Maintenance is made up of the following:		
Operational Costs	8,132,768	8,602,370
Inventory Consumed	10,286,757	9,401,613
Contracted Services	99,769,664	68,967,222
Total Expenditure on Repairs and Maintenance	**118,189,189**	**86,971,205**
37 Fair value adjustment (Losses) - Capital Unit Charge	-	(17,483,136)
Refer to note 46 for further details.	**-**	**(17,483,136)**
38 Gain/(Loss) on sale of assets		
Intangible Assets:Losses	(860.367)	(1.991.262)
Computer Equipment:Losses	(312.093)	(53.207)
Furniture and Office Equipment:Losses	(8.878)	(71.389)
Machinery and Equipment:Losses	(19.387)	(35.949)
Infrastructure Water and Sewer	(1.647.674)	(524.190)
Transport Assets:Gains	31.535	284.294
Transport Assets:Losses		(148.310)
	-	(3.206.788)
Total Gain / (loss) on sale of assets	**(2.816.864)**	**(5.746.801)**
39 Inventory Loss		
Water Loss	105.196.931	93.100.696
	105.196.931	**93.100.696**

These are water losses through overflow of reseviors, pipe leaks.

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

	PREVIOUSLY STATED	RESTATED	CORRECTION
Trade and other Payables from exchange transactions			
Payable and accruals	*53,299,915*	*51,162,961*	2.136.954
Invoices that were not accrued in prior year 2022.			
Bonus provision	*18,311,956*	*6,757,752*	11.554.205
Other creditors	*25,457,245*	*37,011,450*	(11.554.205)
Financial Performance			
Statement of financial performance changes on prior year.			1,846,344
Inventories	11.782.382	*10.708.413*	(1.073.969)
Capitalisation of all prior expenses directly involved in water inventories.			
Trade and other Receivables from exchange transactions			
Input VAT receivable	26,077,307	26,129,586	52,279
Prior year VAT receivables has been restated.			**2,961,608**
Contracted Services			
An amount of R851 944 was erronously not included in the 2022 financial year.	170,856,824	171,708,768	851,944
Cash and Cash Equivalent			
FNB-Account Number 62006302385- Salaries bank account- an amount of R2 710 was errounusly not accounted for in the Cashbook disclosure note on note 2 during finalisation of 2022 audit.	183,831.00	181,121	2,710
Contribution to Organised Local Government			
Prior year disclosure of contributions to organised local government has been restated	2,600,516	2,942,005	341,489

41 RECLASSIFICATIONS

INVENTORY CONSUMED

Chemicals previously disclosed under inventory consumed in 2022 financial year which directly involved in water purification process have been reclassified and capitalised into water inventory in terms of GRAP 12

Furthermore, the inventory consumed prior year balance is reduced by a changed in water issues caused by a recalculation of water balance. Water loss of R93 100 696 relating to 2022 financial year was subtracted from water issue as well as the expenditure cost capitalised.

	2022
Water Issues	192,036,859.63
Chemicals	4,200,395.36

	2023
Water Issues	108.574.025
Water loss	93.100.696
Chemicals	1.599.467

	2023
Chemicls capitalised in water inventory	2.600.928

EMPLOYEE RELATED COST

Employee related cost that are directly involved in water purification process have been exlcuded in 2022 financial year and capitalised into water inventory according to GRAP 12.

	2022
Employee Related Cost	234.503.603

	2023
Employee Related Cost	230.014.083

GAIN AND LOSSES ON LONG SERVICE

In prior year gain and losses on long service was disclosed under employee related cost as gain on long service. In the current year it is disclosed as a separate line item in the face of statement of financial performance.

	2022
Employee Related Cost - Long service	-11.187.00

	2023
Employee Related Cost - Long service	576.105
Gains and Losses on Long Service	587.292

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation, Amortisation and Impairment was previously disclosed together as one balance. In the current financial year Depreciation and Amortisation is disclosed together, and Impairment is disclosed separately in the note and in the face of statement of financial performance.

Furthermore, depreciation relating to water purification process in 2022 financial year have been excluded in depreciation expense as previously disclosed and capitalised into water inventory according to GRAP 12.

	2022
Depreciation, Amortisation and Impairment	136.146.554

	2023
Depreciation and Amortisation	131.906.583
Imapairment on Assets	3.353.819

	2023
Depreciation capitalised in water inventory	886.152

VALUE ADDED TAX

Value Added Tax was previously classified as a net balance in the face of finacial position. This current year it is diclosed separately in note 2 and note 13 as per below:

	2023
Vat input Receivable has been disclosed within Other Debtors in Note 2 as Value Added Tax from SARS and Value added Tax	26.077.307
Value Added Tax Payable has been disclosed within Trade and other payables note 13 as Value added Tax from Doubtful Debtors and Value added Tax from Outstanding Debtors	20,464,135

PAYABLES AND ACCRUALS

Accruals were previously disclosed separately and Trade Payables separately but both within the same not. This financial year they are combined as Payable and Accruals in the same note.

	2022
Trade Payables	27.411.477
Creditors Accruals	25.888.439

	2023
Payables and Accruals	53.414.568

Amount of R712 653 with a debit balance was reported under trade payables in 2022. In the current year its has been reclassified to other creditors.

OTHER CREDITORS

Amount of R712 653 with a debit balance was reported under trade payables in 2022. In the current year its has been

	2022
Other creditors	26.169.898

	2023
Other creditors	25.457.245

42 CASH GENERATED BY OPERATIONS

	IDM 2023 R	IDM 2022 R
Surplus/(deficit) for the year	124.958.775	170.367.073
Adjustment for:-		
Depreciation and amortisation	127.776.755	135.260.402
Fair Value Adjustment on Financial Liability	-	17.483.136
Forex gain/(loss)	572.213	635.286
Loss on disposal of Property Plant and Equipment	2.816.864	5.746.801
Sale of asset	(260.081)	
Public contributions and donations	(5.814.850)	
Contribution to provisions - non-current	-	-
Contribution to provisions / Long service - current	(576.105)	(11.187)
Operating surplus before working capital changes:	**249.473.572**	**329.481.512**
Increase/ (decrease) in inventories	(1.397.578)	180.271
Increase/(decrease) in trade receivables	141.258.140	(66.826.411)
Increase in conditional grants and receipts	9.025.421	34.515.024
(Decrease) Increase in trade payables	(4.041.757)	(6.898.302)
Consumer Deposits	139.037	185.122
Increase/(decrease) in long term receivables	(244.208)	(170.268)
Cash generated by/(utilised in) operations	**394.212.627**	**290.466.947**

43 Deviations

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

	2023 R	2022 R
Total value	43.315.833	6.119.138
	43.315.833	**6.119.138**

The biggest portion of the deviations was for security services, this amounted to R 37,557,971.15 cumulatively equating to 87% of the total value of deviations. The Municipality had been incurring irregular expenditure with the Isidingo Security Services contract. This service provider kept objecting against the Municipality advertising or awarding a new contract. Eventually, MBAT ruled in the Municipality's favour. As a short-term arrangement, short-term contracts were entered into by the Municipality for various sites and areas until the new contract is awarded.

Other transactions included electrical repairs to Haysom Road building amounting R 410,978.72, repairs were due to water damages affecting the Solar PV system, rental of vehicles replacing the ones damaged by floods (R 296,000.010) and automated human resources and payroll cloud solution (R 520 620.40) from the sole provider of the payroll and cloud solution.

44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

44.1 Contributions to organised local government

	2023	2022
Opening balance	-	-
Council subscriptions	2.938.582	2.942.005
Amount paid - current	(2.938.582)	(2.942.005)
Adjustment	-	-
Balance unpaid (included in payables)	**-**	**-**

44.2 Audit fees

	2023	2022
Current year audit fee	3.983.697	3.885.598
Amount paid - current year	(3.983.697)	(3.885.598)
Balance unpaid (included in payables)	**-**	**-**

44.3 Value Added Tax

VAT input receivables and VAT output payables are shown in note 2 and note 13. All VAT returns have been submitted by the due date throughout the year.

	IDM 2023 R	IDM 2022 R

44.4 PAYE and UIF

	2023 R	2022 R
Opening balance	3.203.314	3.116.108
Current year payroll deductions	41.176.498	40.028.774
Amount paid - current year	(37.913.565)	(36.825.460)
Amount paid - previous years	(3.203.314)	(3.116.108)
Balance unpaid (included in payables)	**3,262,934**	**3,203,314**

The balance represents PAYE and UIF deducted in May 2023 payroll. This amount was paid in June 2023

44.5 Pension and Medical Aid Deductions

	2023 R	2022 R
Opening balance	2.702.105	2.540.116
Current year payroll deductions and Council Contributions	59.178.587	53.777.703
Amount paid - current year	(56.092.299)	(51.075.599)
Amount paid - previous years	(2.702.105)	(2.540.116)
Balance unpaid (included in payables)	**3,086,288**	**2,702,105**

The balance represents Pension & Medical aid deducted in May 2023 payroll. These amounts are paid in June 2023 except for Medical Aid and Retirement Annuity which were paid in the month of deduction which is June 2023.

44.6 Councillor's arrear consumer accounts

	2023 R	2022 R
Councillor Sing K	1.337	-
Councillor Nqcobo CM	26.945	19.080
Councillor Van Whye GJ	-	477
Councillor Ngwane ZP	5.260	5.087
Councillor Cele SSPP	2.176	2.605
Total Councillor Arrear Consumer Accounts	**35,717**	**27,249**

	IDM 2023 R	IDM 2022 R
45 Material losses/reversal		
45.1 Asset impairment (losses)/ Reversal	**(95.727)**	**(3.353.820)**

The current year impairment is a result of ageing infrastructure.

45.2 Debt impairment (losses)	**7,110,790**	**72,788,260**

"Although the revenue collection has slightly improved when compared to prior years, the Council has faced a loss in the increase in provision for bad debts. There has been no write off in the 2022/23 financial period and a profiling will be done in the 2023/24 financial period. This is caused by the billing of indigent categorised consumers who have not registered as indigent beneficiaries on the IDM database. Consolidation of accounts and accounts not handed over for collection. These are accumulating interest on a monthly basis. Once a recommendation for a write off is carried out, there should be a significant movement in consumer debtors and also the provision."

45.3 Distribution Losses

Units lost (kilolitres)	**Percentage distribution**		
Illegal connections and other	1%	90.392	1.273.757
Main leaks	15%	2.472.029	4.139.709
Reservoir overflows	4%	618.008	140.627
Metering Inaccuracies	24%	4.029.655	1.114.537
Service connection leaks	56%	9.270.109	9.253.327
Units lost (kilolitres)	**100%**	**16,480,194**	**15,921,957**

Units lost (sales price per kilolitre - rands)	210,469,141	180,590,286
Units lost (purchase price per kilolitre - rands)	105,196,931	106,003,945
Units lost (percentage)	46.36%	46.11%

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.

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

	2022/23	**2021/22**
Number of days unpaid creditors at 30 June	40 days	34 days
Average number of days unpaid creditors during the year	31 days	44 days
Value of creditors not paid within 30 days during the year	6,475,571	10,632,266
Percentage of creditors paid within 30 days	99%	99%

There has been a significant improvements in the efficiency of paying creditors on time when comparing to the previous financial years.

On average it took 31 days to pay creditor invoices during 2022/23 financial year compared to 44 days in 2021/22. In terms of the number of days calculated at year end, 40 days was reported at 30 June 2023 compared to 34 days in June 2022.
Whilst there has been a remarkable improvement in the efficieny with regards to the payment of creditors, there has been a slight increase in the time it took to pay creditors during the year 2022/23 due to a spike in operational costs during the months of April, May and June 2023. This was partly due to the leased vehicles within the Municipality's fleet having reached end of lifecycle and fallen out of warranty period. This pushed the costs of repairs and maintenance as well as the cost of hiring water tankers to augment the broken fleet of leased water tanker trucks in order not to compromise service delivery.

The Municipality continues to explore ways and means of maintaining a positive trajectory in terms of ensuring quick turnaround time when paying for goods supplied and/or services rendered by suppliers and service providers.

47 Forex Loss

	2023	**2022**
Total Forex Liability as at 30 June	2,141,856	3,678,723
Forex Gain/ (Losses)	(572,213)	(635,286)

The Sport rate at 30 June 2023 was 18.92. Should the sport rate increase by 1% the foreign liability will be R2 356 042.22 and the foreign loss will increase to R 1 328 248,88. Should the spot rate decrease by 1% the Forex liability will be R 1 927 670,90 and the Forex loss will decrease to R 1 086 749.08.

Foreign Liability increase R2 141 856.56*1.01 =R2 356 042.22

Foreign loss increase R 1 207 498.98* 1.01 = R1 328 248.88

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.			
	329,410.18	(901,623)	**(572,213)**

48 UMNGENI CAPITAL UNIT CHARGE

Capital Unit Charge		
-Opening balance	29.168.076	49.290.203
- Deposit	-	47.644.214
- Payments	(30.161.078)	(2.624.082)
- Transferred to current portion	-	(29.168.076)
- Other adjustments (Credit Notes)		(65.142.259)
- Other adjustments (Fair Value/ Interest)	993.001	
Long Term Portion	**0**	**0**
LESS	**-**	**29.168.076**
Current portion transferred to current liabilities	-	29.168.076
Adjustments on current portion		-
Total Capital Unit Charge	**0**	**29.168.076**

Payments made during the year

		30.161.078	**5.982.646**
June		543.877	-
July		543.877	543.877
August		543.877	543.877
September		2.138.504	543.877
October		3.770.135	543.877
November		3.770.135	543.877
December		3.770.135	543.877
January		3.770.135	543.877
February		3.770.135	543.877
March		3.770.135	543.877
April		3.770.135	543.877
May		-	543,877
June		-	-

	IDM 2023 R	IDM 2022 R

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.

49 EMPLOYEE BENEFITS INFORMATION

49.1 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.

49.2 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 2023.

The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate per annum	10.86%	9.20%
Inflation rate	5.46%	5.78%
Net effective discount rate	4.13%	3.23%
Benchmark inflation (equal to salary inflation)	6.46%	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:	**17,254,006**	**18,093,813**

EMPLOYEE BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

	2023	2022
Balance at beginning of the year	18.093.813	18.105.000
Prior year adjustment		
Current service cost	1.192.254	1.507.000
Interest cost	1.884.690	1.535.000
Benefit payments	(1.461.049)	(2.465.895)
Actuarial (gains)/losses	(2.455.702)	(587.292)
Policy amendments		
Balance at end of year	**17.254.006**	**18.093.813**

The timing of the employee benefits is as follows:

	2023	2022
Current portion of employee benefits	1.269.460	1.188.736
Employee benefit obligation	15.984.546	16.905.077
	17,254,006	**18,093,813**

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

	2023	2022
Current service cost	1.192.254	1.507.000
Interest cost	1.884.690	1.535.000
Actuarial (gains)/losses	(2.455.702)	(587.292)
	621.242	**2.454.708**

	IDM 2023 R	IDM 2022 R
50 CAPITAL COMMITMENTS		
50.1 Commitments in respect of capital expenditure		
- Approved and contracted for	**296.258.823**	**287.204.651**
Infrastructure	296.258.823	287.204.651
Community		
- Approved but not yet contracted for	**-**	**-**
Infrastructure	-	-
Community	-	-
Total	**296,258,823**	**287,204,651**
This expenditure will be financed from:		
Grant funded	296.258.823	287.204.651
Council funded	-	-
External Loans	-	-
TOTAL CONTRACTUAL COMMITMENTS	**296,258,823**	**287,204,651**

The amounts disclosed are VAT inclusive

51 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*

	IDM 2023 R	IDM 2022 R
Related party balances		
Amount owed to Ilembe Enterprise included in other payables	3.497.171	-
Amount owed by Ilembe Enterprise included in other receivables	0	64,922
Related party transactions		
Transactions with Enterprise Ilembe Development Agency		
Grant funding from the parent iLembe District Municipality to Enterprise iLembe	38.289.958	35.461.820
Shared Services - Contributions by local municipalities towards the development planning shared services	3.275.845	1.478.822

51.1 STAFF MEMEBR: EN Ngcobo

General Expenses for the year	68.814	48.162

Mr EN Ngcobo is an employee of the Municipality and is a board member of CIGFARO which transacted with the Municipality during the financial year under review.

51.2 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 2022 financial year.

51.3 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 2022 financial year.

51.4 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 2022 financial year.

51.5 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 2022 financial year.

52 CONTINGENT LIABILITY

52.1 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.

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 service provider then claimed the additional amount based on the increased estimated construction cost . The additional claim amounted to R5 079 680.42 which is the basis of the legal action . The municipality raised concerns to the service provider that the cost was not budgeted for and additional claim in any event exceeded the approved contract amount initially approved by the Municipality and thus the invoice could not be paid . In addition the discussions between IDM and the approver of the business plan (Cogta) was still under way.	**5,079,680.42**	**5,079,680.42**
Balance as at 30 June 2023	**5,079,680**	**5,079,680**

	IDM 2023 R	IDM 2022 R

52.2 Ms Patience Winnie Ntombela - Delictual Claim for Damages

	320.000	0
The Municipality has been served with summons in respect of a claim made by Ms. Patience Ntombela ("the Plaintiff") for damage to her property. Ms Ntombela alleges in her summons that the Municipality was negligent in the following respects:- - By failing to ensure that the drainage system where her property is situated was effective, at all material times, to drain water and prevent flooding of her property; - By failing to undertake appropriate construction and maintenance measures to ensure that the road drainage system functioned optimally; - By failing to undertake appropriate construction and maintenance measures to ensure that the common water supply pipes of the Municipality are appropriately constructed and maintained; and - By failing to investigate and put in place effective measures to ensure that water does not seep into her property;		
Balance as at 30 June 2023	**320,000**	**-**

52.3 Mr Revan Hemchand Kanhai - Delictual Claim for Damages

The Municipality has been served with summons in respect of a claim made by Mr. Revan Kanhai ("the Plaintiff") for damage to his property arising from the burst of an underwater pipe that is alleged to be the property of the Municipality and under the exclusive control of the Municipality.	131.050	-
Balance as at 30 June 2023	**131,050**	**-**

52.4 KZN Department of Co-operative Governanace and Traditional Affairs - Breach of Contract - Contractual Damages

The KZN Department of Co-operative Governance and Traditional Affairs (COGTA/the Department) has instituted action proceedings against the Municipality arising from an alleged breach of contract by the Municipality for the District Growth and Development Summit ("the Project"). The material terms of the agreement, as per the summons, were inter alia the following:- - COGTA undertook to transfer to the Municipality the sum of R300 000.00 to undertake and execute the Project - The Municipality undertook to utilize the grant exclusively for purposes of the Project in accordance with the Business plan, provided that "the Department may invoke the provisions of clause 26 in the event that it is satisfied that the Municipality has utilized the grant for any purpose other than the project, and recover such amount if it was not utilized for purposes of the projet from the Municipality"; - Any savings on the grant must be returned to the Department upon completion of the project, unless written permission is obtained by the Municipality from the Department to retain the savings; - Any interest earned on the amount contemplated in clause 3 of the agreement, or VAT rebates on the grant must be utilized for the project. - Upon termination of the project, the Department must submit a close-out report, as contemplaated in clause 15.2, read with clause 24, which must include, inter alia, a project overview, a certified audited statement of expenditure and any budgetary implications of the way foward.	300.000	-
Balance as at 30 June 2023	**300,000**	**-**

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

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.	-	87.345
Balance as at 30 June 2022	**-**	**87,345**

52.6 Mr Thandazani Makhoba - Unfair Dismisal Dispute

Mr Makhoba, the former Senior Manager: Corporate Services, has referred an unfair dismissal dispute to the South African Local Government Bargaining Council following his dismissal for acts of serious misconduct. Mr Makhoba was charged and dismissed for:- - Charge 1: Gross Misconduct Constituting Brandishing of a Firearm, Harrassment and Intimidation at the Workplace; - Charge 2: Gross Misconduct Constituting Harassment and Intimidation at the Workplace; - Charge 3: Gross Misconduct Constituting Dereliction of Duty; - Charge 4: Gross Negligence Constituting Financial Misconduct and/or Dereliction of Duty; - Charge 5: Gross Misconduct Constituting Abscondment; - Charge 6: Gross Misconduct Constituting Misrepresentation; and - Charge 7: Gross Misconduct Constituting Dereliction of Duty	**1,525,283**	**-**
Balance as at 30 June 2023	**1,525,283**	**-**

52.7 Mr Kishore Sukhdeo | claim for reinstatement of post-retiremement medical aid benefits in terms of the LRA and Transfer of Staff to Municipalities Act

The applicant, a former employee of KwaDukuza Municipality and current employee of iLembe District Municipality, seeks an order for specific performance in that he seems to rely on certain provisions of the Labour Relations Act and the Transfer of Staff to Municipalities Act for the allegation that certain terms were imported into his employment contract with Ilembe District Municipality. The specific employment condition he relies on relates to post-retirement medical aid benefits that were prevalent in his contract with his previous employer. The Municipality opposed the application on a number of grounds including (but not limited to the following) that the claim has prescribed; the applicant's current employment agreement does not incorporate the terms sought by the applicant; the applicant, by conduct, accepted the terms of offer with the Municipality. The matter is currently being litigated in the Labour Court (Durban). Both parties have filed the requisite affidavits and currently await the Registrar of the Labour Court to allocate a date for a hearing.	-	-
Balance as at 30 June 2023	**-**	**-**

Total Contingent Liabilities as at 30 June 2023	**7,356,013**	**5,167,025**

53 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.

54 RISK MANAGEMENT

54.1 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	834.622.609	658.043.850
Non Current Receivables	1.494.993	1.250.785
	836.117.602	**659.294.635**
Ageing of consumers		
Current (0 – 30 days)	34.883.770	28.976.613
31 - 60 Days	27.590.830	21.905.485
61 - 90 Days	23.664.984	19.826.563
91 - 120 Days	21.385.109	19.326.224
121 - 365 Days	22.753.009	16.660.636
+ 365 Days	704.344.907	551.348.329
Total	834.622.609	658.043.850
Less: Provision for bad debts	(784.246.478)	(474.971.912)
Net consumer debtors	**50.376.131**	**183.071.938**
Cash and cash equivalents	281.504.897	202.786.719
	281,504,897	**202,786,719**

These balances represent the maximum exposure to credit risk.

	IDM 2023 R	IDM 2022 R

54.2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's 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 Municipality's 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.

2023	Within a year	Between 2 to 5 years	Total
Gross finance lease obligations	1.828.426	-	**1.828.426**
Borrowings	6.586.931	15.047.915	**21.634.845**
Trade and other payables	228.600.502	-	**228.600.502**
Employee Benefit Obligation	1.269.460	15.984.546	**17.254.006**
	238,285,318	**31,032,461**	**269,317,779**

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**

54.3 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:

	2023	2022
Cash and cash equivalents	281.504.897	202.786.719
Other investments	-	-
Gross finance lease obligations	1.828.426	14.284.493
Borrowings	23.776.701	31.343.854
Consumer debtors	834,622,609	658,043,850

55 RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

	Key	Operating	Financing	Investing	Total
Amount as present in the budget statement		535.811.000	(42.627.000)	(364.307.000)	128.877.000
Actual amount as presented in the cash flow statement		23.627.600	(12.456.067)	-	11.171.533
Basis difference	*Applicable*	-16,189,277			(16,189,277)
Timing differences	*Not applicable*	-	-	-	
Entity differences	*Not applicable*	-	-	-	
Variance		**528,372,678**	**-30,170,933**	**(364,307,000)**	**133,894,744**
Variance percentage		**98.61%**	**70.78%**	**100%**	**104%**

56 Living and Non-Living Resources

The Municipality has the following Non-Living Resources:

Boreholes:

- Ø Magumbi Borehole F1
- Ø Magumbi RES I Borehole
- Ø Magumbi RES T Borehole
- Ø Magumbi RES A (G2) Otimati
- Ø Thafamasi BH
- Ø Ekwazini res
- Ø Ndukwende BH
- Ø Mxhosa Borehole
- 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)

DISCLOSURE NOTE

	2023 R	2022 R	2021 R	2020 R	2019 R	2018 R
57 Unauthorised Expenditure						
Reconciliation of unauthorised expenditure						
Balance brought forward	14,746,808	14,746,808	14,746,808	14,746,808	14,746,808	22,845,946
Unauthorised expenditure current year	-	-	-	-	-	-
Certified as irrecoverable and written off by council in terms of MFMA s	-	-	-	-	-	(8,099,138)
Transfer to receivables for recovery	-	-	-	-	-	-
Balance carried forward	**14,746,808**	**14,746,808**	**14,746,808**	**14,746,808**	**14,746,808**	**14,746,808**
Percentage written off during the period under review	**0%**	**0%**	**0%**	**0%**	**0%**	**35%**

Black Balance Projects (Pty) Ltd

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 **R126mil**. The reduction in grant allocation was factored in the main adjustment budget for 2016/17during February 2017, however, at the time DWS decision to cut back was communicated, work had already been performed and invoices issued by the service provider concerned (i.e. Black Balance Projects Pty LTD and the expenditure committed up to the value of R156mil as was informed by the original grant allocation). This therefore resulted in over expenditure on the grant allocation and , by implication, on the budget provision for 2016/17 financial year.

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.

58 FRUITLESS AND WASTEFUL EXPENDITURE	R	R	R	R	R	R
Reconciliation of fruitless and wasteful expenditure						
Balance brought forward	11,753,371	4,375,888	-	76,804	76,804	523,114
Fruitless and wasteful expenditure raised in the current year but relating to	-	-	4,375,888	-	-	-
Fruitless and wasteful expenditure current year	-	7,377,483	-	-	-	76,804
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials	-	-	-	(76,804)	-	(523,114)
Balance carried forward	**11,753,371**	**11,753,371**	**4,375,888**	**-**	**76,804**	**76,804**
Percentage written off during the period under review	**0.0%**	**0.0%**	**0.0%**	**100.0%**	**0.0%**	**87.2%**

First Works (Pty) Ltd

Incident

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 prolonged time taken to effect replacement of previously installed and paid for project materials which, after several tests, was found to be defective.

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.

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to

Icon Construction (Contract TS/180/2017)

Incident

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 TS/180/2017 amounted to **R4 625 403.99** inclusive of additional direct project costs, 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.

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

Incident

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.

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to Council that the fruitless and wasteful expenditure on Contract Numbers TS/175/2017 & TS/180/2017 (Icon Construction Pty Ltd) amounting to **R1 282 377.43** be certified as irrecoverable and written off by Council.

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

Incident

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.

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. The effect of this Council decision will be considered in the 2023/24 annual financial statements

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to Council that the fruitless and wasteful expenditure on Contract Number TS/149/2015 (Bosch Munitech Pty Ltd) amounting to **R1 469 702.93** be certified as irrecoverable and written off by Council.

	2023	2022	2021	2020	2019	2018
	R	R	R	R	R	R

57 Unauthorised Expenditure

	2023	2022	2021	2020	2019	2018
59 IRREGULAR EXPENDITURE	**R**	**R**	**R**	**R**	**R**	**R**
Reconciliation of irregular expenditure						
Balance brought forward	149,530,201	101,410,395	107,857,946	479,024,062	53,405,787	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	6,347,447	41,480,580	38,465,190	51,657,098	74,798,385	45,025,027
Certified by council as irrecoverable and written off in terms of MFMA sect	-	-	(44,912,741)	(517,898,371)	-	(142,613)
Transfer to receivables for recovery – not condoned					-	-
Balance carried forward	**155,877,648**	**149,530,201**	**101,410,395**	**107,857,946**	**479,024,062**	**53,405,787**
Percentage written off during the period under review	**0.0%**	**0.0%**	**30.7%**	**82.8%**	**0.0%**	**0.3%**

Utility Systems (Pty) LTD

Incident

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 C Ngubane & 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 C Ngubane & 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 financial reports for the period ended 30 September 2022, 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 Chairperson)

Joat Consulting Group

Incident

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.

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.

	2023	2022	2021	2020	2019	2018
	R	R	R	R	R	R

57 Unauthorised Expenditure

Isidingo Security Services

Incident

The irregular expenditure on Isidingo Security Services contract is historic. It was initially classified as irregular expenditure 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.

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

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).

Lihlenathi Property Construction

Incident

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

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

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

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to Council that the irregularl expenditure on arrising out of release of retention monies paid due to Lihlenathi Property Construction amounting to R6 639 225.92 be certified as irrecoverable and written off by Council.

K9 Security Services

Incident

K9 Security Services is a security services provider that was contracted by the Municipality upon termination (by the Municipality) of the previous irregular month to month security services contract with Isidingo Security Services.

The engagement of K9 Security Services was an interim arrangement aimed at ensuring that the Municipal properties are safeguarded whilst the Municipality would be undergoing a tender process to secure a 3-year security services contract, i.e. subsequent to terminating the services of Isidingo Security Services..

During the third month of K9 Security Services’ appointment, it emerged that the company had submitted an invalid and/or expired certificate of practice when submitting bid documentation to be considered for a 6 months temporary contract. This prompted Management to then immediately terminate K9 Security Services contract.

Action/s taken

- Upon establishing that K9 had submitted an invalid PSIRA security certificate, Management teminated the bidder's security services contract with effect from the 30th of September 2022.

- The cumulative expenditure incurred on the contract has been classified as irregular and reported as such to Council consideration. Council considered this matter in October 2022 and resolved to refer the matter to MPAC for investigation.

Bargain Uniforms

Incident

Bargain Uniforms was appointed to supply clothing attire for the Dundee July 2022 event. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred (R64 992.25) has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

Action/s taken

- This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th of June 2023.

- Management has since reported the matter to Council for considertion and Council referred the matter to MPAC for investigation.

Mandlakamelwa Trading

Incident

Mandlakamelwa Trading was appointed to provide catering services for the Indegenous Music event. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred (R47 500.00) has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

Action/s taken

- This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th of June 2023.

- Management has since reported the matter to Council for considertion and Council referred the matter to MPAC for investigation.

Sithombesikagogo Trading

Incident

Sithombesikagogo Trading was appointed to provide catering services for the club development district championship. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred (R53 650.00) has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

Action/s taken

- This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th of June 2023.

- Management has since reported the matter to Council for considertion and Council referred the matter to MPAC for investigation.

	2023	2022	2021	2020	2019	2018
	R	R	R	R	R	R

57 Unauthorised Expenditure

Fana Manufacturing cc

<u>Incident</u>

Fana Manufatcuring cc was appointed to provide catering services for the club development district championship. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred (R755 090.00) has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

<u>Action/s taken</u>

- This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th of June 2023.

- Management has since reported the matter to Council for considertion and Council referred the matter to MPAC for investigation.

Fana Manufacturing cc

Fana Manufatcuring cc was appointed to provide catering services for the club development district championship. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

Action/s taken

This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th June 2023. Management has since reported the matter to Council for considertion.

59.1 Outstanding Matters of Irregular Expenditure

	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	Total
Utility Systems (Pty) LTD	-	-	-	-	-	6,335,238.78	**6,335,238.78**
Joat Consulting Group	-		-	95,075,156.66	-	-	**95,075,156.66**
Isidingo Security Services	-	41,480,579.54	-	-	-	-	**41,480,579.54**
K9 Security Services	5,426,215.17	-	-	-	-	-	**5,426,215.17**
Bargain Uniforms	64,992.25	-	-	-	-	-	**64,992.25**
Mandlakamelwa Trading	47,500.00	-	-	-	-	-	**47,500.00**
Sithombe Sikagogo	53,650.00	-	-	-	-	-	**53,650.00**
Fana Manufacturing cc	755,090.00	-	-	-	-	-	**755,090.00**
	6,347,447.42	**41,480,579.54**	**-**	**95,075,156.66**	**-**	**6,335,238.78**	**149,238,422.40**

Incident
1) 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

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 C Ngubane & 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 C Ngubane & 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 financial reports for the period ended 30 September 2022, 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).

2) Joat Consulting Group

The **R95 075 156.66** pertains to irregular expenditure resulting from transactions with Joat Consulting Group who were engaged by the Municipality to undertake implementation of an intervention programme that sought to manage the non-revenue water losses with an intention to reduce such losses. The initial appointment took place in 2008 and this was followed with 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.

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.

Incident

Isidingo Security Services

The irregular expenditure on Isidingo Security Services contract is historic. It was initially classified as irregular expenditure 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.

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

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 put in place whilst the Municiplaity is undergoing open bid processes in order to secure a three year security contract.

Incident

K9 Security Services

K9 Security Services is a security services provider that was contracted by the Municipality upon termination (by the Municipality) of the previous irregular month to month security services contract with Isidingo Security Services.

The engagement of K9 Security Services was an interim arrangement aimed at ensuring that the Municipal properties are safeguarded whilst the Municipality would be undergoing a tender process to secure a 3-year security services contract, i.e. subsequent to terminating the services of Isidingo Security Services..

During the third month of K9 Security Services' appointment, it emerged that the company had submitted an invalid and/or expired certificate of practice when submitting bid documentation to be considered for a 6 months temporary contract. This prompted Management to then immediately terminate K9 Security Services contract.

Action/s taken
- Upon establishing that K9 had submitted an invalid PSIRA security certificate, Management teminated the bidder's security services contract with effect from the 30th of September 2022.

- The cumulative expenditure incurred on the contract has been classified as irregular and reported as such to Council consideration. Council considered this matter in October 2022 and resolved to refer the matter to MPAC for investigation.

Bargain Uniforms

Bargain Uniforms was appointed to supply clothing attire for the Dundee July 2022 event. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred has been classified as irregular.

Action/s taken

This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th June 2023. Management has since reported the matter to Council for considertion.

	2023	2022	2021	2020	2019	2018
	R	R	R	R	R	R

57 Unauthorised Expenditure

Mandlakamelwa Trading

Mandlakamelwa Trading was appointed to provide catering services for the Indigenous Music event. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred has been classified as irregular.

Action/s taken

This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th June 2023. Management has since reported the matter to Council for considertion.

Sithombesikagogo Trading

Sithombesikagogo Trading was appointed to provide catering services for the club development district championship. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred has been classified as irregular.

Action/s taken

This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th June 2023. Management has since reported the matter to Council for considertion.

Fana Manufacturing cc

Fana Manufatcuring cc was appointed to supply sports apparel for SALGA games. The procurement process appears not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

Action/s taken

This is a new matter that has occurred during the course of current financial year (i.e. 2022/23) and payment was made on the 30th June 2023. Management has since reported the matter to Council for considertion.

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX A
AUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2023

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2022	Interest Paid during the period	Interest Accrued at year end	Redeemed / written off during the period	Balance at 30 June 2023
			R	R	R	R	R
LONG-TERM LOANS							
Development Bank of SA		12/31/2025	27,665,131	2,388,768	0	6,030,285	21,634,846
							-
Total Borrowings - DBSA Loan			**27,665,131**	**2,388,768**	**-**	**6,030,285**	**21,634,846**
Current Portion of Long Term Borrowings - DBSA Loan							**6,586,931**
Non-Current Borrowings - DBSA Loan							**15,047,915**
Accrued Interest							
Development Bank of SA			1,240,186	2,388,768	2,123,798		975,215
Total Accrued Interest - DBSA Loan			**1,240,186**	**2,388,768**	**2,123,798**	**-**	**975,215**

FOREX LIABILITY AS AT 30 JUNE 2023

PRINCIPAL LIABILITY

	INTEREST RATE	**DATE OF EXPIRY**	**FOREX LIABILITY AT (01 JULY 2022)**	**NET CHANGES AS A RESULT OF FOREIGN EXCHANGE FLUCTUATIONS**	**SETTLEMENT OF LIABILITY DURING THE REPORTING PERIOD**	**FOREX LIABILITY AT 30 JUNE 2023**
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	3,678,722.75	(572,212.69)	2,109,078.88	**2,141,856.56**
Current Portion of Long Term Forex Liability						
Non-Current Portion of Long Term Forex Liability						

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.	233,011.52	(679,612.81)	**(446,601.29)**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
AUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2023

	Opening Balance R	Additions R	Change in policy/prior year errors	Cost / Revaluation Disposals R	Transfers	Under Construction R	Closing Balance R	Accumulated Depreciation Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Change in estimate	Reversal of impairment loss	Impairment loss R	Closing Balance R	Transfers R	Carrying Value R
						-											
Land	3,092,908	-	-	-	5,212,000	-	8,304,908	-	-	-	-	-	-	-	-	-	8,304,908
	3,092,908	**-**	**-**	**-**	**5,212,000**	**-**	8,304,908	**-**	**-**	**-**				**-**	**-**	**-**	**8,304,908**
															-		-
Buildings	**34,484,212**	**-**	**-**	**-**	**-**	**-**	**34,484,212**	**(13,504,157)**	**(1,137,419)**	**-**	-	(34,139)		-	(14,675,715)	**-**	**19,808,497**
Infrastructure																	
Sewerage Mains & Purification	284,191,887	-	-	(1,828,011)	51,758,034	-	334,121,910	(102,185,243)	(9,469,598)	1,777,797	-	(601,592)	-	-	(110,478,636)	-	223,643,274
Water Mains & Purification	2,892,042,565	-	-	(9,005,060)	120,269,092	-	3,003,306,598	(792,475,103)	(96,969,633)	7,407,600	-	(688,687)	-	-	(882,725,823)	-	2,120,580,775
Under construction	461,290,526	-	-		(171,424,276)	263,098,083	552,964,333	-	-	-	-	-		-	-		552,964,333
	3,637,524,979	**-**	**-**	**(10,833,071)**	**602,850**	**263,098,083**	**3,890,392,841**	**(894,660,346)**	**(106,439,230)**	**9,185,397**	**-**	**(1,290,279)**	**-**	**-**	**(993,204,459)**	**-**	**2,897,188,382**
Total carried forward	**3,675,102,099**	**-**	**-**	**(10,833,071)**	**5,814,850**	**263,098,083**	**3,933,181,961**	**(908,164,503)**	**(107,576,649)**	**9,185,397**	**-**	**(1,324,418)**	**-**	**-**	**(1,007,880,173)**	**-**	**2,925,301,787**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2023

	Opening Balance R	Additions R	Change in policy/prior year errors	Cost / Revaluation Disposals R		Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Accumulated Depreciation Change in policy/prior year errors			Impairment loss/Reversal of impairment loss R	Closing Balance R	Transfers R	Carrying Value R
Total brought forward	**3,675,102,099**	**-**	**-**	**(10,833,071)**	**5,814,850**	**263,098,083**	**3,933,181,961**	**(908,164,503)**	**(107,576,649)**	**9,185,397**	**-**	**(1,324,418)**	**-**	**-**	**(1,007,880,173)**	**-**	**2,925,301,787**
Other Assets																	
Office Equipment	3,599,269	-	-	(87,824)	-	-	3,511,445	(1,908,799)	(175,391)	78,946	(39,567)	(31,848)		(24)	(2,076,684)	-	1,434,760
Machinery & Equipment	5,878,916	686,489.38	(336,170)	(128,787)	-	-	6,100,448	(2,937,147)	(595,759)	109,400	113,108	(19,080)		(95,703)	(3,425,181)	-	2,675,267
Transport Assets	40,158,367	-	336,170	(963,071)	-	-	39,531,466	(12,074,788)	(4,601,853)	734,525	(73,541)	(351,901)			(16,367,558)	-	23,163,908
Computer Equipment	7,241,818	3,113,294.16	-	(1,620,097)		-	8,735,015	(2,935,105)	(1,284,167)	1,308,004		(10,170)			(2,921,439)	-	5,813,577
							-										
	56,878,370	**3,799,783.54**	**-**	**(2,799,779)**	**-**	**-**	**57,878,375**	**(19,855,840)**	**(6,657,171)**	**2,230,875**	**-**	**(412,999)**	**-**	**(95,727)**	**(24,790,861)**	**-**	**33,087,512**
Finance Lease Assets																	
Computer Equipment	5,081,312			-			5,081,312	(2,208,488)	(1,692,436)	-					(3,900,924)		1,180,387
Vehicles	44,256,930	-	-	(4,584,644)		-	39,672,286	(35,034,760)	(8,992,762)	4,584,644	-				(39,442,878)	-	229,409
	49,338,242	**-**	**-**	**(4,584,644)**	**-**	**-**	**44,753,598**	**(37,243,248)**	**(10,685,198)**	**4,584,644**	**-**			**-**	**(43,343,802)**	**-**	**1,409,796**
Total	**3,781,318,711**	**3,799,783.54**	**-**	**(18,217,494)**	**5,814,850**	**263,098,083**	**4,035,813,933**	**(965,263,590)**	**(124,919,018)**	**16,000,916**	**-**	**(1,737,418)**	**-**	**(95,727)**	**(1,076,014,837)**	**-**	**2,959,799,095**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
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	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**	**(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 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	**3,484,609,690**	**-**	**(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**
Other Assets																	
Office Equipment	4,409,732	-	-	(383,953)	(426,509)	-	3,599,269	(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	(2,493,487)	(596,336)	292,073	(992)	(136,363)		-	(2,935,105)	-	4,306,713
	50,152,832	**9,764,739.82**	**23,250**	**(3,062,452)**	**(0)**	**-**	**56,878,370**	**(15,135,102)**	**(6,625,306)**	**2,411,784**	**(19,607)**	**(213,875)**	**-**	**(273,735)**	**(19,855,840)**	**-**	**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	**3,584,158,823**	**9,764,739.82**	**-**	**(29,146,867)**	**(0)**	**216,542,015**	**3,781,318,711**	**(856,877,720)**	**(128,847,271)**	**24,731,327**	**358,181**	**(1,274,288)**	**84,244**	**(3,438,064)**	**(965,263,590)**	**-**	**2,816,055,120**

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX C
AUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 31 March 2023

	Cost / Revaluation						
	Opening Balance R	Additions R	Change in policy/prior year errors	Transfers	Under Construction R	Disposals R	Closing Balance R
Executive & Council	47,400,185	3,113,294	336,170	-	-	(2,583,168)	48,266,481
Finance & Admin	47,055,305	686,489	(336,170)	5,212,000	-	(216,611)	52,401,013
Waste Management	284,191,887	-	-	51,758,034	-	(1,828,011)	334,121,910
Water	2,892,042,565	-	-	120,269,092	-	(9,005,060)	3,003,306,598
Under Construction	461,290,526	-	-	(171,424,276)	263,098,083	-	552,964,333
Other	49,338,242	-	-	-	-	(4,584,644)	44,753,598
Total	**3,781,318,711**	**3,799,784**	**-**		**263,098,083**	**(18,217,494)**	**4,035,813,933**

	Accumulated Depreciation							
	Opening Balance R	Additions R	Disposal R	& Impairment Loss/Reversal	Change in policy/prior year errors/Change in estimate	Transfers	Closing Balance R	Carrying value R
Executive & Council	(15,009,893)	(5,886,020)	2,042,529	-	(435,612)	-	(19,288,996)	28,977,485
Finance & Admin	(18,350,104)	(1,908,569)	188,346	(95,727)	(11,527)	-	(20,177,580)	32,223,433
Waste Management	(102,185,243)	(9,469,598)	1,777,797	-	(601,592)	-	(110,478,636)	223,643,274
Water	(792,475,103)	(96,969,633)	7,407,600	-	(688,687)	-	(882,725,823)	2,120,580,775
Under Construction	-	-	-	-	-	-	-	552,964,333
Other	(37,243,248)	(10,685,198)	4,584,644	-	-	-	(43,343,802)	1,409,796
Total	**(965,263,590)**	**(124,919,018)**	**16,000,916**	**(95,727)**			**(1,076,014,837)**	**2,959,799,094**