Planning by	Reviewed	Performed by	Final review

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Client name: iLembe District Municipality
Year end: 30 June 2024

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Date printed

iLembe District Municipality
(Demarcation code DC29)
Annual Financial Statements
for the year ended 30 June 2024
Auditor-General of South Africa (AGSA)
Chartered Accountants (S.A.)
Registered Auditors

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General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

Executive mayor and chairperson of mayoral commitee

Portfolio	**Councillor**
Executive mayor and chairperson of mayoral committee	His Worship, Councillor Thobani Philani Shandu
Deputy executive mayor and mayoral committee member	Councillor James Gabangane Van Whyne
Speaker of the Council	Cllr Monitha Dolly Shandu
Chief WIP of Council	Cllr Sandeep Oudhram
Member of the Executive Committee	Cllr Christopher Ngcobo Part-Time Councillor
Member of the Executive Committee	Cllr Makatha Hlengiwe Lindiwe
Member of the Executive Committee	Cllr Ncube Nduduzo Part-Time Councillor
Member of the Executive Committee	Cllr Bhekamaswazi Doctor Dlamini
Member of the Executive Committee	Cllr Sakhile Zondo
Section 79 Chairpersons	Cllr Vallan Jenifer
Section 79 Chairpersons	Cllr Khoza M

Executive management

Position	**Name**
Municipal Manager	Mr. Sazi Mbhele
Chief Financial Officer (CFO)	Mr. Dumisani Dlamini
Acting Senior Manager Corporate Services	Mr. Thembinkosi Shezi
Senior Manager Community Services	Mrs. Phumzile Mbonambi
Senior Manager Technical Services	Miss Cingisa Mbola

General Information

Council members

Nr	Surname	Initials
Cllr	Magwaza	J
Cllr	Sing	K
Cllr	Mbuyazi	T
Cllr	Sewraj	A
Cllr	Ndlovu	L
Cllr	Mkhaliphi	M
Cllr	Dube	T
Cllr	Mthembu	C
Cllr	Khuzwayo	N
Cllr	Zungu	S
Cllr	Mbonambi	N
Cllr	Bhengu	S
Cllr	Singh	N
Cllr	Mthiyane	S

Nr	Surname	Initials
Cllr	Ndlovu	SB
Cllr	Cele	SS
Cllr	Mwandla	V
Cllr	Ngwane	Z
Cllr	Shangase	V
Cllr	Dladla	N
Cllr	Sithole	S
Cllr	Mthiyane	M
Cllr	Mhlongo	N
Cllr	Shangase	V
Cllr	Ngcobo	N
Cllr	Ngidi	N

Members of the Audit Commitee

Chairperson	Mr. T Radebe (Resigned)
Deputy Chairperson	Miss. P Nzimakwe
Member	Mr. S Msibi
Member	Mrs. V Msomi
Member	Mr. C Meyiwa

Grading of local authority	4
Accounting Officer	Mr. Sazi Mbhele
Chief Financial Officer (CFO)	Mr. Dumisani Dlamini
Physical address	59/61 Mahatma Ghandhi Streey KwaDukuza 4450
Postal address	PO Box 1788 KwaDukuza 4450
Telephone	032 437 9300
Bankers	First National Bank
Auditors	Auditor-General of South Africa (AGSA)
Demarcation code	DC29
Legal representative	Ms. N Thungo

Accounting Officer's Statement

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

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

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

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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2025 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.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 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.

The annual financial statements set out on pages 5 to 112, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the municipality on 31 August 2024:

Mr. Sazi Mbhele
Municipal Manager

Statement of Financial Position as at 30 June 2024

	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	373 048 870	261 872 904
Trade and other receivables from exchange transactions	3	254 140 382	101 859 095
Inventories	4	11 513 665	12 105 994
Total Current Assets		**638 702 917**	**375 837 993**
Non-Current Assets			
Property, plant and equipment	7	3 064 027 218	2 959 798 884
Heritage assets	8	205 578	205 578
Intangible assets	9	3 957 615	5 709 910
Non-current receivables	5	1 095 688	1 494 993
Interest in other entities	6	100	100
Total Non-Current Assets		**3 069 286 199**	**2 967 209 465**
Total Assets		**3 707 989 116**	**3 343 047 458**
Liabilities			
Current Liabilities			
Borrowings	11	7 237 387	8 728 788
Current portion of finance lease liability	10	-	1 828 426
Employee benefits	12	2 933 000	1 269 459
Consumer deposits	13	6 166 056	6 054 130
Trade and other payables from exchange transactions	14	276 155 724	156 410 146
Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent	15	78 676 828	45 757 289
Total Current Liabilities		**371 168 995**	**220 048 238**
Non-Current Liabilities			
Borrowings	11	7 810 527	15 047 914
Employee benefits	12	17 207 000	15 984 546
Total Non-Current Liabilities		**25 017 527**	**31 032 460**
Total Liabilities		**396 186 522**	**251 080 698**
Net Assets		**3 311 802 594**	**3 091 966 760**
Community Wealth / Equity			
Accumulated surplus	16	3 311 802 614	3 091 966 760

* See Note 42

Statement of Financial Performance

	Note(s)	2024	2023 Restated*
Revenue			
Exchange Revenue			
Services charges – Waste water management	17	79 978 566	63 416 012
Services charges – Water management	17	282 485 439	248 166 875
Sales of goods and rendering of services	18	57 122 577	15 288 285
Agency services	24	2 277 108	2 135 600
Interest earned from receivables	20	97 483 226	62 210 086
Interests on investments	19	41 809 328	23 627 600
Dividends	21	35 000 000	19 000 000
Operational revenue	27	4 099 387	4 529 557
Total Exchange Revenue		**600 255 631**	**438 374 015**
Non-Exchange Revenue			
Gains on long service	28.3	-	2 455 702
Fines, penalties and forfeits	22	153 178	539 710
Licences or permits	23	32 511	8 223
Transfers and subsidies	25	1 021 345 520	1 049 268 705
Gain on Forex		47 499	-
Total Non-Exchange Revenue		**1 021 578 708**	**1 052 272 340**
Total Revenue		**1 621 834 339**	**1 490 646 355**
Expenditure			
Employee related cost	29	266 945 779	240 952 999
Remuneration of councillors	30	10 743 629	10 513 971
Inventory consumed	35	171 608 075	134 263 301
Debts impairment	33	112 631 600	275 587 435
Depreciation and amortisation	31	123 544 475	127 681 026
Impairment loss / (reversal) of impairment	32	9 485 003	95 727
Interest costs	34	3 464 088	5 939 661
Contracted services	37	344 925 784	256 239 155
Transfers and subsidies	38	40 905 605	38 289 958
Irrecoverable debts written off		5 276 601	-
Operating leases	40	4 013 403	3 666 238
Operational Cost	39	188 986 532	164 072 513
Loss on sale of assets	28	3 061 679	2 816 865
Loss on long service	28	1 356 666	-
Inventory Loss	28	115 050 325	105 196 931
Loss on forex	28	-	572 213
Total Expenditure		**1 401 999 244**	**1 365 887 993**
Surplus for the year		**219 835 095**	**124 758 362**

* See Note 42

Cash Flow Statement

	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Service charges		190 268 977	218 306 579
Operational revenue		63 684 773	22 241 294
Transfers and Subsidies		1 054 265 059	1 052 479 277
Interest		41 809 328	23 627 600
Dividends		35 000 000	40 500 000
Payments			
Suppliers and employees		(1 015 438 508)	(958 612 864)
Finance charges		(53 037)	(7 654)
Net cash from(used) operating activities	41	**369 536 592**	**398 534 232**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	260 081
Payments			
Purchase of Property, Plant & Equipment		(244 012 100)	(269 450 791)
Net cash flows from investing activities		**(244 012 100)**	**(269 190 710)**
Cash flows from financing activities			
Payments			
Decrease in borrowing		(10 564 172)	(7 567 153)
Finance Costs		(1 895 656)	(5 150 504)
Decrease in finance leases		(1 888 698)	(12 456 067)
Repayment of Umgeni Water		-	(29 168 076)
Net cash flows from financing activities		**(14 348 526)**	**(54 341 800)**
Net increase/(decrease) in cash		**111 175 966**	**75 001 722**
Cash and cash equivalents at year begin		261 872 904	186 871 182
		373 048 870	**261 872 904**

* See Note 42

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	2 957 559 417	2 957 559 417
Adjustments		
Correction of errors	3 073 320	3 073 320
Balance at 01 July 2022 as restated*	**2 960 632 737**	**2 960 632 737**
Surplus for the year	124 758 362	124 758 362
Transfers to / from accumulated surplus for the year	6 575 661	6 575 661
Total changes	131 334 023	131 334 023
Restated* Balance at 01 July 2023	**3 091 966 763**	**3 091 966 763**
Surplus for the year	219 835 095	219 835 095
Transfers to / from accumulated surplus for the year	756	756
Total changes	219 835 851	219 835 851
Balance at 30 June 2024	**3 311 802 614**	**3 311 802 614**

Note(s)

* See Note 42

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
2024						
Financial performance						
Revenue by source						
Exchange revenue						
Service charges - Water	299 942 576	283 732 576	283 732 576	282 485 439	(1 247 137)	The water service charges budgeted to be expended by 30 June 2024 was R 283.7 million, while the total billed to consumers was R285.5 million resulting on 1% variance above anticipated. The variance is acceptable variance threshold (+-10).
Service charges - Waste Water Management	76 772 334	80 417 334	80 417 334	79 978 566	(438 768)	The year to date anticipated billing on sanitation service charges was R80.4 million, while the total billed to date amount to R79.9 million resulting on a favourable variance of 1% below anticipated. The variance is acceptable variance threshold (+-10).
Sale of goods and rendering of services	147 424 329	56 281 551	56 281 551	57 122 577	841 026	Included on this item is the revenue received from clearance certificates, sale of tender documents and Umshwathi Water Supply Phase 5. The variance of 52% above anticipated has been realised. Actual to date is R85.3 million. The variance is. This is mainly attributable from Umshwathi water projects wwhereby the agreement with Umngeni water is that monies are deposited into muicipal bank accoount timeously in order to ensure that invoices are paid within due date. All other items within this revenue source have been received as per the approved budget estimate
Agency services	2 238 101	2 238 101	2 238 101	2 277 108	39 007	This item is the revenue from Concession area managed by Siza Water. It is paid to the municipality by end of each quarter. Actual to date is R2.2 million equate to 2% above anticipated. The variance is acceptable.

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Interest earned from receivables	59 466 126	90 896 378	90 896 378	97 483 226	6 586 848	This is the interest charged on consumer accounts in arrears, as at the end of June 2024. The amount billed is R97.5 million, while the target was R90.9 million, and this resulted on 7% variance above target. This item will always vary, as payment on debtors is dependent on various factors. However, this is the indication that consumers do not honour their debts resulting to high balance of debt book. The municipality continues to implement the approved credit control and debt collection policy. This variance comes after the municipality has engaged to Rand-for-Rand campaign during the month of October 2023. The total amount that has been written off to date is R5.8 million indicated as irrecoverable debt off-off in the Statement of Performance. This is an indication that even though the municipality has removed account billed with no water consumed, however their previous debt balance is still generating interest charge.
Interest earned from current and non current assets	15 170 223	33 997 514	33 997 514	41 809 328	7 811 814	This refers to interest earned in the external investments of the municipality. The actual as at 30 June 2024 was R41.8 million while the target on this date was R 33.9 million, resulting in a variance of 19% above the anticipated. This variance is due to delayed capital expenditure commitments which resulted to balances at the banks to generate more interest as anticipated.
Dividends	-	35 000 000	35 000 000	35 000 000	-	This item is the revenue from Siza Water. It is relating to the percentage of profit made by Siza water and shared with municipality as per the Service level agreement. To date an amount of R35 million has been received.

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Operational revenue	6 359 881	4 830 271	4 830 271	4 099 387	(730 884)	"Included on this item is the revenue received from shared services, developer's contribution, etc. The actual revenue for the period ended 30 June 2024 on this category is R1.3 million translating to 15% below a target of R 4.8 million. The variance is way below the norm of +-10%. The reason for variance is that out of budgeted to be billed and receive on Developers Contributions not all has been realised as there were not much contributions has been made. "
	607 373 570	**587 393 725**	**587 393 725**	**600 255 631**	**12 861 906**	
Non-exchange revenue						
Fines, penalties and forfeits	795 487	821 487	821 487	153 178	(668 309)	This item relates to Atmospheric licence fees issued by the municipality and it is only billed as and when consumers come and apply. As at end of June 2024, the billed revenue was R 33 thousand resulting in 81% variance below anticipated from the applications received to date. The municipality does not have direct control on the income derived from this item
Licences or permits	43 800	43 800	43 800	32 511	(11 289)	This item relates to Atmospheric licence fees issued by the municipality and it is only billed as and when consumers come and apply. As at end of June 2024, the billed revenue was R 33 thousand resulting in 26% variance below anticipated from the applications received to date. The municipality does not have direct control on the income derived from MG grant where accruals have not been raisedthis item
Transfer and subsidies - Operational	787 991 243	841 868 116	841 868 116	826 555 727	(15 312 389)	This is due is accepatable
Other gains	77 504 827	77 673 535	77 673 535	47 499	(77 626 036)	This is due to water inventory that has beencapitalised to inventory current asset as per GRAP12, however in this item is the debt impairment gain as per note 3 which was initially budgeted as a loss on impairmment. .

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
	866 335 357	**920 406 938**	**920 406 938**	**826 788 915**	**(93 618 023)**	
Total Revenue by source (excl. capital transfers and contributions)	**1 473 708 927**	**1 507 800 663**	**1 507 800 663**	**1 427 044 546**	**(80 756 117)**	
Expenditure						
Employee costs	(289 384 348)	(283 150 090)	(283 150 090)	(266 945 779)	16 204 311	This item relates to employee related costs booked in for the district , as at 30 June 2024, the total expenditure was R 257.4 million resulting in 9% variance below the anticipated expenditure of R283.2 million. This is due to vacant posts that have been budgeted for and not yet filled. The vacant posts arise from resignations, death, and terminations. The post for Senior Management Corporate Services is still undergoing recruitment process whereby all other municipal staff posts are currently on shortlisting, conducting interviews and appointment process. This variance is however within the +- 10 threshold
Remuneration of councillors	(11 842 195)	(12 866 558)	(12 866 558)	(10 743 626)	2 122 932	This item relates to remuneration of Councillors. The actual expenditure as at 31 June 2024 was R 10.7 million, the year to date target was R10.2 million resulting in 16% variance below anticipated. Included in this budget was the increment on remuneration of Councillors, which has not been received. Increment is published on the Upper limits determined by Minister of COGTA
Inventory consumed	(263 974 333)	(189 150 511)	(189 150 511)	(171 608 075)	17 542 436	This relates to water supplied to municipal community and material utilised to maintain and repair infrastructure assets in relation to water and serage. A variance of 17%above anticipated.
Debt impairment	(60 028 971)	131 871 029	131 871 029	(112 631 600)	(244 502 629)	This is a non-cash item, which is a provision for bad debts impairment. As at 30 June 2024 the actual expenditure was R22 million as a gain reported above due to decrease in number of consumers who has potential of not hounoring their municipal debt.

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Depreciation and amortisation	(152 193 775)	(144 193 775)	(144 193 775)	(123 544 475)	20 649 300	This category is for fixed assets as per GRAP. This is a non cash item and will therefore not have impact on the cash flow statement. The actual to date is 14% below anticipated due to delayed projects which were taken into account were initially approving budget.
Finance charges	(10 941 926)	(1 996 926)	(1 996 926)	(3 464 087)	(1 467 161)	This item relates to interest to be incurred through existing loan, computer leases and finance lease. however the finance lease term has expired within the current reporting year. in this budget was the budget for the new computer which was anticipated to be acuired. this process is still with SCM at the end of June 2024. the variance is 73% due to the fact that in this line item there is an interest on employee benefit (long service award)
Contracted services	(195 011 434)	(367 918 933)	(367 918 933)	(344 925 784)	22 993 149	This item relates to contracted services of the municipality. the variance is acceptable.
Transfers and subsidies	(41 431 956)	(41 443 328)	(41 443 328)	(40 905 605)	537 723	This item relates to monies transferred to municipal entity and also household items provided to community if there are any form of disaster management. the variance is acceptable.
Irrecoverable debts written off	-	(224 315 007)	(224 315 007)	(5 276 601)	219 038 406	This is relates to a write-off through Rand-for-Rand that has been conducted by municipality through approval from municipal Council as part of revenue enhancement startegy.
Operational costs	(317 508 177)	(237 152 397)	(237 152 397)	(192 999 935)	44 152 462	These are operational expenses. As at year the variance was 20%%
Losses on disposal of Assets	(5 000 000)	(5 000 000)	(5 000 000)	(12 546 682)	(7 546 682)	This relates to impairment of fixed asset, which is performed yearly.
Other Losses	(106 159 209)	(121 198 112)	(121 198 112)	(116 406 991)	4 791 121	This relates to inventory loss through write-down and water losses. the variance is below anticiated due to the implamentation of reduction startegies on both apparell and real losses.
Total Expenditure	**(1 453 476 324)**	**(1 496 514 608)**	**(1 496 514 608)**	**(1 401 999 240)**	**94 515 368**	
Surplus	**20 232 603**	**11 286 055**	**11 286 055**	**25 045 306**	**13 759 251**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Transfers and subsidies - capital (monetary allocations)	337 294 000	297 017 422	297 017 422	191 113 293	(105 904 129)	
Transfers and subsidies - capital (in-kind)	-	-	-	3 676 500	3 676 500	
Surplus for the year	**357 526 603**	**308 303 477**	**308 303 477**	**219 835 099**	**(88 468 378)**	

Reportable Segments for the year ended 30 June 2024

For management purposes, the municipality is organised and operates in three key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The three key business units comprise of:

- Community and public safety which includes Cultural Matters, Disaster Management, Health Services, Health Surveillance and Prevention, Marketing; Customer Relations, Special Projects, Food Control, Vector Control;
- Unallocatedl which includes Administration & Corporate Support, Asset Management, Economic Development/Planning, Internal Audit, Legal Services, Municipal Manager, Project Management, Risk Management, Strategic Planning IDP's, Finance, Fleet Management, Human Resources ;
- Trading services which includes water management & waste water management services;

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.

2024

	Community and public safety	Trading services	Other	Unallocated	Total
Segment revenue					
External revenue from non-exchange transactions	51 178 244	761 781 478	-	208 618 986	1 021 578 708
External revenue from exchange transactions	-	417 534 007	-	43 429 070	460 963 077
Interests on investments	-	-	-	41 809 328	41 809 328
Interest earned from receivables	-	-	-	97 483 226	97 483 226
	51 178 244	**1 179 315 485**	**-**	**391 340 610**	**1 621 834 339**
Segment expenses					
Total segment expenses	51 653 887	752 307 779	-	458 482 329	1 262 443 995
Depreciation, amortisation and impairment	-	-	-	123 544 476	123 544 476
Loss on disposal of assets	4 968	1 090 897	-	1 965 819	3 061 684
Impairment losses on financial assets	-	-	-	9 485 002	9 485 002
Interest expense	-	-	-	3 464 087	3 464 087
	51 658 855	**753 398 676**	**-**	**596 941 713**	**1 401 999 244**
Surplus for the year	**(480 611)**	**425 916 809**	**-**	**(205 601 103)**	**219 835 095**

Reportable Segments for the year ended 30 June 2024

		Community and public safety	Trading services	Other	Unallocated	Total
2023						
Segment revenue						
External revenue from non-exchange transactions		54 703 292	806 885 770	-	182 507 210	1 049 694 319
External revenue from exchange transactions		-	323 905 928	-	25 354 556	352 536 329
Interests on investments		-	-	-	23 627 600	23 627 600
Interest earned from receivables		-	-	-	62 210 086	62 210 086
Gain on disposal of assets		-	-	-	122 319	122 319
		54 703 292	**1 130 791 698**	**-**	**293 821 771**	**1 488 190 653**
Segment expenses						
Total segment expenses	-	42 053 867	448 481 338	-	357 340 611	847 875 816
Depreciation, amortisation and impairment	-	-	-	-	127 681 026	127 681 026
Losses	-	835 502	105 417 124	-	-	106 252 626
Impairment losses on financial assets	-	-	-	-	275 683 162	275 683 162
Interest expense	-	-	-	-	5 939 661	5 939 661
	-	**42 889 369**	**553 898 462**	**-**	**766 644 460**	**1 363 432 291**
Surplus for the year	**54 703 292**	**(34 015 477)**	**576 893 236**	**-**	**(472 822 689)**	**124 758 362**

Accounting Policies

The Annual Financial Statements of iLembe District Municipality for the year ended 30 June 2024 were authorised for issue by the Accounting officer on 31 August 2024.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. rounded off to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below:

1. Summary of significant accounting policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest thousand (R'000).

1.2 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention 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.

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for trade receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probabillity that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment. 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.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement and other long term benefit 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.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 12.

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note - Provisions

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.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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 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.

1.5 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

1.5 Current year comparatives (continued)

Where material accounting errors, which relate to prior periods, 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 presentation and classification of items in the current year is consistent with prior periods.

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 budgetAdditional text

1.6 New standards and interpretations

1.1 Standards, amendments to standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

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

Accounting Policies

1.6 New standards and interpretations (continued)

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

GRAP 11 Construction Contracts

GRAP 11 Construction Contracts

1.2 Standards, amendments to standards and interpretations issued, but not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023: Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 105: Transfer of Functions Between Entities Under Common Control	01 April 2099	Unlikely there will be a material impact
• GRAP 106: Transfer of Functions Between Entities Not Under Common Control	01 April 2099	Unlikely there will be a material impact

Accounting Policies

1.6 New standards and interpretations (continued)

• GRAP 107: Mergers	01 April 2099	Unlikely there will be a material impact
• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

1.7 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

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.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final amounts;
- actual amounts and final budget amounts.

1.8 Property, plant and equipment

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

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

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

Accounting Policies

1.8 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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.

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

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.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. 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. Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Buildings	Straight-line	5-30 years
Machinery and Equipment	Straight-line	2-30 years
Motor vehicles	Straight-line	3-15 years
Computer equipment	Straight-line	2 - 30 years
Other	Straight-line	0 - 30 years
Water	Straight-line	5 - 70 years

1.8 Property, plant and equipment (continued)

Sewer	Straight-line	5 -70 years
Furniture and equipment	Straight-line	5 - 30 years

The estimated useful life and depreciation method are assessed at each reporting date on an indicator basis. There are 1500 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.

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. .

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.

1.9 Intangible assets

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.
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 acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. 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. Intangible assets are initially recognised at cost.

1.9 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- here are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2 - 5 years

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 2 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised but is subject to an annual impairment test.

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.

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.
The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

Intangible assets are derecognised

- on disposal; or
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal

1.10 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined.

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.

1.10 Heritage assets (continued)

Initial recognition and measurement

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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.

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.

Subsequent measurement

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

Depreciation and Impairment

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:

- **External sources of information** 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. The absence of an active market for a revalued heritage asset.
- **Internal sources of information** Evidence is available of physical damage or deterioration of a heritage asset. A decision to halt the construction of the heritage asset before it is complete or in a usable form.

Recognition

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.

1.11 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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.

1.11 Leases (continued)

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.

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

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term. Any contingent rents are expenses in the period in which they are incurred.

1.12 Investments in Controlled Entities

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

1.13 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

SUBSEQUENT MEASUREME 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.

Accounting Policies

1.13 Inventories (continued)

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 reservoirs at year-end.

1.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

Initial Recognition

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities. 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 instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

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:

(a) Cash and Cash Equivalents = Financial asset measurement at amortised cost
(b) Trade and Other Receivables from Exchange Transactions = Financial asset measured at amortised cost
(c) Trade and Other Receivables from Non-Exchange Transactions = Financial asset measured at amortised cost
(d) Non-Current Receivables = Financial Asset measured at amortised cost

Financial Liabilities:

(a) Trade and Other Payables from Exchange Transactions = Financial liability measured at amortised cost
(b) Trade and Other Payables from Non-Exchange Transactions = Financial liability measured at amortised cost
(c) Borrowings = Financial liability measured at amortised cost
(d) Finance Lease Liabilities = Financial liability measured at amortised cost.

Accounting Policies

1.14 Financial instruments (continued)

1.14.1 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair valueand 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.

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.

1.14.2 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"

1.14.3 Financial instruments at armortised 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

1.14 Financial instruments (continued)

1.14.4 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."

1.14.5 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

1.14.6 Gains and Losses

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

1.14.7 Impairment and uncollectability of financial assets

Financial assets are subject to annual impairment review as follows:

Financial asset 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

Financial asset 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.

1.14.8 Derecognition

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

Financial liabilities

1.14 Financial instruments (continued)

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. 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

Accounting Policies

1.15 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality’s approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality’s budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Senior Managers as well as per mSCOA classification to facilitate comparisons on a higher level.

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.

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.

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

1.16 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.16 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

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.

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

Additional disclosure for irregular expenditure is disclosed in note 55.2.

1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Accounting Policies

1.17 Fruitless and wasteful expenditure (continued)

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

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.

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 expenditureAdditional disclosure for fruitless and wasteful expenditure is disclosed in note 55.3

1.18 Provisions

Provisions are recognised when the municipality has a present (legal 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.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Accounting Policies

1.18 Provisions (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.
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.

1.19 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

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.

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.

Accounting Policies

1.19 Revenue (continued)

Recognition and measurement

Recognition

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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.
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.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.
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.

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.

1.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. All other borrowing costs are recognised as an expense in the period in which it is incurred. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is disclosed in the notes below.
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.

1.21 Employee benefits

1.21.1 Short-term employee benefits

1.21 Employee benefits (continued)

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.
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.

1.21.1 Gains and Losses

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

1.21.2 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

A defined benefit plan is a plan that 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.

Accounting Policies

1.21 Employee benefits (continued)

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.Actuarial gains or losses recognised immediately in the Statement of financial performance.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.
The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

"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 municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

1.21 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Long-service allowance

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

1.22 Value Added Tax

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991. 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 receivables on payment basis.
b
The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1) of the VAT Act in respect of the supply of goods and services, except where the supplies are specified as zero-rated in terms of section 11, exempted in terms section 12 of the VAT Act or is out of scope for VAT purposes.
The VAT portion due to SARS is considered to be statutory receivable.

1.23 Impairment of assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. 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.

Accounting Policies

1.23 Impairment of assets (continued)

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.

1.24 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Mayor, Mayoral Committee members, Municipal Manager, senior managers and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of an individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.24 Related parties and related party transactions (continued)

A related party is a person or an entity with the ability to control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Related parties include key management personnel, close members of family of key management and councillors.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jusridiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

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

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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.

1.26 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.

1.27 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);

1.27 Segment information (continued)

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

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

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 management Provision of water and waste management

Other Provision for infrastructural projects and other services

Unallocated Provision for support services

The assets and liabilities are not reviewed at all on a segregated basis.

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.

1.28 Cash and cash equivalents

Cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, and cash as per cash book balance.

Accounting Policies

1.29 Foreign Currency Translation

"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."

Building	2024	2023

2. Cash and cash equivalents

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2024	2023
Call deposits and investments		
Demand and time loans, banker's acceptance	93 157 528	44 867 599
Deposit taking institutions	131 877 980	28 322 249
National government investment securities	86 228 717	30 341 361
Special deposit for the payment of dividend	52 166 138	54 079 257
Special deposit for the payment of interest	4 896 164	5 065 473
	368 326 527	**162 675 939**
Cash at bank		
Bank account	4 678 343	99 152 965
Cash on hand	44 000	44 000
Total cash and cash equivalents	**373 048 870**	**261 872 904**

2.2 Bank accounts

The municipality has the following bank accounts:

		2024	2023
Revenue ABSA Account Terms and conditions	ABSA Bank Account Number 4057878321	10 033	10 441
FNB Revenue Account Terms and conditions	FNB Bank - Account Number 62409366722	21 567 769	21 592 658
FNB Primary Account Terms and conditions	FNB Bank Account Number 50851211546	17 655 166	45 156 911
FNB Salaries Account Terms and conditions	FNB Bank Account Number 62006302385	15 998 949	8 763 796
FNB Projects Account Terms and conditions	FNB Bank Account Number 6204671864	(46 915 136)	1 831 371
ABSA 8 DAY CALL Terms and conditions	ABSA 8 Day : Account Number 2066739798	4	4
FNB Sub-Main Account Terms and conditions	FNB Bank Account Number 62824322862	(3 638 442)	21 797 784
Total		**4 678 343**	**99 152 965**

2. Cash and cash equivalents (continued)

2.3 Difference between cash book and bank statement

2024

	Cash book	Bank statement	Difference
ABSA Bank Account 4057878321	10 033	9 891 859	(9 881 826)
FNB Revenue Bank Account 62409366722	21 567 769	11 804 336	9 763 433
FNB Primary Bank Account 50851211546	17 655 166	17 655 166	-
FNB Salaries Bank Account 62006302385	15 998 949	16 046 951	(48 002)
FNB Project Bank Account 62046718641	(46 915 136)	101 944	(47 017 080)
ABSA 8 DAY CALL 2066739798	4	-	4
FNB Main Bank Account 62824322862	(3 638 442)	2 944 098	(6 582 540)
	4 678 343	**58 444 354**	**(53 766 011)**

2023

	Cash book	Bank statement	Difference
ABSA Bank Revenue Account 4057878321	10 441	4 756 721	(4 746 280)
FNB Bank Revenue Account 62409366722	21 592 658	16 503 071	5 089 587
FNB Bank Primary Account 50851211546	45 156 911	45 156 911	-
FNB Bank Salaries Account 62006302385	8 763 796	8 763 796	-
FNB Bank Project Account 62046718641	1 831 371	8 174 633	(6 343 262)
ABSA 8 DAY CALL 2066739798	4	-	4
FNB Bank Sub-Main Account 62824322862	21 797 784	35 429 329	(13 631 545)
	99 152 965	**118 784 461**	**(19 631 496)**

	2024	2023
Bank statement balance at beginning of year	118 784 462	48 254 855
Bank statement balance at end of year	58 444 354	118 784 462
Cash book balance at beginning of year	99 152 965	32 339 318
Bank statement balance at end of year	58 444 354	118 784 462
Net movement / reconciling items	(53 766 011)	(19 631 497)
Cash book balance at end of year	**4 678 343**	**99 152 965**

3. Trade and other receivables from exchange transactions

	Note	2024	2023
Trade service and consumer service debtors	3.1		
Waste water management		(15 350 672)	7 181 204
Water		214 112 569	43 199 511
		198 761 897	**50 380 715**

Building		2024	2023

3. Trade and other receivables from exchange transactions (continued)

		2024	2023
Other receivables from exchange transactions	3.2		
Abeyance		70 745	95 212
Sundry debtors		2 740 147	2 740 147
Prepayments and advances		1 493 955	1 138 618
Unauthorised, Irregular, Fruitless and Wasteful Expenditure		38 119	38 119
Accrued income		3 150 466	8 534 207
Control, clearing and interface accounts		400 361	400 361
Deposits		6 191 562	6 191 562
Input Accrual		22 945 550	15 217 870
Input VAT General		10 073 771	6 070 262
Input VAT Capital		(480 293)	(495 455)
VAT Control		8 754 102	11 547 477
		55 378 485	**51 478 380**
Total trade and other receivables from exchange transactions		**254 140 382**	**101 859 095**

3.1 Consumer receivables

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Waste water management	141 775 326	(157 125 998)	**(15 350 672)**	118 969 483	(111 788 279)	**7 181 204**
Water	965 057 316	(750 944 747)	**214 112 569**	715 657 711	(672 458 200)	**43 199 511**
Total consumer receivables from exchange transactions	**1 106 832 642**	**(908 070 745)**	**198 761 897**	**834 627 194**	**(784 246 479)**	**50 380 715**

3. Trade and other receivables from exchange transactions (continued)

3.1.1 Ageing of impaired consumer receivables

2024

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Total by debt type							
Waste water management	**141 775 326**	6 558 119	5 800 956	4 246 732	3 897 845	3 937 706	117 333 968
Water	**965 057 316**	41 767 538	33 466 638	27 046 709	24 824 712	24 860 030	813 091 689
Total by debt type	**1 106 832 642**	**48 325 657**	**39 267 594**	**31 293 441**	**28 722 557**	**28 797 736**	**930 425 657**
Aging per customer group							
Organs of state	**39 537 581**	6 377 891	3 357 928	2 284 642	1 805 838	1 573 119	24 138 163
Commercial customers	**48 106 609**	7 829 943	2 940 856	2 182 982	1 747 136	1 502 448	31 903 244
Households	**1 019 188 452**	34 117 823	32 968 808	26 825 816	25 169 584	25 722 168	874 384 253
Total by customer group	**1 106 832 642**	**48 325 657**	**39 267 592**	**31 293 440**	**28 722 558**	**28 797 735**	**930 425 660**

2023

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							

3. Trade and other receivables from exchange transactions (continued)

Total by debt type							
Waste water management	**118 969 483**	4 972 412	3 932 860	3 373 261	3 048 282	3 243 266	100 399 402
Water	**715 657 711**	29 911 358	23 657 970	20 291 723	18 336 827	19 509 743	603 950 090
Total by debt type	**834 627 194**	**34 883 770**	**27 590 830**	**23 664 984**	**21 385 109**	**22 753 009**	**704 349 492**

Aging per customer group							
Organs of state	**30 460 874**	3 747 730	2 953 603	1 594 242	1 384 727	1 692 876	19 087 696
Commercial customers	**40 550 265**	5 459 633	2 181 954	1 300 406	1 416 147	1 678 013	28 514 112
Households	**763 616 057**	25 676 407	22 455 272	20 770 335	18 584 235	19 382 120	656 747 688
Total by customer group	**834 627 196**	**34 883 770**	**27 590 829**	**23 664 983**	**21 385 109**	**22 753 009**	**704 349 496**

3.1.2 Impairment reconciliation of consumer receivables

	2024			2023		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Consumer receivables from exchange transactions						
Waste water management	(111 788 279)	(45 337 719)	**(157 125 998)**	(147 909 301)	36 121 022	**(111 788 279)**
Water	(672 458 199)	(78 486 548)	**(750 944 747)**	(327 062 612)	(345 395 588)	**(672 458 200)**
Total consumer receivables	**(784 246 478)**	**(123 824 267)**	**(908 070 745)**	**(474 971 913)**	**(309 274 566)**	**(784 246 479)**

Building	2024	2023

3. Trade and other receivables from exchange transactions (continued)

3.2 Other receivables

	2024		2023	
	Gross	Total	Gross	Total
Other receivables from exchange transactions				
Abeyance	70 745	**70 745**	95 212	**95 212**
Market agency	2 740 147	**2 740 147**	2 740 147	**2 740 147**
Prepayments and advances	1 493 955	**1 493 955**	1 138 618	**1 138 618**
Accrued income	3 150 466	**3 150 466**	8 534 207	**8 534 207**
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	38 119	**38 119**	38 119	**38 119**
Deposits	6 191 562	**6 191 562**	6 191 562	**6 191 562**
Control, clearing and interface accounts	400 361	**400 361**	400 361	**400 361**
Input Accrual	22 945 550	**22 945 550**	15 217 870	**15 217 870**
Input VAT General	10 073 771	**10 073 771**	6 070 262	**6 070 262**
Input VAT Capital	(480 293)	**(480 293)**	(495 455)	**(495 455)**
VAT Control	8 754 102	**8 754 102**	11 547 477	**11 547 477**
Total	**55 378 485**	**55 378 485**	**51 478 380**	**51 478 380**

4. Inventories

	Note	2024	2023
Materials and supplies	4.2	9 441 208	10 149 619
Water	4.3	2 072 457	1 956 375
Total Inventories		**11 513 665**	**12 105 994**

The R11 513 665 (2023: R 12 105 992) of total inventory was carried at fair value less cost to sell.

The amount of write-down of inventories recognised as an expense is R115 050 325 (2023: R 105 196 931). R - no written-down was reversed during the current year.

4.1 Consumables

4.2 Materials and supplies

	2024	2023
Opening Balance	10 149 617	9 196 119
Acquisitions	22 874 654	16 413 115
Issues	(19 564 768)	(15 097 874)
Adjustments	1 024 520	(361 741)
Write-offs	(5 042 815)	-
Closing balance	**9 441 208**	**10 149 619**

4.3 Water

	Note	2024	2023
Opening balance		1 956 375	1 512 295
System input volume		262 661 206	227 712 886
Authorised consumption		(159 757 468)	(122 071 875)
Water losses	36.1	(102 250 054)	(105 494 449)
Data transfer and management errors		(537 601)	297 518
Closing balance		**2 072 458**	**1 956 375**

5. Non-current receivables

	2024	2023
Other receivables		
Staff loans/recoveries	1 095 688	1 494 993

6. Interest in other entities

6.1 Investment in associate

Name of associate	Principal activities of associate	Fair value of Investment* 2024	Fair value of Investment* 2023
Name	Description	-	-
Investment in Entity	Investments in cotrolledl entity - Enterprise Ilembe Development Agency. Ordinary Share: 100 @ R1 each	100	100

7. Property, plant and equipment

7.1 Summary

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 304 908	-	8 304 908	8 304 908	-	8 304 908
Transport Assets	74 941 179	(23 054 652)	51 886 527	79 203 752	(55 810 435)	23 393 317
Infrastructure-Water & Sewer	4 065 887 743	(1 111 307 082)	2 954 580 661	3 890 392 838	(993 204 653)	2 897 188 185
Machinery and Equipment	25 495 079	(4 428 348)	21 066 731	6 100 450	(3 425 206)	2 675 244
Furniture and Office Equipment	3 891 417	(2 225 207)	1 666 210	3 511 445	(2 076 608)	1 434 837
Computer Equipment	12 830 923	(4 947 444)	7 883 479	13 816 261	(6 822 365)	6 993 896
Other Assets	34 227 332	(15 588 630)	18 638 702	34 484 212	(14 675 715)	19 808 497
Total	**4 225 578 581**	**(1 161 551 363)**	**3 064 027 218**	**4 035 813 866**	**(1 076 014 982)**	**2 959 798 884**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Impairment loss/ reversal	Total
Land	8 304 908	-	-	-	-	-	-	-	**8 304 908**
Transport Assets	23 393 317	35 495 461	(2 324 851)	3 676 500	-	(124 115)	(8 229 785)	-	**51 886 527**
Infrastructure-Water and sewer	2 897 188 181	177 625 807	(503 831)	124 249 510	(124 249 510)	(1 836 872)	(108 409 975)	(9 482 649)	**2 954 580 661**
Machinery and Equipment	2 675 245	19 666 973	(44 167)	-	-	(6)	(1 231 039)	(275)	**21 066 731**
Furniture and Office Equipment	1 434 836	439 974	(3 119)	-	-	(3 549)	(201 766)	(166)	**1 666 210**
Computer Equipment	6 993 896	4 435 740	(178 793)	-	-	(2 843)	(3 362 608)	(1 913)	**7 883 479**
Other Assets	19 808 497	-	(6 919)	-	-	(11 856)	(1 151 020)	-	**18 638 702**
Total	**2 959 798 880**	**237 663 955**	**(3 061 680)**	**127 926 010**	**(124 249 510)**	**(1 979 241)**	**(122 586 193)**	**(9 485 003)**	**3 064 027 218**

7. Property, plant and equipment (continued)

Assets under construction is made up of the following:	
Avon pipe peaking power replacement	2 000 000
Borehole Sonkombo	126 086
Construction of bulk pipeline at Ngcebo / Kwadukuza Zone G	3 283 804
MAQHUMBI CWSS ZONE A B D & E P	255 770
TS/213Boreholes:COVID19 Spring	5 636 491
Profesional fees darnal (Makhaotse)	6 164 322
TS/209/2020Pump Station:DARNAL	23 472 759
TS/219/2021	37 064 726
Distribution: Inyoni Bulk Water	435 784
TS/206/2020 Retention DWA	442 887
Distribution: Sonkombo Water Reticulation/TS/236/2023	19 193 825
Distribution: Sonkombo Water Reticulation	615 558
Driefontein Professional Fees	11 757 743
TS/225/2022	34 494 570
TS/179/2017	32 534 906
Profesional fees DKG	13 459 915
Inyoni Housing Bulk Sewer	267 860
TS/240/2023	29 789 372
KwaDakuza - Industrial Sewer Pump Station - Floods	101 069
Macambini Water Supply - Phase Phase 5A	11 292 274
Macambini Water Supply Phase 5 - Phase 5 D	4 999 774
Macambini Water Supply Phase 5C	3 851 831
Macambini Water Supply Phase 5C	19 096 242
Manda Farm Water Borne Sanitation Project	434 474
Mandafarm Housing Bulk Sewer	713 655
Mandeni LM (Ward2 - Ohwebede/Tugela mouth/ Mhlubulweni, 4 Fouisa farm/Sphekephekeni/Padianagar/Ehholo eblokisini Ezinsimbini, 12 Indlondlo/Esangweni elincane, 16 Nyoni/Manzamnyama/zavutha)	6 483 948
TS/233/2023	14 809 495
Maphumulo Town Bulk Sewer	9 300 813
Masibambisane Regional Water Suppy	33 223 826
TS/236/2023	2 058 116
TS/237/2023	8 546 880
Mechanical Screen replacement	1 327 454
Ndulinde Phase 1Ml & 3.5Ml Reservoirs	9 569 955

7. Property, plant and equipment (continued)

TS/222/2021	28 213 320
New Borehole- kz293	2 612 451
New Boreholes - District wise	3 065 563
Ntunjambili Bulk Water Supply Scheme	13 835 076
PROFESSIONAL FEES - TS 184- 2017/TS 197/205/206-2019	10 928 715
PUMP REPLACEMENT	6 533 307
reburbishment of reticulation - Sonkombo	8 758 933
Reprioritization: Ngcebo Pumps Upgrade	8 369 311
Reservoirs: WOSIYANE EXTENSION	11 070 163
Reservoirs:Offtake 13A - Ingelmere Estate Helmsley Mursia Cane Reservoir	10 849 128
Southern Regional BLK - Pipeline	9 357 014
Southern Regional BLK - Pump station	29 684 247
Southern Regional BLK wtr-Sew - Phase 2A	35 754 230
TELEMETRY SYSTEM (MC650 / 37 0 111)	1 593 378
Umvoti Electrical supply to water pump stations	674 412
Umvoti Electrical supply to water pump stations	567 660
Upgrade of Frasers WWTW	6 637 936
Urgent Rudimentary Water Supply Intervenion in IDM -Ph 1 bor	6 746 325
Waste Water Treatment Works: SUNDUMBILI WASTE WATER UPGRADE	6 736 377
Wosiyane Water Scheme Rehabilitation	902 241
TS/94/2013	22 846 927
Waste Water Treatment Works: Kwadukuza	3 779 564
Waste Water Treatment Works: Lindelani	18 766 899
Umvoti water Works Refurbishment	1 768 622
	596 857 983

Delayed Projects	
	-
Profesional fees DNPC consulting (Resevoir offtake 13)	

Notes to the Annual Financial Statements

7. Property, plant and equipment (continued)

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.	10 849 128
Profesional fees Zimane consulting (Manda farm waterborne sanitation)	
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 no movement from our side as we relying on Mandeni to move ahead of us.	434 474
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.	11 070 161
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.	6 736 374
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 generator which was part of mitigating the impact of load shedding, and has already been installed and it is functional.	1 242 072
Waste Water Treatment Works: Kwadukuza	

7. Property, plant and equipment (continued)

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 heavly polluted and cannot take anymore effluent. The recommendation of the study was that measures to improve the condition of the river are investigated by all role players with specific mention of the owners and tenants of buildings in the Stanger Industrial Complex and the SAPPI Mill to manage point sources of contamination. In addition, that iLembe District Municipality will need to improve management of the existing sewage reticulation system, particularly in the vicinity of the Mawetheni, Charlotteville and the general KwaDukuza area as well as the Stanger Central District. All the activities above are outside of the project scope and that's why the project had to be halted to clear the WUL huddle. iLembe has embarked on a bulk sewer main replacement project to attend to the pollution from our side and we also embarked on a catchment study for the river system through our Planning department. Once this huddle is elliminated we will be able to finalize the preliminary design and then move to detail design.	3 779 564
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.	18 766 899
TS/94/2013 (Ndwedwe town development)	
Project is delayed due to funding	22 846 927
TS/182/2017(Southern regional BLK wtr-Sew)	

7. Property, plant and equipment (continued)

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. 35 754 230

TS/209/2017(Nallah Crescent Pump Station)

7. Property, plant and equipment (continued)

Upon site visit to the pump station, it was noted that the pump station was not operational as it is unable to pump sewage to Darnall Wastewater treatment works. This is due to the sewer pipeline from the sewer pump station to the wastewater treatment works being flooded at the Hullete bridge in Ward 2 during the April Floods in 2022. The pipeline is still to be repaired. The sewer Pump Station inlet is leaking and is causing sewer spillage/seepage adjacent to the pump station building, the chamber is flooded, the yard needs to be maintained and the pump station building has been vandalised. Sludge is currently being Honey sucked and transported to the Wastewater treatment works. Nallah Cresent Sewer Pump Station therefore cannot be capitalised and added to the FAR as it has not been handed over to operation and maintenance and is therefore not being maintained. The site was initially visited on 31/03/2023 and was still under construction and could not be accessed as the premises were locked.	23 472 759
Telemetry sytem Under remedial work.	1 593 378
Construction of bulk pipeline at Ngcebo / Kwadukuza Zone G Project on hold due until UW completes the upgrades of the Maphumulo WW	3 283 804
MAQHUMBI CWSS ZONE A B D & E P Project on hold due until UW completes the upgrades of the Maphumulo WW.	255 770
Masibambisane Water Supply Refurbishment Project on hold due until UW completes the upgrades of the Maphumulo WW	33 223 826
	173 309 366

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land	3 092 908	-	-	5 212 000	-	-	-	**8 304 908**
Transport Assets	37 568 379	-	(228 546)	-	-	(13 946 516)	-	**23 393 317**
Infrastructure-water and sewer	2 742 864 434	263 098 082	(1 647 672)	172 027 124	(171 424 275)	(107 729 508)	-	**2 897 188 185**
Machinery and Equipment	2 718 683	686 490	(19 387)	-	-	(614 839)	(95 703)	**2 675 244**
Furniture and Office Equipment	1 650 978	-	(8 877)	-	-	(207 240)	(24)	**1 434 837**
Computer Equipment	7 179 469	3 113 294	(312 093)	-	-	(2 986 774)	-	**6 993 896**
Other Assets	20 980 055	-	-	-	-	(1 171 558)	-	**19 808 497**
Total	**2 816 054 906**	**266 897 866**	**(2 216 575)**	**177 239 124**	**(171 424 275)**	**(126 656 435)**	**(95 727)**	**2 959 798 884**

7. Property, plant and equipment (continued)

7.2 Repairs and maintenance per asset classification

2024

The following maintenance costs were incurred:

	Infrastructure assets	Buildings	Intangible assets	Transport assets	Other assets	Total
Repairs and maintenance	74 699 141	1 663 117	6 021 574	40 020 262	1 419 376	123 823 470

2023

The following maintenance costs were incurred:

	Infrastructure assets	Buildings	Intangible Assets	Transport assets	Other assets	Total
Repairs and maintenance	60 927 477	738 957	7 955 662	42 384 504	436 669	112 443 269

7. Property, plant and equipment (continued)

7.3 Asset under construction/Work-in-progress reconciliation

Work-in-progress projects are disclosed under infrastructure,water and sewer

Work-in-progress reconciliation		
Opening Balance	552 964 335	461 290 528
Acquisitions	177 625 807	263 098 082
Transfers Made	(124 249 510)	(171 424 275)
Impairment	(9 482 649)	-
	596 857 983	**552 964 335**

8. Heritage assets

8.1 Reconciliation of carrying value

2024

	Other assets	Total
Opening carrying value as at 01 July 2023		
Cost	205 578	205 578
Cost	205 578	205 578

2023

	Other assets	Total
Opening carrying value as at 01 July 2022		
Cost	205 578	205 578
Cost	205 578	205 578

9. Intangible assets

9.1 Reconciliation of carrying value

2024

		Computer software	Patents, trademarks etc.	Total
Opening carrying value as at 01 July 2023				
Cost		(525 724)	15 387 743	14 862 019
Accumulated depreciation and impairment		(3 476 150)	(5 675 961)	(9 152 111)
		(4 001 874)	**9 711 782**	**5 709 908**
Amortisation	31	(740 103)	(1 011 536)	(1 751 639)
Other changes		(654)	-	(654)
Closing carrying value as at 30 June 2024		**(4 742 631)**	**8 700 246**	**3 957 615**
Cost		(525 724)	15 387 743	14 862 019
Accumulated amortisation and impairment		(4 216 907)	(6 687 497)	(10 904 404)
		(4 742 631)	**8 700 246**	**3 957 615**

2023

		Computer software	Patents, trademarks etc.	Total
Opening carrying value as at 01 July 2022				
Cost		15 162 024	7 693 872	22 855 896
Accumulated depreciation and impairment		(9 683 445)	(4 667 189)	(14 350 634)
		5 478 579	**3 026 683**	**8 505 262**
Additions from transfer of functions / mergers		(7 326 561)	7 693 872	367 311
Amortisation	31	(1 934 986)	-	(1 934 986)
		(9 261 547)	**7 693 872**	**(1 567 675)**
Carrying value of disposals / transfers				
Cost		(8 361 187)	-	(8 361 187)
Accumulated depreciation and impairment		8 132 491	-	8 132 491
		(228 696)	**-**	**(228 696)**
Other changes		9 791	(1 008 772)	(998 981)
Closing carrying value as at 30 June 2023		**(4 001 873)**	**9 711 783**	**5 709 910**
Cost		(525 724)	15 387 744	14 862 020
Accumulated amortisation and impairment		(3 476 149)	(5 675 961)	(9 152 110)
		(4 001 873)	**9 711 783**	**5 709 910**

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of financial performance (see note 31).

The amortisation method and useful life of intangible assets is set out in the accounting policy note of intangible assets.

10. Current portion of finance Lease liability

Finance lease liabilities	-	1 828 426

Building		2024	2023
10. Current portion of finance Lease liability (continued)			
Less: Transferred to current liabilities		-	(1 828 426)
Total non-current liabilities		-	-

10.1 Carrying value of current current portion of finance lease liability

2024

	Opening balance	Withdrawals	Total
Carrying value as at 30 June 2024			
Current portion of Finance lease liabilities	1 828 425	(1 828 426)	**(1)**

2023

	Opening balance	Deposits	Withdrawals	Total
Carrying value as at 30 June 2023				
Current portion of Finance lease liabilities	12 456 067	49 048 050	(59 675 691)	**1 828 426**

10.2 Obligation under operating leases

At the reporting date the municipality has 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 Annivessary of the contract.

	2024	2023
Operating Lease - Leasee		
Within one year	2 642 958	3 034 935
In the second to fifth year inclusive	-	2 883 227
	2 642 958	**5 918 162**

11. Borrowings

Total borrowings

	2024	2023
Annuity and Bullet Loans	7 189 888	6 586 931
Bankers Acceptance Certificate	7 858 026	15 047 914
Derivative Financial Liability	(47 498)	1
Short-term Borrowings	47 498	2 141 856
Sub-total	**15 047 914**	**23 776 702**
Less: Current portion transferred to current liabilities	(7 237 387)	(8 728 788)
Total non-current borrowings	**7 810 527**	**15 047 914**

12. Employee benefits

		2024	2023
Non-current employee benefits			
Long-service awards	12.2	17 207 000	15 984 546

12. Employee benefits (continued)

Current employee benefits			
Leave		-	(1)
Long-service awards	12.2	2 933 000	1 269 460
		2 933 000	**1 269 459**
Total		**20 140 000**	**17 254 005**

12.1 Post employment health care benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by ZAQ Consultants and Actuaries . The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding Method.

The Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

The liability in respect of past service has been estimated as follow:

12.1.1 Defined benefit plan

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Rates of interest

Financial Variables	Assumed Value 30-06-2024 (Current Valuation)	Assumed Value at 30-06-2023 (Preceding Valuation
Discount Rate	Yield Curve	10.86%
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	5.46%
Normal Salary Increase Rate	Equal to CPI+1%	6.46%
Net Effective Discount Rate	Yield Curve Based	4.13%

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

- 'The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.'
- The Actuaries used the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. For example, a liability which
  pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

12. Employee benefits (continued)

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the A (90) ultimate mortality tables.

Normal retirement age

The normal retirement age for all active employees was assumed to be 65 years. This assumption implicitly allows for ill-health and early retirements. The qverage retirement age for all active employees was assumed to be 63 years.

12.2 Long-service awards

12.2.1 Provision for long-service awards

Movements in the present value of the defined benefit obligation		
Opening Balance	17 254 006	18 093 813
Additional provisions raised	7 494 696	4 346 404
Reductions (Payments, remeasurement etc.)	(4 608 702)	(5 186 211)
Closing balance	**20 140 000**	**17 254 006**
Current	2 933 000	1 269 460
Non-current	17 207 000	15 984 546

Long-service award

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 5 years of continuous service and every 10 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by One Pangaea expertise & solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 2024 (2023:) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rate	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	Difference between nominal and yield curve
Normal salary increase rate CPI+1	CPI+1%	CPI+1%
Net effective discount rate	Yield curve base	Yield curve base

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities.

12. Employee benefits (continued)

The municipality has applied for a 5.4% salary increase exemption from the SALGBC for 2024. This has been factored in with the calculation of the liability.

Amounts recognised in the statement of financial position

The amounts recognised in the statement of financial position are as follow for the movement in present value obigation:

		2024	2023
Balance at beggining of the year		17 254 006	18 093 813
Current Service cost		1 197 056	1 192 254
Interest cost		1 804 853	1 884 690
Benefit Payment		(1 472 581)	(1 461 049)
Actuarial Loss / (Gain)		1 356 666	(2 455 702)
Total benefit liability		**20 140 000**	**17 254 006**

The amounts recognised in the Statement of Financial Position were determined as being present value of the obligation			
Present value obligation		20 140 000	17 254 006

The timing of th employee benefit is as follows:			
Current portion employee benefits		6 959 303	1 269 460
Employee benefit obligation		13 180 697	15 984 546
		20 140 000	**17 254 006**

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Current service cost		1 197 056	1 192 254
Interest cost		1 804 853	1 884 690
Actuarial losses / (gains) recognised		1 356 666	(2 455 702)
Total expense included in employee related costs	29	**4 358 575**	**621 242**

The municipality expects to make a contribution of R20 140 000 to the Defined Benefit Plan during the next financial year.

13. Consumer deposits

Sewer		121 989	121 989
Water		6 044 067	5 932 141
Total		**6 166 056**	**6 054 130**

Deposits are released on termination of the contract or when the contractual services are delivered.

14. Trade and other payables from exchange transactions

Bulk purchases	14.1	28 866 563	23 526 549
Contractors	14.2	13 400 946	14 735 409
Employee benefits	14.3	32 121 178	25 986 690
Other payables	14.4	60 503 395	28 785 463
Trade payables and Accruals	14.5	132 946 781	66 104 663
Vat		8 316 861	(2 728 631)
Total		**276 155 724**	**156 410 146**

14. Trade and other payables from exchange transactions (continued)

Current	276 155 724	156 410 146

14.1 Bulk purchases

Bulk water	28 866 563	23 526 549

14.2 Contractors

Retentions	13 400 946	14 735 409

Included in this amount of R13 400 946 is the retention amount of R5 013 695 for Umshwathi water supply projects which has been realised as construction revenu.

14.3 Employee benefits

Bonus	8 948 501	7 808 460
Leave accrual	23 172 677	18 178 230
Total	**32 121 178**	**25 986 690**

14.4 Other payables

Other creditors	13 379 729	11 660 209
Operating lease	953 684	1 001 017
PAYE deductions	(824 545)	(1 050 111)
Advance payments	46 994 527	17 174 348
Total	**60 503 395**	**28 785 463**

Included in this amount of R46 994 527 received in advance for Umshwathi water supply project to the amount of R28 504 489 which has been realised and disclosed as construction contracts.

14.5 Trade payables and Accruals

Payables and accruals	130 155 970	66 276 946
Intercompany/parent-subsidiary transactions	2 790 811	(172 283)
Total	**132 946 781**	**66 104 663**

14.6 Vat

VAT Control (Payable)	(8 945 525)	(8 945 525)
VAT credit: Output accrual	109 138 830	83 633 793
Output VAT	38 187 682	35 742 487
Output VAT: Provision for doubtful debt impairment	(130 064 126)	(113 159 386)
	8 316 861	**(2 728 631)**

15. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent

		2024					2023				
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital											
Monetary Allocations	15.1	21 332 948	235 184 710	(191 098 133)	-	**65 419 525**	23 672 323	298 360 123	(287 413 512)	-	**34 618 934**
Operational											
Monetary Allocations	15.2	24 424 341	71 694 863	(82 858 888)	(3 013)	**13 257 303**	13 059 545	73 175 664	(75 091 343)	(5 511)	**11 138 355**
Total		**45 757 289**	**306 879 573**	**(273 957 021)**	**(3 013)**	**78 676 828**	**36 731 868**	**371 535 787**	**(362 504 855)**	**(5 511)**	**45 757 289**

15.1 Unspent capital monetary allocations

	2024				2023			
	Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
National Government								
Local Government Financial Management Grant	-	109 998	(109 998)	**-**	-	-	-	**-**
Municipal Disaster Recovery Grant	1 263 014	-	(101 069)	**1 161 945**	-	14 549 000	-	**14 549 000**
Municipal Disaster Response Grant	-	-	-	**-**	12 273 420	-	(12 273 420)	**-**
Municipal Infrastructure Grant	-	158 000 000	(115 836 273)	**42 163 727**	(520 417)	187 811 123	(187 290 706)	**-**
Water Services Infrastructure Grant	9 544 518	74 578 712	(65 035 534)	**19 087 696**	(4 239 642)	80 000 000	(66 215 840)	**9 544 518**
Total	**10 807 532**	**232 688 710**	**(181 082 874)**	**62 413 368**	**7 513 361**	**282 360 123**	**(265 779 966)**	**24 093 518**
Provincial Government								
KwaZulu-Natal	10 525 416	2 496 000	(10 015 259)	**3 006 157**	16 158 962	16 000 000	(21 633 546)	**10 525 416**
Total unspent capital monetary allocations	**21 332 948**	**235 184 710**	**(191 098 133)**	**65 419 525**	**23 672 323**	**298 360 123**	**(287 413 512)**	**34 618 934**

15. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

15.2 Unspent operational monetary allocations

	2024					2023				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Departmental Agencies and Accounts										
National departmental agencies - LG SETA	-	798 573	(798 573)	-	**-**	-	624 265	(624 265)	-	**-**
National Government										
Energy Efficiency and Demand Side Management Grant	-	-	-	-	**-**	5 511	-	-	(5 511)	**-**
Expanded Public Works Programme Integrated Grant	-	3 840 000	(3 840 000)	-	**-**	-	5 439 000	(5 439 000)	-	**-**
Local Government Financial Management Grant	-	890 002	(890 002)	-	**-**	-	1 000 000	(1 000 000)	-	**-**
Municipal Disaster Recovery Grant	13 285 986	-	(14 447 931)	-	**(1 161 945)**	-	-	-	-	**-**
Municipal Disaster Response Grant	3 013	-	-	(3 013)	**-**	7 249 580	-	(7 246 567)	-	**3 013**
Municipal Infrastructure Grant	-	58 306 000	(52 456 097)	-	**5 849 903**	520 417	33 663 877	(34 184 294)	-	**-**
Rural Road Asset Management Systems Grant	722 425	2 439 000	(3 160 960)	-	**465**	-	3 080 000	(2 357 575)	-	**722 425**
Water Services Infrastructure Grant	-	5 421 288	(5 421 288)	-	**-**	4 239 642	20 000 000	(24 239 642)	-	**-**

Notes to the Annual Financial Statements

15. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

Total	**14 011 424**	**70 896 290**	**(80 216 278)**	**(3 013)**	**4 688 423**	**12 015 150**	**63 182 877**	**(74 467 078)**	**(5 511)**	**725 438**
Provincial Government										
KwaZulu-Natal	10 412 917	-	(1 844 037)	-	**8 568 880**	1 044 395	9 368 522	-	-	**10 412 917**
Total unspent operational monetary allocations	**24 424 341**	**71 694 863**	**(82 858 888)**	**(3 013)**	**13 257 303**	**13 059 545**	**73 175 664**	**(75 091 343)**	**(5 511)**	**11 138 355**

Notes to the Annual Financial Statements

Building	2024	2023

16. Accumulated surplus / (deficit)

Opening Balance	3 311 801 864	3 085 391 107
Transfers to/from operating revenue and expenditur	750	6 575 653
Total	**3 311 802 614**	**3 091 966 760**

Refer to the Statement of Changes in Net Assets for more detail and the movement on Accumulated surplus.

17. Services charges

Waste water management		
Exchange – Consumption	79 978 566	63 416 012
Water management		
Exchange – Consumption	282 485 439	248 166 875
Total	**362 464 005**	**311 582 887**
Exchange	362 464 005	311 582 887

The prior year comparatives have been restated, please refer to note 42 for more detail information.

Waste Water Management		
Mothly Billing	81 004 799	64 239 194
Revenue Forgone - Free Basic Services	(1 031 263)	(823 182)
	79 973 536	**63 416 012**

Water Management		
Mothly Billing	288 130 820	251 296 085
Revenue Forgone - Free Basic Services	(2 652 494)	(3 129 210)
	285 478 326	**248 166 875**

Revenue Forgone- Free basic services		
Waste Water Management	(1 031 263)	(823 182)
Water Management	(2 652 494)	(3 129 210)
	(3 683 757)	**(3 952 392)**

18. Sales of goods and rendering of services

Clearance Certificates	2 938 243	3 303 304
Construction Contract Revenue	53 751 525	11 703 337
Sale of Goods	432 809	281 644
Total	**57 122 577**	**15 288 285**

An amount of R53 751 525 is for Umshwathi water supply phase 5 project, that is constructed by iLembe Disctrict Municipality on behalf of Umngeni water through signed memorundum of agreement. This project does not the requirements of assets hence that is why it is disclosed as construction contract revenue. It should then be noted that there is no surplus realised in this financial statement as the amount for exenditure isequivalent to revenue.

Notes to the Annual Financial Statements

Building		2024	2023

19. Interests on investments

Bank accounts		6 236 897	5 582 102
Short-term investments and call accounts		35 572 431	18 045 498
Total		**41 809 328**	**23 627 600**

20. Interest earned from receivables

Exchange receivables		97 483 226	62 210 086

21. Dividends

External investment		35 000 000	19 000 000

22. Fines, penalties and forfeits

Fines	22.1	153 178	538 339
Penalties	22.2	-	1 371
Total		**153 178**	**539 710**

22.1 Fines

Other fines			
Illegal connections		153 178	538 339

22.2 Penalties

Disconnection fees		-	1 371

23. Licences or permits

Non-exchange revenue	23.1	32 511	8 223

23.1 Licenses and permits - Non-exchange revenue

Threatened and protected species		32 511	8 223

24. Agency services

Siza Water - Concession Area		2 277 108	2 135 600

25. Transfers and subsidies - Revenue

Operational			
Monetary allocations	25.1	826 555 727	756 040 343
Capital			
Allocations in-kind	25.2	3 676 500	5 814 850
Monetary allocations	25.3	191 113 293	287 413 512
Total transfers and subsidies: Capital		**194 789 793**	**293 228 362**
Total		**1 021 345 520**	**1 049 268 705**

Building		2024	2023

25. Transfers and subsidies - Revenue (continued)

25.1 Monetary allocations: Operational

	2024	2023
Departmental agencies and accounts	798 573	624 265
National governments	80 201 118	74 467 078
National revenue fund	743 711 999	680 949 000
Provincial government	1 844 037	-
Total	**826 555 727**	**756 040 343**

25.2 Allocations in-kind: Capital

	2024	2023
District municipalities	-	5 212 000
Provincial government	-	602 850
Public corporations	3 676 500	-
Total	**3 676 500**	**5 814 850**

25.3 Monetary allocations: Capital

	2024	2023
National government	181 098 034	265 779 966
Provincial governments	10 015 259	21 633 546
Total	**191 113 293**	**287 413 512**

26. Public Contributions and Donations

The following goods where received in-kind by iLembe District Municipality during the year by way of bequests, gifts and/or donations:

	2024	2023
Land	-	5 212 000
Transport	3 676 500	-
Donation - COGTA Jojo Tanks	-	602 850
	3 676 500	**5 814 850**

27. Operational revenue

	2024	2023
Administrative Handling Fees	461 663	3 282 746
Bad Debts Recovered	32 145	-
Breakages and Losses Recovered	850	-
Commission	270 713	278 681
Insurance Refund	2 826 209	-
Sale of Property	-	3 990
Development Charges	507 807	964 140
Total	**4 099 387**	**4 529 557**

28. Gain and (Loss)

		2024	2023
Gains/(losses) on disposals	28.1	(3 061 679)	(2 816 865)
Fair value adjustment	28.3	(1 356 666)	-
Gains/(losses) on discontinued operations and disposals of non-current assets		(110 007 510)	(105 196 931)
Gains/(losses) on foreign exchange		47 499	(572 213)
Increase/(decrease) to net-realisable value of inventory		(5 042 815)	-
Total		**(119 421 171)**	**(108 586 009)**

Building	2024	2023

28. Gain and (Loss) (continued)

28.1 Gains/(losses) on disposals

Property, plant and equipment	(3 061 679)	(2 816 865)
Total	**(3 061 679)**	**(2 816 865)**

28.2 Fair value adjustment

Actuarial Assessments	(1 356 666)	2 455 702

28.3 Losses on inventory

Decrease in net-realisable value	5 042 815	-
Water losses	110 007 510	105 196 931
Total	**115 050 325**	**105 196 931**

28.4

29. Employee related cost

Senior management	29.1	7 296 282	3 919 598
Municipal staff	29.2	259 649 497	237 033 401
Total		**266 945 779**	**240 952 999**

29.1 Senior management costs

2024

	Municipal manager	Chief financial officer	Technical Services	Corporate Services	Community Services	Total
Basic salary	2 049 475	813 116	2 226 244	105 102	979 415	6 173 352
Bonuses	88 789	55 152	74 617	-	55 142	273 700
Service-related benefits	50 661	48 408	13 802	7 960	-	120 831
Allowances	139 883	275 523	192 045	-	35 340	642 791
Bargaining council	137	125	137	-	114	513
Pension	-	-	68 481	3 200	-	71 681
Unemployment insurance	2 125	2 303	2 125	-	1 771	8 324
Less: Costs capitalised	-	-	5 090	-	-	5 090
	2 331 070	**1 194 627**	**2 582 541**	**116 262**	**1 071 782**	**7 296 282**

2023

	Municipal manager	Chief financial officer	Technical Services	Corporate Services	Community Service	Total
Basic salary	1 012 310	865 223	857 072	317 416	173 722	3 225 743
Bonuses	64 213	49 315	50 843	16 948	-	181 319
Service-related benefits	16 319	1 954	6 590	8 386	6 280	39 529
Allowances	66 140	31 503	147 395	99 971	-	345 009
Bargaining council	76	76	130	43	-	325
Pension	15 221	-	63 748	35 015	-	113 984
Unemployment insurance	1 771	1 771	2 125	1 063	177	6 907
Less: Costs capitalised	-	-	6 782	-	-	6 782
	1 176 050	**949 842**	**1 134 685**	**478 842**	**180 179**	**3 919 598**

29. Employee related cost (continued)

The post for Senior Manager Corporate Service was vacant in the whole reporting year. Recruitment process has unfold towards end of financial year and finalised in the new financial year 2024/2025. The Municipality has appointed Manager: Human Resources (date: 01 July 2023 to 30 November 2023) and Manager: Expenditure Management (date: 01 December 2023 to 30 June 2024) to act in this post.

The amounts disclosed as Bonuses represent provision made in respect of performance bonuses accrued. Payment of performance bonuses for the Municipal Manager and Managers directly accountable to the Municipal Manager is dependent on the performance assessments that are conducted in line with the Council approved performance management framework and is linked to their employment contracts. These bonuses only become payable once the assessment process is complete and audited.

29.2 Municipal staff costs

	2024	2023
Basic salary	156 321 020	154 852 786
Service-related benefits	46 972 246	29 368 282
Allowances	16 512 461	16 259 669
Bargaining council	82 797	74 969
Medical	13 523 762	12 305 747
Pension	24 968 382	22 932 737
Unemployment insurance	1 268 829	1 239 211
Total	**259 649 497**	**237 033 401**

There were no advances to employees.

30. Remuneration of councillors

		2024	2023
Executive Mayor/Mayor	30.1	1 207 709	1 163 284
Chief whip	30.2	528 849	520 574
Speaker	30.3	980 634	948 292
Deputy executive mayor	30.4	975 242	931 586
Executive committee	30.5	3 103 023	2 990 802
Section 79 committee chairperson	30.6	888 385	-
All other councillors	30.7	3 059 787	3 959 433
Total		**10 743 629**	**10 513 971**

30.1 Executive Mayor/Mayor

	2024	2023
Allowances and service related benefits		
Basic salary	713 842	691 830
Cell phone allowance	45 600	43 200
Market related non-pensionable allowance	343 834	331 110
	1 103 276	**1 066 140**
Social contributions		
Pension fund contributions	104 433	97 144
Total	**1 207 709**	**1 163 284**

Building	2024	2023

30. Remuneration of councillors (continued)

30.2 Chief whip

	2024	2023
Allowances and service related benefits		
Travelling allowance	83 580	82 111
Market related non-pensionable allowance	6 913	7 294
Basic salary	344 029	338 901
Cell phone allowance	45 600	43 200
	480 122	**471 506**
Social contributions		
Pension fund contributions	48 727	49 068
Total	**528 849**	**520 574**

30.3 Speaker

	2024	2023
Allowances and service related benefits		
Basic salary	713 210	686 582
Cell phone allowance	45 600	43 200
Market related non-pensionable allowance	30 162	30 214
Travelling allowance	191 662	188 296
	980 634	**948 292**

30.4 Deputy executive mayor

	2024	2023
Allowances and service related benefits		
Basic salary	658 972	631 403
Cell phone allowance	45 600	43 200
Market related non-pensionable allowance	173 227	168 122
Travelling allowance	-	(1 945)
	877 799	**840 780**
Social contributions		
Pension fund contributions	97 443	90 806
Total	**975 242**	**931 586**

30.5 Executive committee

	2024	2023
Allowances and service related benefits		
Basic salary	2 833 288	2 092 066
Cell phone allowance	180 200	172 348
Market related non-pensionable allowance	-	621 527
Travelling allowance	-	(1 696)
	3 013 488	**2 884 245**
Social contributions		
Pension fund contributions	89 535	106 557
Total	**3 103 023**	**2 990 802**

Notes to the Annual Financial Statements

30. Remuneration of councillors (continued)

30.6 Section 79 committee chairperson

		2024	2023
Allowances and service related benefits			
Basic salary		754 602	-
Cell phone allowance		49 000	-
		803 602	**-**
Social contributions			
Pension fund contributions		84 783	-
Total		**888 385**	**-**

30.7 All other councillors

		2024	2023
Allowances and service related benefits			
Basic salary		2 136 074	2 927 249
Cell phone allowance		213 000	264 000
Market related non-pensionable allowance		370 009	445 825
Office-bearer allowance		-	(8 718)
Travelling allowance		166 011	90 064
		2 885 094	**3 718 420**
Social contributions			
Pension fund contributions		174 693	241 013
Total		**3 059 787**	**3 959 433**

In kind benefits

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 Protectors, and Speaker has 1 full-time Protector and 1 full-time Protector.

31. Depreciation and amortisation

		2024	2023
Amortisation			
Intangible assets	9.1	1 752 293	1 934 986
Depreciation			
Property, plant and equipment		121 792 182	125 746 040
Total		**123 544 475**	**127 681 026**

32. Impairment loss / (reversal) of impairment

		2024	2023
Property, plant and equipment		9 485 003	95 727

33. Debts impairment

		2024	2023
Trade and other receivables from exchange transactions	3	112 631 600	275 587 435

34. Interest, dividends and rent on land

Interest	34.1	3 464 088	5 939 661

34.1 Interest cost

Financial liabilities	10.1		
• Annuity loans		1 545 927	2 123 798
• Derivative financial liability		-	993 001
Finance leases		60 271	930 520
Long service awards		1 804 853	1 884 690
Overdue accounts	14.4	53 037	7 652
Total		**3 464 088**	**5 939 661**

35. Inventory consumed

Consumables	7 148	9 729
Materials and supplies	14 057 881	12 181 697
Water	157 543 046	122 071 875
Total	**171 608 075**	**134 263 301**

36. Bulk purchases

36.1 Water losses

Real losses: Leakage and overflows at storage tanks/reservoirs	110 007 510	105 196 931

	2024		2023	
	ML	Amount	ML	Amount
Balance of units at beginining of the year	305 622	1 974 008	259 144	1 512 294
Units purchased	37 562 304	262 165 312	35 550 090	227 712 886
Units sold	(22 903 383)	(159 757 468)	(19 069 896)	(122 071 875)
Data management errors	(8 507)	(59 340)	46 478	297 518
Balance not sold at year end	(297 115)	(2 072 459)	(305 622)	(1 956 374)
Total loss	**14 658 921**	**102 250 053**	**16 480 194**	**105 494 449**
Comprising of:				
Technical losses	10 407 834	26 083 151	12 313 667	78 828 621
Non-technical losses	4 251 087	10 653 681	4 120 049	26 368 310
Total	**14 658 921**	**36 736 832**	**16 433 716**	**105 196 931**
Percentage loss:				
Technical losses	28.00 %	- %	34.77 %	- %
Non-technical losses	11.00 %	- %	11.58 %	- %
Total	**39.00 %**	**- %**	**46.35 %**	**- %**

36. Bulk purchases (continued)

Reasons for the losses

Losses occured because of the following reasons:
- The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. .

The water losses per the annual financial statements take into account water that was metered but not billed. Whereas the Annual performance report shows an actual technical water loss of 39.00% (2023: 46.35%, as unbilled metered water is not taken into account.

Action taken

The municipality has taken the following actions to mitigate against the reoccurrence of such losses:
- A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

37. Contracted services

Consultants and professional services	37.1	26 456 583	30 121 779
Contractors	37.2	175 188 856	160 743 881
Outsourced services	37.3	143 280 345	65 373 495
Total		**344 925 784**	**256 239 155**

37.1 Consultants and professional services

Business advisory services		
Audit committee	244 986	276 367
Business and financial management	6 024 646	970 037
Commissions and committees	3 124 776	821 186
Medical examinations	112 580	147 600
Project management	294 344	-
Research and advisory	4 368 654	364 280
Total business advisory services	**14 169 986**	**2 579 470**
Laboratory services		
Water	2 829 870	2 453 367
Legal services		
Legal advice and litigation	2 057 998	1 928 729
Engineering services		
Civil engineering	7 398 729	23 160 213
Total consultants and professional services	**26 456 583**	**30 121 779**

Building		2024	2023

37. Contracted services (continued)

37.2 Contractors

General services			
Artists and performers		150 000	15 725
Catering services		2 216 909	1 530 125
Electrical		42 461 838	23 796 665
Employee wellness		4 030	-
Fire services		280 877	-
First aid		464	-
Medical services		13 707	-
Safeguard and security		27 939 669	35 990 625
Sewerage services		45 909 486	32 527 690
Sports and recreation		1 252 672	673 862
Stage and sound crew		8 902	3 500
Total general services		**120 238 554**	**94 538 192**
Maintenance services			
Maintenance of buildings and facilities		1 663 117	738 957
Maintenance of equipment		2 259 571	3 687 185
Maintenance of unspecified assets		41 066 762	49 585 076
Total maintenance service		**44 989 450**	**54 011 218**
Trading services			
Prepaid water vendors		9 960 852	12 194 471
Total contractor		**175 188 856**	**160 743 881**

37.3 Outsourced services

Business and advisory services			
Accounting and Auditing		42 293	84 000
Human Resources		75 246	24 207
Research and Advisory		1 730 199	-
Total business and advisory services		**1 847 738**	**108 207**
General services			
Call Centre		3 462 347	2 004 497
Catering Services		-	2 614
Cleaning Services		323 366	277 203
Clearing and Grass Cutting Services		13 108 093	15 785 952
Hygiene Services		943 688	571 141
Internal Auditors		102 392	-
Medical Services [Medical Health Services & Suppor		-	5 773
Sewerage Services		4 989 895	5 019 871
Water Takers		118 502 826	41 598 237
Total general services		**141 432 607**	**65 265 288**
Total outsourced services		**143 280 345**	**65 373 495**

38. Transfers and subsidies - Expenditure

Operational			
Monetary allocations	38.1	40 905 605	38 289 958

Notes to the Annual Financial Statements

Building	2024	2023

38. Transfers and subsidies - Expenditure (continued)

38.1 Monetary allocations: Operational

Households	586 280	-
Municipal Entities	40 319 325	38 289 958
Total	**40 905 605**	**38 289 958**

39. Operational Cost

Achievements and Awards	23 352	16 100
Advertising, Publicity and Marketing	3 139 589	2 405 847
Bank Charges, Facility and Card Fees	(3 783 951)	37 431 892
Bursaries (Employees)	621 212	-
Cleaning Services	32 888	5 616
Commission	419 296	1 383 146
Communication	2 906 634	1 534 642
External Audit Fees	4 204 694	3 983 697
External Computer Service	3 788 461	10 255 371
Hire Charges	18 894 961	18 867 441
Indigent Relief	13 257 874	9 586 726
Insurance Underwriting	7 727 610	6 648 804
Learnerships and Internships	1 881 790	723 499
Levies Paid - Water Resource Management Charges	2 214 421	4 174 205
Licences	454 258	676 765
Management Fee	53 751 525	11 703 336
Municipal Services	38 261 190	38 018 936
Office Decorations	14 750	-
Printing, Publications and Books	88 312	330 200
Professional Bodies, Membership and Subscription	6 904 408	3 085 864
Registration Fees	70 943	378 688
Remuneration to Ward Committees	26 478	88 197
Resettlement Cost	25 983	114 717
Skills Development Fund Levy	2 421 692	2 273 778
Transport Provided as Part of Departmental Activit	1 592 400	566 000
Travel Agency and Visa's	729 625	463 440
Travel and Subsistence	2 661 002	4 180 848
Uniform and Protective Clothing	4 683 549	3 972 233
Wet Fuel	19 208 351	-
Workmen's Compensation Fund	2 763 235	1 202 525
Total	**188 986 532**	**164 072 513**

An amount of R53 751 525 is for Umshwathi water supply phase 5 project, that is constructed by iLembe Disctrict Municipality on behalf of Umngeni water through signed memorundum of agreement. This project does not the requirements of assets hence that is why it is disclosed as management fee. It should then be noted that there is no surplus realised in this financial statement as the amount for exenditure isequivalent to revenue.

40. Operating leases

Machinery and Equipment	3 755 521	3 466 751
Other Assets	257 883	199 487
Transport Assets	(1)	-
Total	**4 013 403**	**3 666 238**

41. Net cash from/(used) operating activities

	2024	2023
Surplus for the year	219 835 095	124 758 362
Adjustments for:		
Depreciation and amortisation	123 544 475	127 681 026
(Gains) / Losses on disposal of assets	3 061 679	2 816 865
Interest paid (finance activities)	1 606 199	4 047 319
Foreign exchange	(47 500)	-
Impairment loss	9 485 003	95 727
Sale of Assets	-	(260 081)
Publc Donations and Contributions	-	(5 814 850)
Long Services	2 885 995	(839 808)
Movement in working capital		
(Increase) / Decrease in inventory	592 329	(1 397 578)
(Increase) / Decrease in receivables from exchange transactions	(152 281 285)	141 706 213
(Increase) / Decrease in non current receivables	399 306	(244 209)
Increase / (Decrease) in trade and other payables	127 423 831	(3 179 214)
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	32 919 539	9 025 424
Increase / (Decrease) in other current liabilities	111 926	139 036
Net cash flows from operating activities	**369 536 592**	**398 534 232**

42. Prior year error and reclassification

The municipality has changed its template in preparing the annual financial statements this financial year in accordance with the prescripts issued by National Treasury. In doing so multiple naming conventions has changed and consequently reclassifactions have been passed in terms of GRAP 1 para 49. No other reclassifications took place in the current financial year.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has been in compliance with the mSCOA ever since adoption but this year it also voluntarily adopted to partially implement the NT mSCOA AFS Template, which aligns the item segment as per mSCOA to the AFS of a municipality. This did not result in the municipality changing any accounting policies, accounting estimates or the correction of prior period errors but did give rise to a process of reclassification and re-naming of items in the financial statements in terms of mSCOA item classification, as per the NT mSCOA Template. The reclassification of 2023 audited amounts is summaries in the reclassification column below.

The following restatements and adjustments occurred which are set out below:

Notes to the Annual Financial Statements

42. Prior year error and reclassification (continued)

42.1 Adjustments of Statement of financial position items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	281 504 897	(500)	(19 631 493)	261 872 904
Trade and other receivables from exchange transactions	3	102 170 011	31 473	(342 389)	101 859 095
Inventories	4	12 105 992	2	-	12 105 994
		395 780 900	**30 975**	**(19 973 882)**	**375 837 993**
Non-current assets					
Property, plant and equipment	7	2 959 799 026	-	(142)	2 959 798 884
Intangible assets	9	5 709 909	1	-	5 709 910
Heritage assets	8	205 578	-	-	205 578
Interest in other entities	6	100	-	-	100
Non-current receivables	5	1 494 993	-	-	1 494 993
		2 967 209 606	**1**	**(142)**	**2 967 209 465**
Total assets		**3 362 990 506**	**30 976**	**(19 974 024)**	**3 343 047 458**
Net assets and liabilities					
Current liabilities					
Consumer deposits	13	6 054 130	-	-	6 054 130
Payables from exchange transactions	14	182 843 213	(6 459 356)	(19 973 711)	156 410 146
Payables from non-exchange transactions	15	45 757 289	-	-	45 757 289
Borrowings	11	8 728 788	-	-	8 728 788
Lease liabilities		1 828 426	-	-	1 828 426
Employee benefits	12	1 269 459	-	-	1 269 459
		246 481 305	**(6 459 356)**	**(19 973 711)**	**220 048 238**
Non-current liabilities					
Borrowings	11	15 047 914	-	-	15 047 914
Employee benefits	12	15 984 546	-	-	15 984 546
		31 032 460	**-**	**-**	**31 032 460**
Total net assets					
Accumulated surplus	16	3 085 476 738	6 490 022	-	3 091 966 760
Total net assets and liabilities		**3 362 990 503**	**30 666**	**(19 973 711)**	**3 343 047 458**

Notes to the Annual Financial Statements

42. Prior year error and reclassification (continued)

42.2 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Licences or permits	23	8 223	-	-	8 223
Transfers and subsidies	25	1 043 453 855	-	5 814 850	1 049 268 705
Fines, penalties and forfeits	22	539 710	-	-	539 710
Gains	28	2 455 702	-	-	2 455 702
Public Contributions and Donations		5 814 850	-	(5 814 850)	-
		1 052 272 340	**-**	**-**	**1 052 272 340**
Exchange revenue					
Services charges - Water	17	248 165 785	1 090	-	248 166 875
Services charges - Waste water management	17	63 416 012	-	-	63 416 012
Interest on investments	19	23 627 600	-	-	23 627 600
Interest on receivables	20	62 210 086	-	-	62 210 086
Dividends	21	19 000 000	-	-	19 000 000
Agency services	24	2 135 600	-	-	2 135 600
Operational revenue	27	19 817 842	-	(15 288 285)	4 529 557
Sales of goods and rendering of services	18	-	-	15 288 285	15 288 285
		438 372 925	**1 090**	**-**	**438 374 015**
Total revenue		**1 490 645 265**	**1 090**	**-**	**1 490 646 355**
Expenditure					
Employee related cost	29	(242 837 692)	-	1 884 693	(240 952 999)
Contracted services	37	(256 037 659)	(201 496)	-	(256 239 155)
Depreciation and amortisation	31	(127 681 026)	-	-	(127 681 026)
Impairment	32	(95 727)	-	-	(95 727)
Debts impairment	33	(275 587 435)	-	-	(275 587 435)
Transfers and subsidies	38	(38 289 958)	-	-	(38 289 958)
Finance costs	34	(4 047 319)	-	(1 892 342)	(5 939 661)
Inventory consumed	35	(134 263 301)	-	-	(134 263 301)
Remuneration of councillors	30	(10 513 971)	-	-	(10 513 971)
Operating leases	40	-	-	(3 666 238)	(3 666 238)
Operational Cost	39	(167 746 393)	-	3 673 880	(164 072 513)
Inventories Loss	28	(105 196 931)	-	-	(105 196 931)
Loss on sale of assets		(2 816 865)	-	-	(2 816 865)
Forex Loss		(572 213)	-	-	(572 213)
Total expenditure		**(1 365 686 490)**	**(201 496)**	**(7)**	**(1 365 887 993)**

42.3 Correction of errors

The following prior period errors adjustments occurred:

Notes to the Annual Financial Statements

42. Prior year error and reclassification (continued)

Trade & Other Receivables from exchange transactions

Trade and Other receivables from exchange receivables.
Vat Input Accrual previously reported as R32 309 930. Currently reporting include an amout of R30 224 for accrued invoice raised under acruals and payables for water tanker invoice. .
An error raised on new connection amount to R1 251 which is reported under revenue from exchange transaction..

Trade and Other receivables from exchange receivable		
Vat Input Accrual	-	30 224
Trade Services Consumer service debtors	-	1 251
	-	**31 475**

Cash & Cash Equivalent

Cash and Cash Equivalent FNB Call Account deposit interest were only captured in the cashbook but not allocated and posted in the general ledger as ta 30 June 2021. Upon allocated them, and updated, the short term call account deposit has changed and been adjusted accordingly as a result of a correction of error.

Cash & Cash Equivalent		
Bank account not closed in the Cash book	-	(500)

Trade and Other Payables from exchange transaction

Payables from exchange transactions

The following are the errors that occured in the reported audited annual financial statements and corrected in the current reporting. Accrual of invoices raised in relation to water tankers invoices. Other Creditors & Vat output which were incorrectly reported in the audited annual financial statements which are corrected in this current reporting.

Trade and other payables		
Accruals raised	-	(231 718)
Other Creditors	-	(5 108 771)
Vat Output	-	5 457 590
Automated accruals reversed	-	(6 576 453)
	-	**(6 459 352)**

Service charges - Water

Service charges - Water

An error raised on new connection account amount to R1 090.00 which was previously omitted which has been correctly recorded in this current reporting.

Services Charges		
Service Charges - new connection	-	1 090

Notes to the Annual Financial Statements

42. Prior year error and reclassification (continued)

Contracted Services

Contracted Services

Invoices received in the current Financial year for the work done in previous year.

Contracted Services		
Water Tankering	-	201 496

Employee Related Cost- Disclosure note

An error has made on audited annual financial statement as at June 2023 on note separation of Senior management total and Municipal staff total where by Senior management was supposed to be R3 9 19 598 as per senior managers breakdown of their employee related cost, whereas municipal staff was supposed to R R237 033 401. This has been corrected in this current financial reporting under note 29.

Employee related cost - Note 27 Audited & Note 29 unaudited		
Senior Management Previously	-	2 785 797
Senior Management Current	-	3 919 598
Municipal Staff Previously	-	240 051 896
Municipal Staff	-	237 033 401

42. Prior year error and reclassification (continued)

42.4 Reclassification

The following reclassifications adjustment occurred due to change of reporting tool in the preparation of financial statements from excel document to caseware reporting system, the municipality was using bank statement balance in the face of statement of financial position cash and cash equivalent currently reporting the cash book balance.

Cash & Cash Equivalent

Cash and Cash Equivalents

An amount of R19 631 492 is due to the fact that previous financial statements that were prepared using the bank statement balances after taking into account reconciling items as appear in the bank reconciliations. In this current finanncial statements the reconciling items are noted on note 2 and note 13 (in previous annual financial statement) as differences between bank statement balances and cash book balances. the breakdown of these amounts are discussed below under Trade and other receivables and also in Trade and other payables refenced " Reconciling items".

Reconciling items as per bank reconciliations

Nature of reclassification		
Cash and Cash equivalent balance at the begging of the year	-	(281 504 897)
Trade and other receivables from exchange transactions - Reconciling items (see below)	-	(342 389)
Trade and other payables from exchange transactions - Reconciling items (see below)	-	19 973 712
	-	**(261 873 574)**

Trade and Other Receivables from exchange transactions

These were the reconciling items for direct deposits and outstanding deposits made.

Nature of reclassification		
Reconciling items as per bank reconciliations - Direct Deposits	-	4 756 721
Reconciling items as per bank reconciliations- Outstanding Deposits	-	(5 099 110)
	-	**(342 389)**

Trade and Other Payables from exchange transactions

Change in reporting tool for financial statements from excel to Caseware system. Provision which was previously reported under Other creditors within Payables from exchange in the face of the statement of financial position and currently disclosed separately in face of the statement of financial position.

Nature of reclassification		
Recociling items as per bank reconciliations	-	(16 304 432)
Reconciling item Municipal Entity	-	(3 669 280)
	-	**(19 973 712)**

Statement of Financial Performance Revenue

Notes to the Annual Financial Statements

42. Prior year error and reclassification (continued)

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Sale of goods and rendering of services has been reclassified from operational revenue to be disclosed separately in the face of statement of financial performance.

Public Contributions and Donations were reclassified to Transfers and subsidies in the face of Statement of Financial Performance, hence in the note has been disclosed within the note for Transfers and Subsidies.

Nature of reclassification		
Sale of goods and rendering of service	-	15 288 285
Operational Revenue	-	(15 288 285)
Transfers and Subsidies	-	5 814 850
Public Contributions and Donations	-	(5 814 850)
	-	-

Statement of Financial Performance Expenditure

Employee related costs Long Service Interest cost R1 884 694 to Interest cost

In the audited Annual Financial Statement- Statement of Financial Performance Expenditure Finance Cost has been changed to Interest Cost currently amount to R5 939 661 after the reclassification of the following:

Long Service Interest cost R1 884 694 reclassified from from Employee related cost to Interest cost
Interest on overdue accounts R7 648 from Operational Cost to Interest Cost

Operational Lease R3 666 238 has been reclassified to be reported separately from Operational Cost in the face of Financial Performance.

Nature of reclassification		
Employee related cost	-	1 884 690
Interest cost	-	(1 892 342)
Operational Cost	-	3 673 880
Operational leases	-	(3 666 228)
	-	-

Cash Flow Statement

The following was reclassified in the statement of Cash Flow in line with their nature of activities when they occured.

Interest on receivables was previosuly reported to other income which has been reclassified to sale of goods and services as per nature.

Interest paid has been splitted to their nature of activities whereby an interest incurred on borrowings has been reclassified to Financing Activities however this is disclosed in the face of the cash statement.

Cash Flow Activities		
Interest on receivables- added to sale of goods and services	-	62 210 086
Retention - added to purchase of PPE	-	2 552 923
Interest Paid - added to Finance activities	-	5 149 753

Notes to the Annual Financial Statements

43. Contingent liabilities

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	5 079 680
Ms Patience Winnie Ntombela - Delictual Claim for Damages 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;	320 000	320 000
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	131 050

Notes to the Annual Financial Statements

43. Contingent liabilities (continued)

KZN Department of Co-operative Governanace and Traditional Affairs - Breach of Contract - Contractual Damages	-	300 000

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.

Unfair Dismisal Dispute	1 525 283	-

Ae former employee of the Municipality has referred an unfair dismissal dispute to the South African Local Government Bargaining Council following his dismissal for acts of serious misconduct. The employee concerned 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

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.

Notes to the Annual Financial Statements

43. Contingent liabilities (continued)

Claim by a former employee for reinstatement of post-retiremement medical aid benefits in terms of the LRA and Transfer of Staff to Municipalities Act	1	-

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.

Notes to the Annual Financial Statements

44. Related party disclosures

44.1 Related party transactions

Expenditure		
Dr EN Ngcobo	43 932	68 814
Dr 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.		
Grant funding from the parent iLembe District Municipality to Enterprise iLembe	40 319 325	38 289 958
Shared Services - Contributions by local municipalities towards the development planning shared services	-	3 275 845
	40 363 257	**41 634 617**

44.2 Related party balances

Controlled entities

Members of key management are Section 57 managers
Controlled Municipal Entity is the Ilembe District Municipality has a 100%)holding in Ilembe Development Enterprise (Pty) Ltd.

Payables		
Amount owed to Ilembe Enterprise included in Trade payables and accruals	2 797 711	3 497 171

Related party transactions		
Grant funding from the parent iLembe District Municipality to Enterprise iLembe	40 319 325	38 289 958

Shared Services

Revenue		
Contributions by local municipalities towards the development planning shared services	-	3 275 845

This balance is the for the contributions made by municipality. The District Municipality together with Local Municipalities had agreed on absorbing the employees who were working under shared service and terminate this service in this current reporting year.

Notes to the Annual Financial Statements

45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

PAYE and UIF

Opening balance	3 262 842	3 203 314
Current year payroll deductions	40 260 021	41 176 498
Amoount paid - current year	(35 586 286)	(37 913 656)
Amount paid - previos years	(3 262 934)	(3 203 314)
	4 673 643	**3 262 842**

The balance represents PAYE and UIF deducted in May 2024 payroll. This amount was paid in June 2024.

Pension and Medical Aid Deductions

Opening balance	3 086 288	2 702 105
Current year payroll deductions and Council Contributions	62 737 317	59 178 587
Amount paid - current year	(59 588 303)	(56 092 299)
Amount paid - previous years	(3 086 288)	(2 702 105)
	3 149 014	**3 086 288**

The balance represents Pension & Medical aid deducted in May 2024 payroll. These amounts are paid in June 2024 except for Medical Aid and Retirement Annuity which were paid in the month of deduction which is June 2024.

Audit fees

External Audit Fees	4 204 694	3 983 697
Amount paid - current year	(4 204 694)	(3 983 697)
	-	-

Councillors in arrears

Heading		
Councillor Sing K	409	1 337
Councillor Ngcobo CM	35 793	26 945
Councillor Ngwane ZP	7 299	5 260
Councillor Cele SSPP	2 121	2 176
Councillor Mkhaliphi MC	176 260	-
	221 882	**35 718**

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.

Contributions to organised local government

Amount paid to organised local government	3 349 348	2 938 582

Notes to the Annual Financial Statements

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

in days		
Number of days unpaid creditors at 30 June	52 days	40 days
Average number of days unpaid creditors during the year	44 days	31 days
Value of creditors not paid within 30 days during the year	R18 290 573	R6 475 571
Percentage of creditors paid within 30 days	98%	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 44 days to pay creditor invoices during 2023/24 financial year compared to 31 days in 2022/23. In terms of the number of days calculated at year end, 52 days was reported at 30 June 2024 compared to 40 days in June 2023.

  Whilst there has been noticeable improvement over time with regards to the efficieny of paying creditors timeously, there appears to have been a regression which is mainly attributable to the lack of efficiencies in terms of the flow of invoices within the Municipality's internal processes and systems as opposed to cash flow challenges.

  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. To this end, the Municipality is implementing an automated solution that will assist in tracking the flow of creditors invoices within the Municipality's system. It is anticipated that the implementation of this solution will be completed during February / March 2025.

46. Material Losses / Reversal

Asset Impairment (Losses) / Reversal

The current year impairment is a result heavy rainfall which resulted in severe flooding and landslides damaging houses and infrastructure took place in the KwaZulu-Natal in 11 to 13 April 2022. A National State of Disaster was declared in response to the floods and landslides. An amount of R95 727 relates to prior year was as a result of ageing infrastructure.	(9 485 003)	(95 727)

Debt Impairment (Losses) / Reversal

Irrecoverable debt	5 276 601	7 110 790

“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 2023/24 financial period, except the write-off in relation to Rand-for-Rand campaign 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.

Notes to the Annual Financial Statements

46. Material Losses / Reversal (continued)

47. Forex

Total Forex Liability as at 30 June	-	2 141 856
Forex Gain/ (Losses)	47 499	(572 213)

Foreign exchange fluctuations	Foreign exchange gains	Foreign exchange losses	Column heading	Column heading	Net Gain / Losses
This relates to the recognition of gains and losses realised from and incurred through foreign exchange transactions as a result of currency fluctuations over the duration of the agreement. Gains realised has fouvarable impact in that it reduces Forex Liability whilst losses incurred increases Forex liability.	178 140	(130 641)	-	-	47 499

48. Umngeni water Capital Unit Charge

-Opening balance	-	29 168 077
- Payments	-	(30 161 078)
- Other adjustments (Fair Value/ Interest)	-	993 001
	-	-

49. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

Deviation	9 064 371	43 315 833

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

50. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for:		
Infrastructure	580 471 033	296 258 823

Expenditure of R673 283 671 (2024), R296 258823 (2023) is funded through grants. All capital commitments include VAT.

51. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 3 311 802 614 and that the municipality's total liabilities exceed its assets by R 3 311 802 614.

Notes to the Annual Financial Statements

51. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

52. Financial instruments

52.1 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality‘s interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the municipality invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

The municipality’s maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Cash and cash equivalents	373 048 870	261 872 904
Gross Finance Lease Obligation	-	1 828 426
Borrowings	15 047 914	23 776 702
Consumer debtors	1 106 832 642	834 627 196

52.2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The 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.
Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality’s main banker to cater for any unexpected temporary shortfall in operating funds.

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.

Notes to the Annual Financial Statements

52. (continued)

30 June 2024

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Borrowings	7 237 387	7 810 527	263 517 803	278 565 717
Trade and other payables	354 832 552	-	-	354 832 552
Employee Benefit Obligation	2 933 000	17 207 000	-	20 140 000
	365 002 939	**25 017 527**	**263 517 803**	**653 538 269**

30 June 2023

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Gross finance lease obligations	1 828 426	-	1 828 426
Borrowings	6 586 931	15 047 915	21 634 846
Trade and other payables	202 167 438	-	202 167 438
Employee Benefit Obligation	1 269 460	15 984 546	17 254 006
	211 852 255	**31 032 461**	**242 884 716**

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

52.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality manages credit risk in its borrowing and investing activities by only dealing with wellestablished financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality’s credit control and debt collection policy. The municipality’s credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note to the annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Long-term receivables	5	1 095 688	1 494 993
Trade and other receivables from exchange transactions	3	1 106 832 642	834 627 176
Maximum credit and interest risk exposure		**1 107 928 330**	**836 122 169**

Notes to the Annual Financial Statements

52. (continued)

Ageing of Consumer Debtors		
Current (0 - 30 days)	48 325 657	34 883 770
31 - 60 Days	39 267 592	27 590 829
61 - 90 days	31 293 441	23 664 983
91 - 120 days	28 722 557	21 385 109
121 days	28 797 735	22 753 009
120+ days	930 425 660	704 349 496
	1 106 832 642	**834 627 196**
Less: Provision for Doubtfull debt		
Impairment	(908 070 745)	(784 246 478)
	198 761 897	**50 380 718**
Cash and cash equivalents	373 048 870	261 872 904

53. Reconciliation between Budget and Cashflow statement

	Operating	Financing	Investing	Total
Heading				
Amount as present in the budget statement	342 042 000	(8 752 000)	(480 396 000)	(147 106 000)
Actual amount as presented in the cashflow statement	369 536 621	(14 348 526)	(244 012 100)	111 175 995
Basis Difference	(27 494 621)	5 596 526	(236 383 900)	(258 281 995)
	684 083 992	**(17 503 936)**	**(960 791 951)**	**(294 212 000)**
Variance percentage				-

54. Living resources

54.1 Non-living resources

The Municipality has the following Non-Living Resources:

Boreholes:
Maqumbi Borehole F1
Maqumbi RES I Borehole
Maqumbi RES T Borehole
Maqumbi RES A (G2) Otimati
Thafamasi BH
Ekwazini res
Ndukwende BH
Mxhosa Borehole
Mdlalose Borehole
Amatikulu Borehole
Ethembeni Water Supply Scheme
Glendale Water Supply Scheme
Hlanganani Water Supply Scheme
Lambothi Borehole
Ngididi Borehole
Thafamasi Borehole

Notes to the Annual Financial Statements

54. Living resources (continued)

Spring Protection: Ndulinde near Bhengu store -Ward 6.(old)
Mhlubulweni near Dube or N2 freeway- Ward.(new)
Mangethe near Mpanza – Ward 9.(new)
Magundaneni near Dlamuka-Ward11.(old)
Sithebe near Ngema – Ward 11.(old)
Ethembeni near Mkhize –11.(old)
Mangethe Emangeza – Ward3.(old)
Enembe emhlangeni near Ndwandwe –Ward5.(old)
Enembe emhlangeni near Gumede – Ward 5
Emagundaneni near Maphatha store – Ward 11. (old)

55. Unauthorised, irregular, fruitless and wasteful expenditure

55.1 Unauthorised expenditure

Opening balance as previously reported	14 746 808	14 746 808

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.

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

Action/s taken

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

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

- At a Council meeting that took place on the 30th of October 2020, Council considered MPAC Recommendations and, in its wisdom, opted and resolved to refer the matter to the newly formed Disciplinary Board of iLembe District Municipality to undertake the required further investigation.

- At 30 June 2024, the matter therefore is currently being investigated by the Municipal Disciplinary Board..

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

55.2 Irregular expenditure

Opening balance as previously reported	155 877 648	149 530 201
Add: Irregular expenditure - current	-	6 347 447
Less: Amounts written-off – prior period	(6 639 226)	-
Closing balance	**149 238 422**	**155 877 648**

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.

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

- At a Council meeting that took place on the 30th of October 2020, Council considered MPAC Recommendations and, in its wisdom, opted and resolved to refer the matter to the newly formed Disciplinary Board of iLembe District Municipality to undertake the required further investigation.

- As at 30 June 2024, this matter was still under investigation by the Municipal Disciplinary Board.

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

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.

- 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.

- As at 30 June 2024, this matter was still under investigation by the Municipal Disciplinary Bord.

Incident	Disciplinary steps/criminal proceedings

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

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.	- 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. - In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the irregular expenditure arrising out of release of retention monies paid due to Lihlenathi Property Construction amounting to R6 639 225.92 as irrecoverable and approved that it be written off. The effect of this Council decision will be considered in the 2023/24 annual financial statements.	-	1

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Isidingo Security- 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. The appeal court case lodged by Isidingo Security Services was hear by the Durban High Court in July 2021	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	-	1

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

and the judgement was handed down in April 2022 in favour of the Municipality. Subsequent the hidgh court judgement of April 2022, the Municipality proceeded to terminate the month to month contract with Isidingo Security Services and started the bid processes for the replacement contract.

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.

- The matter was reported to Council during 2021/22 financial year. With regards to expenditure incurred during the year in question, Council resolved to refer this to MPAC to conduct the necessary investigations and

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

	advise Council on the most appropriate actions to take on the matter thereon. - As at 30 June 2024, this matter was still under investigation by the MPAC.		
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.	- 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.	-	5 426 215
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.	- 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.	-	64 992

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

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.	- 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.	-	47 500
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.	- 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.	-	53 650
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.	- 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.	-	755 090
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.	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.	-	1
Total		**-**	**6 347 450**

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

55.3 Fruitless and wasteful expenditure

Opening balance as previously reported	11 753 371	4 375 888
Add: Fruitless and wasteful expenditure – current	-	7 377 483
Less: Amounts written-off – prior period	(11 753 371)	-
Closing balance	**-**	**11 753 371**

Incident	Disciplinary steps/criminal proceedings

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

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.	- 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 Council that the fruitless and wasteful expenditure on Contract Number TS/100/2013 (First Works Pty Ltd) amounting to R4 375 887.50 be certified as irrecoverable and written off by Council. - In terms of Council Resolution C1031, Council considered MPAC	(4 375 888)	4 375 888

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

recommendations and certified the fruitless and wasteful expenditure on Contract Number TS/100/2013 (First Works Pty Ltd) amounting to R4 375 887.50 as irrecoverable and approved that it be written off. The effect of this Council decision will be considered in the 2023/24 annual financial statements.

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

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.	- 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 Number TS/180/2017 (Icon Construction Pty Ltd) amounting to R4 625 403.99 be certified as irrecoverable and written off by Council. - In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the fruitless and wasteful expenditure on Contract Number TS/180/2017 (Icon Construction Pty Ltd) amounting to R4 625 403.99 as irrecoverable and approved that it be written off. The effect of this Council decision will be considered in the 2023/24 annual financial statements	(4 625 404)	4 625 404

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

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.	- 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. - In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the fruitless and wasteful expenditure on Contract Numbers TS/175/2017 & TS/180/2017 (Icon Construction Pty Ltd) amounting to R1 282 377.43 as irrecoverable and approved that it be written off. The effect of this Council decision will be considered in the 2023/24 annual financial statements.	(1 282 377)	1 282 377

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Bosch Munitech (PTY) LTD had been appointed by the Municipality in 2015 to implement the Maphumulo/KwaDukuza Regional Water Supply Schemen project (otherwise referred to as the Maphumulo/KwaDukuza RWSS Zone A). Towards the completion of the project, Bosch Munitech claimed for quantities which were more than what was quantified in the bill of quantities (BOQ). As per the arguments advanced by the contractor for such a claim was the fact that there were some changes on the pipe routes and access routes to the reservoirs which formed part of the scope of the project implementation. The Municipality disputed the reasons advanced by the contractor and instead pointed out its disatisfaction on the overall quality of work performed by Bosch Munitech. During the time of releasing contractor's retention, there was no more budget available for honoring the retention payment since the contractor had exhausted all funds budgeted for this project including additional funds for the approved 20% Variation Order (VO). 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 Bosch Munitech. At the date of reporting, the cummulative claims owed and paid to Bosch Munitec under the Contract TS/49/2015 amounted to R1 469 702.93 inclusive of interest on late payments and sheriff fees.	- 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. - In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the fruitless and wasteful expenditure on Contract Numbers TS/175/2017 & TS/180/2017 (Icon Construction Pty Ltd) amounting to R1 282 377.43 as irrecoverable and approved that it be written off. The effect of this Council decision will be considered in the 2023/24 annual financial statements.	(1 469 703)	1 469 703

Notes to the Annual Financial Statements

55. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Total	**(11 753 372)**	**11 753 372**

56. Subsequent Events -Non-adjusting events after the reporting date

On the 12th of July 2024, the Municipality was served with Court Papers in the form of Combined Summons wherein The High Court of South Africa, KwaZulu Natal Division, Pietermaritzburg ("the Court") notified Siza Water (RF) Proprietary Limited (Siza Water), iLembe District Municipality and the Minister of Water and Sanitation (as First, Second and Third Defendants respectively) that Umngeni-uThukela Water approached the Court to institute a legal action demanding payment of a sum of **R127 730 015.87** as due and payable to Umngeni-uThukela Water.

The Municipality is sighted as a Second Defendant on the matter based on the fact that it is a related party to Siza Water in that the latter has a 30-year concession contract with the Municipality to supply water in the Southern East part of iLembe District per the agreement signed with the Dolphin Coast Transitional Authority (from whom the function of water provision was transferred to the District Municipality) in 1999. The entity is run independently from the Municipality, is a registered private company with a separate board of directors and is run as an independent juristic person.

In the agreement between Umngeni-uThukela Water and Siza Water for the supply of bulk water, Dolphin Coast Transitional Authority stood as surety and with the transfer of powers and functions, the iLembe District Municipality subsequently assumed the responsibility of suretyship, meaning that, should Siza Water fail to honor the debt in respect of the purchase of bulk water, the Municipality becomes a co-principal debtor.

Without the intention of making any commitments to any third parties, Management is of the view that due to significance of this matter, it has to be reported as part of non-adjusting events after the reporting date.

iLembe District Municipality
Appendix A
Schedule of external loans as at 30 June 2024

External Loans	Interest Rate %	Loan Number	Redeemable Date	Balance at 30 June 2023 Rand	Received during the period Rand	Interest Paid during the period Rand	Redeemed/ written off during the period Rand	Balance at 30 June 2024 Rand
Annuity and other loans								
Development Bank of Southern Africa (DBSA)	10.800 %		31/12/2025	21 634 846	-	(1 835 385)	4 751 546	15 047 915
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
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				21 634 846	**-**	**(1 835 385)**	**4 751 546**	**15 047 915**