



**Nkangala District Municipality**  
**Annual Financial Statements**  
**for the year ended 30 June 2023**

Audited  
By

2023 -11- 30

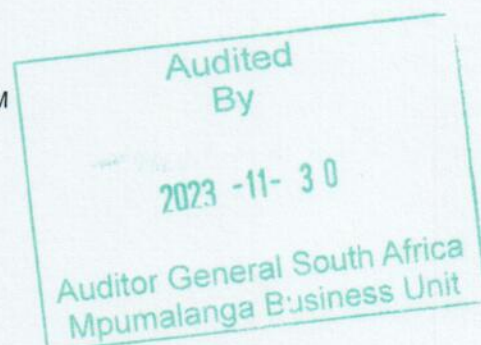
Auditor General South Africa  
Mpumalanga Business Unit

# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

Executive mayor	Mabuza LM (01/07/2022-23/06/2023)
Speaker	Ngwenya TD (26/06/2023-Current) Ndinisa SL (01/07/2022-21/06/2023)
Council Whip	Boshomane KJ
MMC Finance, Risk and Audit	Makhabane EN
MMC Technical Services	Makwiting TJ
MMC Social Services	Mahlangu DP
MMC Corporate Services	Pookgoadi KT
MMC Development and Planning Unit	Mathebula TT
MMC Local Economic Development	Mahlangu L
MPAC Chairperson	Mthimunya GT
Section 79 Chairpersons	Moseri PP Zondo LJN Maja SR Matlaila BJ Banda EM Mampuru DS Masombuka AB Makoala VD Botha AA Sibanyoni JM Makola LM Mbonani ND Masombuka NZ Sebesho E Moolman L (01/07/2022-16/08/2022) Mtsweni SN Mhlanga KP Ngubeni PN Ditshego K Rankapole MM Ngwenya TD (01/07/2022-26/06/2023) Skosana SI Moela WN Koko GS Mabena DM Dzondzi L Morokolo ME Phahlamswari DM Bhamjee M Van Dayk WA Masilela PM Mogola SM Klopper DD Mathunyane ST Dikgale LJ Seswike SC Dlamini BN Nhlapho SR
Councillors	





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## **General Information**

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# Nkangala District Municipality

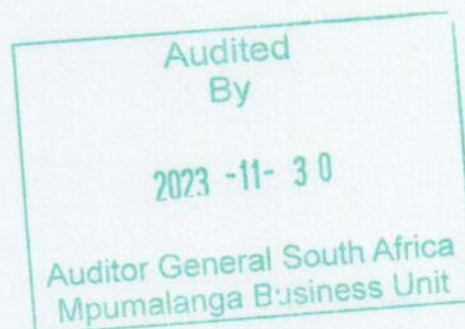
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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
mSCOA	Municipal Standard Chart of Accounts
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
MPAC	Municipal Public Accounts Committee
SALGA	The South African Local Government Association
AC	Audit Committee
EPWP	Expanded Public Works Programme
COVID-19	Corona Virus Disease
DWS	The Department of Water and Sanitation
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund





# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Report of the Chief Financial Officer

### INTRODUCTION

The financial objective of the district municipality is to secure sound and sustainable management of the financial affairs of the district municipality and to assist the six local municipalities to be financially viable.

Critical functional areas for the district municipality amongst others include improvement of audit outcomes, effective financial management, fully functional internal audit units and audit committees, high vacancy rate in key positions, declining growth in the Regional Services Council Replacement Grant, increase in operational expenditure, which negatively impacts on the allocations to local municipalities.

Issue 3 of the IDP relates to financial viability and includes projects that contributed to the financial viability of the district and local municipalities.

The District has finalised and prepared the annual financial statements for 2022/23 on version 6.6 from 6.5 of mSCOA for the 2021/22 financial year.

As we were slowly recovering from the COVID 19 pandemic impact on the municipality's operations, the notice issued by National Treasury that deemed the PPPFA 2017 regulations invalid had a huge impact on the procurement of the municipality also affecting the implementation of projects for service delivery.

### REVIEW OF OPERATING RESULTS

The 2022/23 budget of the Nkangala District Municipality was approved by Council as follows:

MTREF 2022/23	25 May 2022	DM-ND 438/05/2022
Roll-over 2022/23	31 Aug 2022	DM-ND 069/08/2022
Adjustment budget 2022/23	22 Feb 2023	DM-Nd 315/02/2023
Special Adjustment Budget 2022/23	31 May 2022	DM-ND 457/05/2023

Herewith is commentary on the financial results.

### REVENUE

The total revenue of the district increased with 67.76% from R431,584 million (2021/22) to R724,027 million (2022/23) and indicate a positive outcome over the R718,840 million budgeted for the 2022/23 financial year.

Revenue from exchange transactions increased with 74.13% from R20,136 million (2021/22) to R35,062 (2022/23), whilst the revenue from non-exchange transactions increased with 67.45% from R411,448 million (2021/22) to R688,964 (2022/23) of which the major portions is from government grants and subsidies, and the increase is mainly from the increased grants received from Department of Water and Sanitation. The district is highly dependent on the RSC Replacement Grant that shows a deterioration growth rate year on year, however indicative allocations published in Division of Revenue Act (DORA) point to a very small increase in the RSC Levy Replacement Grant.

The outlook for the next financial year is that the total revenue will increase compared to the year under review.

### TRANSFERS AND SUBSIDIES

Transfers and subsidies increased by 67.01% from R410,210 million (2021/22) to R685,096 million (2022/23). Transfers and Subsidies include conditional and non-conditional grants, donations or subsidies to the District and amongst others include the RSC Levy Replacement grant, the Equitable Share, Municipal System Improvement Grant, Finance Management Grant, the Expanded Public Works Programme Incentive Grant and Department of Water & Sanitation grants. All conditional grants have been spent 100% and has been recognised as revenue in 2022/23. According to the accounting policies only the portion that has been expensed and meets the conditions of the conditional grant is recognized as revenue.

### INTEREST, DIVIDENDS AND RENT ON LAND

The District earned interest, which increased by 27.75% from R19,586 million (2021/22) to R25,021 million (2022/23). This decrease is attributed to the slowdown of the economy and lower interest rates offered by financial banks. The District realised 116.48% of budgeted amount for 2022/23 and the variance is due to that more interest revenue was received than anticipated during the budget process.

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# Nkangala District Municipality

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## Report of the Chief Financial Officer

Contracted services increased by 34.66% from R49,569 million (2021/22) to R66,749 million (2022/23). Actual contracted services are 92.59% of the budgeted contracted cost, due increase in allocated contracts for the year and as the municipality recovered for the effect of the notice issued by National Treasury rendering the PPPFA 2017 regulations invalid and halting all procurement in the 2021/22 financial year.

### REMUNERATION OF COUNCILLORS

Payments made to councillors are in terms of the legislation on remuneration of public office bearers.

Actual councillor allowance costs increased by 12.55 % from R15,087 million (2021/22) to R16,981 million (2022/23). Actual councillor allowance costs are 90.17% of the budgeted remuneration of councillors, due to the % increase that realised on the determination of upper limits.

### DEPRECIATION/ AMORTISATION

Depreciation/amortisation is charged on Property, Plant & Equipment/intangibles at rates determined in the accounting policies and asset useful lives are reviewed annually.

Actual depreciation/amortisation costs increased by 1.24% from R17,231 million (2021/22) to R17,444 million (2022/23). The increase is mainly due to the additions to the property, plant and equipment at the District. Actual depreciation/amortisation costs are 95.36% of the budgeted depreciation/amortisation cost, and is dependent on the acquisition of new assets for the District.

### INVENTORY CONSUMED

Actual inventory consumed costs decreased by 25.24% from R3,766 million (2021/22) to R2,815 million (2022/23). The decrease is mainly due to the decline of sanitisers and protective clothing to deal with the COVID 19 pandemic. Actual inventory consumed costs are 70.31% of the budgeted amount, due to the less than anticipated inventory consumed as the COVID 19 pandemic normalised.

### INTEREST, DIVIDEND AND RENT ON LAND PAID

The District only realised interest paid on the Financial leases for office equipment.

The District only realised interest paid on the Financial leases for office equipment.

Actual interest costs decreased by 34.99 % from R0,194 million (2021/22) to R0,126 million (2022/23), the decrease is due to repayment of the lease. Actual interest costs are 53.60% the budgeted amount due to less payment as anticipated during the budget process.

### GAINS AND LOSSES

The District only realised a small loss on the disposal of fixed and intangible assets, whilst an actuarial gain was realised of R4,405 million for (2022/23), which increase from the small loss of R0,070 million (2021/22) financial year. The actuarial gain was due to increases in net discount rates, lower inflationary increases than anticipated and changes to membership.

### OPERATING LEASES

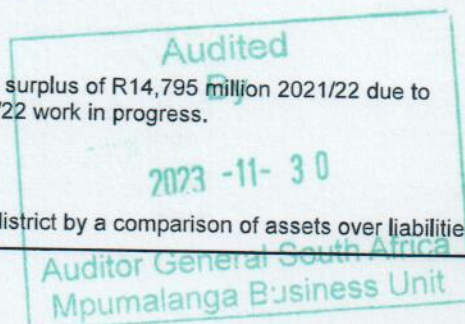
Actual operating leases costs remained stable from R3,453 million (2021/22) to R3,453 million (2022/23). Actual operating lease costs are 77.88% of the budgeted amount, due to repayment of the lease.

### SURPLUS/DEFICIT

The district realised a deficit of R67,766 million for 2022/23 compared to the surplus of R14,795 million 2021/22 due to increased implementation of projects and the completed projects from 2021/22 work in progress.

### FINANCIAL POSITION

The Statement of Financial position represents the financial strength of the district by a comparison of assets over liabilities.





# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Report of the Chief Financial Officer

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## CONCLUSION

Good governance, sound financial management and financial viability remain critical success factors for the district.

## ACKNOWLEDGEMENT

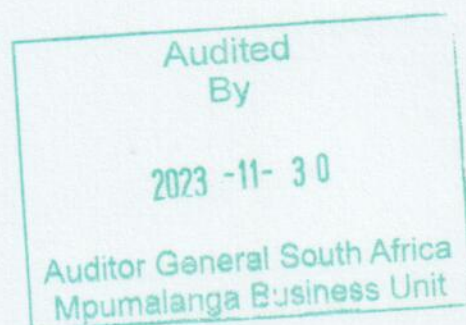
I would like to extend my appreciation to the Honourable Executive Mayor, Mayoral Committee, Councillors, Audit Committee, Risk Committee and Municipal Public Accounts Committee for strategic direction and leadership demonstrated during the financial year.

The guidance and vision of the Municipal Manager and Heads of Departments are acknowledged with gratitude. A special word of appreciation is extended to all my colleagues for their loyalty and support.

Thank you.

AL STANDER

MANAGER: FINANCE (CHIEF FINANCIAL OFFICER)





# Nkangala District Municipality

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## Statement of Financial Performance

Figures in Rand

	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment	19	50 700	48 513
Agency services	20	8 492 681	-
Other income	21	1 498 234	502 230
Interest received - investment	22	25 020 787	19 585 553
<b>Total revenue from exchange transactions</b>		<b>35 062 402</b>	<b>20 136 296</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Licences and Permits (Non-exchange)	23	1 093 519	1 108 190
<b>Transfer revenue</b>			
Government grants & subsidies	24	685 096 006	410 209 712
Fines, Penalties and Forfeits	25	2 774 942	130 052
<b>Total revenue from non-exchange transactions</b>		<b>688 964 467</b>	<b>411 447 954</b>
<b>Total revenue</b>	26	<b>724 026 869</b>	<b>431 584 250</b>
<b>Expenditure</b>			
Employee related costs	27	(181 179 279)	(180 886 362)
Remuneration of councillors	28	(16 981 155)	(15 087 417)
Depreciation and amortisation	29	(17 444 376)	(17 230 953)
Finance costs	31	(126 331)	(194 323)
Lease rentals on operating lease	34	(3 452 794)	(3 453 063)
Debt Impairment	49	-	(25 731)
Inventory consumed	32	(2 815 439)	(3 766 004)
Contracted services	33	(66 749 146)	(49 568 731)
Transfers and subsidies	30	(457 068 650)	(103 522 372)
Operational costs	35	(49 836 929)	(41 548 774)
<b>Total expenditure</b>		<b>(795 654 099)</b>	<b>(415 283 730)</b>
<b>Operating (deficit) surplus</b>		<b>(71 627 230)</b>	<b>16 300 520</b>
Loss on disposal of assets and liabilities		(437 748)	(1 351 248)
Fair value adjustments		(106 485)	(84 448)
Actuarial gains/losses	17	4 405 000	(70 001)
		<b>3 860 767</b>	<b>(1 505 697)</b>
<b>(Deficit) surplus for the year</b>		<b>(67 766 463)</b>	<b>14 794 823</b>

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\* See Note 38



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand

	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		674 746 237	404 129 635
Interest income		25 020 787	19 585 553
Rental from fixed assets		50 700	48 513
Other receipts		11 977 132	1 141 969
Movement of VAT		20 156 978	-
		<u>731 951 834</u>	<u>424 905 670</u>
<b>Payments</b>			
Employee costs		(194 921 434)	(189 474 331)
Suppliers		(496 126 514)	(263 744 182)
Movement of VAT		-	(13 995 916)
		<u>(691 047 948)</u>	<u>(467 214 429)</u>
<b>Net cash flows from operating activities</b>	36	<u><b>40 903 886</b></u>	<u><b>(42 308 759)</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(33 308 104)	(6 822 341)
Proceeds from sale of property, plant and equipment	10	141 562	316 357
Purchase of other intangible assets	11	-	(150 120)
Proceeds from sale of other intangible assets	11	-	297
Decrease/(Increase) of Investments		(4 440 000)	(4 440 000)
<b>Net cash flows from investing activities</b>		<u><b>(37 606 542)</b></u>	<u><b>(11 095 807)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease payments		(923 432)	(862 618)
Operating lease		-	(7 112)
Finance costs		(126 331)	(194 323)
<b>Net cash flows from financing activities</b>		<u><b>(1 049 763)</b></u>	<u><b>(1 064 053)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2 247 581</b>	<b>(54 468 619)</b>
Cash and cash equivalents at the beginning of the year		231 192 849	285 745 916
Fair value adjustment to cash and cash equivalents		(106 485)	(84 448)
<b>Cash and cash equivalents at the end of the year</b>	3	<u><b>233 333 945</b></u>	<u><b>231 192 849</b></u>

The accounting policies on pages 22 to 45 and the notes on pages 46 to 86 form an integral part of the annual financial statements.

\* See Note 38





# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	4 558 080	-	4 558 080	81 175 839	76 617 759	
Construction contracts and receivables	-	-	-	16 429 846	16 429 846	
Receivables from non-exchange transactions	-	-	-	1 600 000	1 600 000	
VAT receivable	36 949 251	-	36 949 251	7 294 793	(29 654 458)	
Prepayments	-	-	-	87 480	87 480	
Consumer debtors	228 083	-	228 083	505 846	277 763	
Cash and cash equivalents	468 511 875	70 975 761	539 487 636	233 333 938	(306 153 698)	
	<b>510 247 289</b>	<b>70 975 761</b>	<b>581 223 050</b>	<b>340 427 742</b>	<b>(240 795 308)</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	216 904 738	6 448 597	223 353 335	208 981 705	(14 371 630)	
Intangible assets	2 104 947	(1 000 000)	1 104 947	11 911 355	10 806 408	
Heritage assets	-	-	-	508 772	508 772	
Investments	61 635 565	-	61 635 565	72 188 712	10 553 147	
	<b>280 645 250</b>	<b>5 448 597</b>	<b>286 093 847</b>	<b>293 590 544</b>	<b>7 496 697</b>	
<b>Total Assets</b>	<b>790 892 539</b>	<b>76 424 358</b>	<b>867 316 897</b>	<b>634 018 286</b>	<b>(233 298 611)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	755 491	755 491	
Payables from exchange transactions	83 895 229	115 597 231	199 492 460	83 163 114	(116 329 346)	
Consumer deposits	14 583	-	14 583	14 030	(553)	
Employee benefit obligation	-	-	-	514 000	514 000	
Long service awards	3 602 920	199 000	3 801 920	1 034 000	(2 767 920)	
	<b>87 512 732</b>	<b>115 796 231</b>	<b>203 308 963</b>	<b>85 480 635</b>	<b>(117 828 328)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	17 445 000	17 445 000	
Long service awards	34 191 265	-	34 191 265	5 871 000	(28 320 265)	
	<b>34 191 265</b>	<b>-</b>	<b>34 191 265</b>	<b>23 316 000</b>	<b>(10 875 265)</b>	
<b>Total Liabilities</b>	<b>121 703 997</b>	<b>115 796 231</b>	<b>237 500 228</b>	<b>108 796 635</b>	<b>(128 703 593)</b>	
<b>Net Assets</b>	<b>669 188 542</b>	<b>(39 371 873)</b>	<b>629 816 669</b>	<b>525 221 651</b>	<b>(104 595 018)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	669 188 542	(39 371 873)	629 816 669	525 221 652	(104 595 017)	

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## Appendix C(6): Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. council approved policy)	Shifting of funds (i.t.o. MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>										
Interest on investment	(21 480 560)	-	(21 480 560)	-	(21 480 560)	(25 020 787)		(3 540 227)	116 %	116 %
Transfers recognised - operational	(587 125 000)	(96 063 000)	(683 188 000)	-	(683 188 000)	(682 764 006)		423 994	100 %	116 %
Other own revenue	(1 799 840)	(10 040 000)	(11 839 840)	-	(11 839 840)	(13 910 076)		(2 070 236)	117 %	773 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>(610 405 400)</b>	<b>(106 103 000)</b>	<b>(716 508 400)</b>	-	<b>(716 508 400)</b>	<b>(721 694 869)</b>		<b>(5 186 469)</b>	<b>101 %</b>	<b>118 %</b>
<b>Employee costs</b>	<b>202 040 899</b>	<b>(2 235 000)</b>	<b>199 805 899</b>	-	<b>199 805 899</b>	<b>181 179 279</b>		<b>(18 626 620)</b>	<b>91 %</b>	<b>90 %</b>
Remuneration of councillors	16 608 201	2 225 000	18 833 201	-	18 833 201	16 981 155		(1 852 046)	90 %	102 %
Depreciation and asset impairment	18 294 130	-	18 294 130	-	18 294 130	17 444 376		(849 754)	95 %	95 %
Finance charges	219 700	16 000	235 700	-	235 700	126 331		(109 369)	54 %	58 %
Inventory consumed and bulk purchases	4 558 080	(553 677)	4 004 403	-	4 004 403	2 815 439		(1 188 964)	70 %	62 %
Transfers and grants	297 996 400	122 124 530	420 120 930	-	420 120 930	457 068 650		36 947 720	109 %	153 %
Other expenditure	122 679 152	9 407 962	132 087 114	-	132 087 114	120 038 869		(12 048 245)	91 %	98 %
Loss on disposal of assets and liabilities	-	-	-	-	-	437 748		437 748	DIV/0 %	DIV/0 %
Fair value adjustments	-	-	-	-	-	106 485		106 485	DIV/0 %	DIV/0 %
Actuarial gains/losses	-	-	-	-	-	(4 405 000)		(4 405 000)	DIV/0 %	DIV/0 %
<b>Total expenditure</b>	<b>662 396 562</b>	<b>130 984 815</b>	<b>793 381 377</b>	-	<b>793 381 377</b>	<b>791 793 332</b>		<b>(1 588 045)</b>	<b>100 %</b>	<b>120 %</b>
<b>Surplus/(Deficit)</b>	<b>51 991 162</b>	<b>24 881 815</b>	<b>76 872 977</b>	-	<b>76 872 977</b>	<b>70 098 463</b>		<b>(6 774 514)</b>	<b>91 %</b>	<b>135 %</b>



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand

Note(s)

2023

2022

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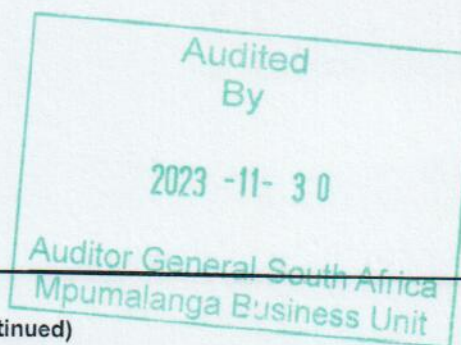
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# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of property, plant and equipment, and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment, and other assets. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Effective interest rate

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

#### Defined Benefit Obligations

The municipality obtains actuarial valuations of its defined benefit plan and other long term employee benefits. The defined benefit plan and other long term employee benefits identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with GRAP 25.

### 1.4 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 period.

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.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of 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.

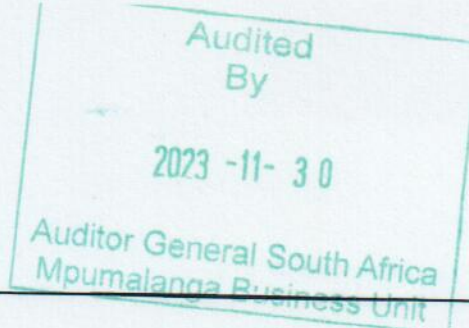
Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.5 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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.
- there 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.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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, other	Straight-line	3 to 15 years

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

Intangible assets are derecognised:

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

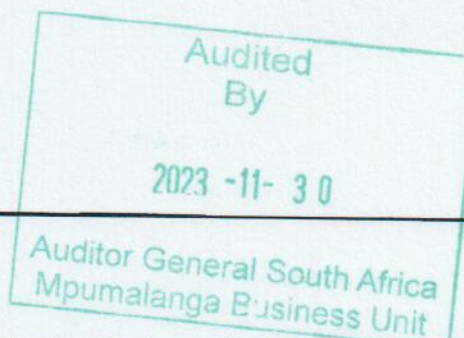
The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.7 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Audited  
By  
2023 -11- 30  
Auditor General South Africa  
Mpumalanga Business Unit

### 1.8 Leases (continued)

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term except where other systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 1.9 Inventories

The municipality constructs infrastructure projects, which will subsequently be transferred to local municipalities in its area of jurisdiction at no cost when the project is completed. Projects still in progress and not yet completed are disclosed as inventory. Inventory is measured at the actual costs.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### 1.10 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Audited

By

2023 -11- 30

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### 1.11 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.]

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is 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.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

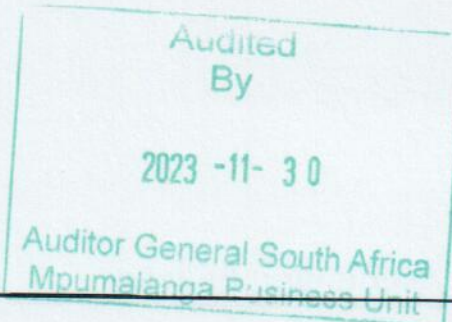
#### Cash-generating units



## Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies



#### 1.11 Impairment of cash-generating assets (continued)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### 1.12 Impairment of non-cash-generating 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.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

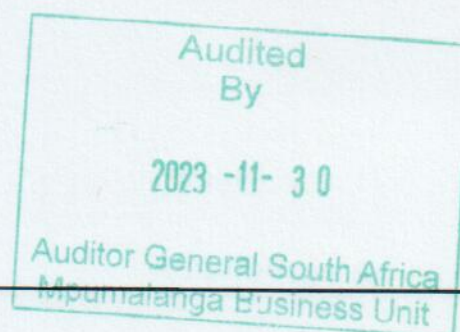
The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.14 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

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.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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 benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits: Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

The municipality contributes towards retirement benefits of its employees and councilors to the under- mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund

Municipal Gratuity Fund Councilors are members of the Municipal Councilor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

#### Post-employment benefits: Defined benefit plans

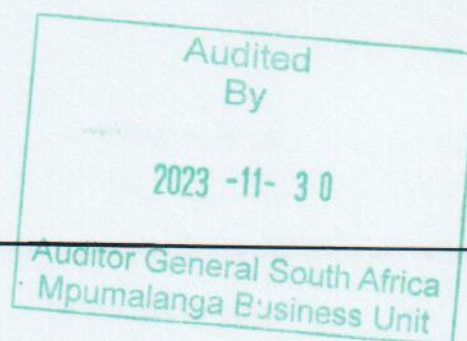
Defined benefit plans are post-employment benefit plans other than defined contribution plans.



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.14 Employee benefits (continued)

- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Long Service Award

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

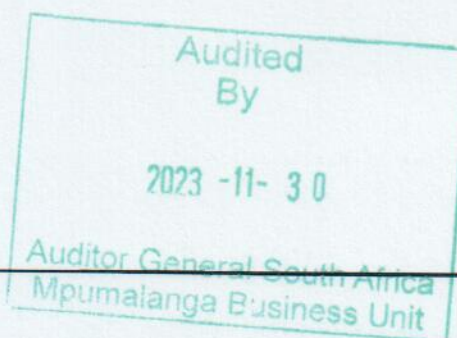
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.15 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.16 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.

### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

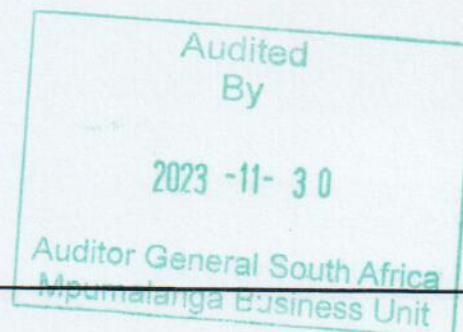
An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.



## Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies



#### 1.18 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### 1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

#### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

#### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in 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 statement of financial performance.

#### 1.23 Fruitless and wasteful expenditure

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

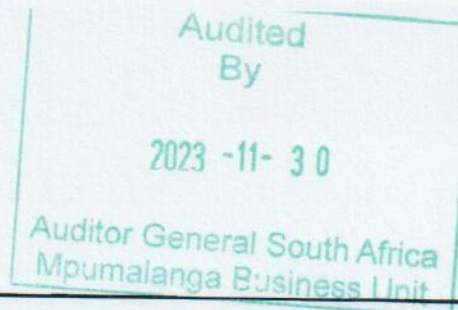
Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.26 Budget information

The municipality is 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

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

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly 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.

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

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

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

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

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

### 1.28 Events after reporting date

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

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

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



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

##### Standard/ Interpretation:

##### Effective date

- GRAP 25: Employee Benefits
- GRAP 104: Financial Instruments

1 April 2024

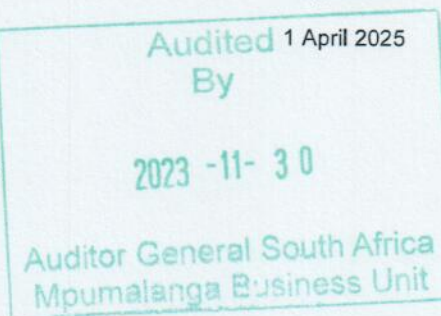
1 April 2025

Unlikely there will be a material impact  
Unlikely there will be a material impact

### 3. Cash and cash equivalents

#### 3.1 Cash and cash equivalents consist of:

Cash on hand  
Bank balances  
Short-term deposits



	2023	2022
Cash on hand	10 200	10 200
Bank balances	16 672 117	13 311 460
Short-term deposits	216 651 621	217 871 189
<b>Total</b>	<b>233 333 938</b>	<b>231 192 849</b>

#### 3.2 The municipality had the following bank accounts

##### Account number / description

##### Bank statement balances

##### Cash book balances

	30 June 2023	30 June 2022	30 June 2023	30 June 2022
ABSA BANK- CURRENT ACCOUNT-1040161836	6 179 290	4 844	6 179 290	6 064
STANDARD BANK CURRENT ACCOUNT-042244552	10 492 825	13 305 397	10 492 825	13 305 397
ABSA BANK-FIXED DEPOSIT-4083615135	2 894 484	4 304 580	2 894 484	4 304 580
ABSA Bank-FIXED Deposit- 2080419461	-	10 000 000	-	10 000 000
ABSA Bank-FIXED Deposit-2080308559	-	5 000 000	-	5 000 000
ABSA Bank-FIXED Deposit-2080975902	5 000 000	-	5 000 000	-
NEDBANK-FIXED DEPOSIT-03/7881531304/000188	6 783 689	7 194 816	6 783 689	7 194 816
NEDBANK-FIXED DEPOSIT-03/7881531304/000337	-	6 000 000	-	6 000 000
NEDBANK-FIXED DEPOSIT-03/7881531304/000338	-	5 000 000	-	5 000 000
FNB(RMB) Bank-Term Deposit-62786703184	10 966 913	6 308 863	10 966 913	6 308 863
STANLIB-N0011	82 232 668	77 974 273	82 232 668	77 974 273
STANDARD BANK-Notice Deposit-038433834#081	-	8 301 557	-	8 301 567
STANDARD BANK-Notice Deposit-038433834#155	-	10 000 000	-	10 000 000
STANDARD BANK-Notice Deposit-038433834#156	-	10 000 000	-	10 000 000
SANLAM-NDCKON	43 730 000	40 984 502	43 730 000	40 984 502
Interest Accrued	1 442 459	851 600	1 442 459	851 600
INVESTEC-Fixed Deposit-1400-121751-500-JB5M52361	7 601 816	5 590 351	7 601 816	5 590 351
INVESTEC-Fixed Deposit-1400-121751-502	-	360 635	-	360 635
FNB RETENTION-74794690154	25 000 000	20 000 000	25 000 000	20 000 000
NEDBANK-FIXED DEPOSIT-03/7881531304/000358	10 000 000	-	10 000 000	-
FNB(RMB) Bank-Term Deposit-76202613644	5 000 000	-	5 000 000	-
STANDARD BANK-Notice Deposit-038433834#081	5 999 596	-	5 999 596	-
STANDARD BANK-Notice Deposit-038433834#177	5 000 000	-	5 000 000	-
INVESTEC-Fixed Deposit-1400-121751-452-JB11270054	5 000 000	-	5 000 000	-
<b>Total</b>	<b>233 323 740</b>	<b>231 181 418</b>	<b>233 323 740</b>	<b>231 182 648</b>

### 4. Inventories

Work in progress

81 175 839

134 373 145

#### Inventory pledged as security

No inventories were pledged as security for liabilities in the current financial year.



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>7. Receivables from non-exchange transactions (continued)</b>		
<b>Total receivables from non-exchange transactions</b>	<b>1 600 000</b>	<b>-</b>

i) The municipality identified the following statutory receivables in terms of GRAP 108 that stems from various legislations:

Value Added Tax (VAT) VAT is derived from the Value-Added Tax Act 89 of 1991

Fines National Environmental Management: Air Quality Act (No. 39 of 2004;

ii) Transactions are determined as follows:

VAT VAT is claimed on the payment basis at 15% as per current VAT act

Fines Fines are determined as per the relevant legislation applicable to the activity

iii) Interest and other charges are not applicable

iv) Impairment testing does not apply as all statutory receivables are paid on a short term basis.

v) All statutory receivables are paid on a short term basis and no discounted rates are applicable.

vi) The municipality did not incur any impairment losses as impairment is not applied as per iv above.

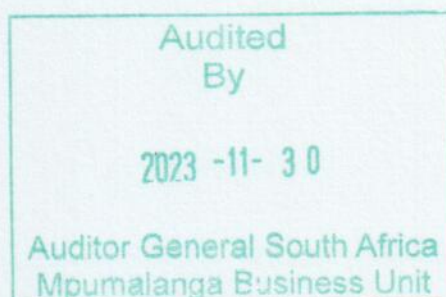
vii) No impairment losses are disclosed in a separate allowance account as no impairment is applied as per iv above.

viii) No main events lead to the recognition or reversal of impairment loss as no impairment was applied as per iv above.

ix) The municipality assessed the history on VAT refunds as an indicator if VAT needs to be impaired, VAT is always paid after a few months. The municipality just started issuing fines and did not have any long outstanding fines to review for impairment.

x) The municipality does not hold any collateral over any statutory receivables.

xi) No analysis was done on statutory receivables past due for impairment as it was not applied as per iv above and those not impaired was assessed as ix above.





**Nkangala District Municipality**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

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**10. Property, plant and equipment**

	2023			2022		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	1 713 105	-	1 713 105	1 713 105	-	1 713 105
Machinery and Equipment	47 409 703	(27 862 684)	19 547 019	43 518 877	(25 288 892)	18 229 985
Furniture and Office Equipment	18 552 584	(11 555 705)	6 996 879	17 949 707	(10 629 120)	7 320 587
Transport Assets	71 229 406	(31 601 271)	39 628 135	56 337 782	(28 732 656)	27 605 126
Computer Equipment	20 699 363	(8 951 715)	11 747 648	17 819 725	(7 393 477)	10 426 248
Community-Buildings	75 259 778	(13 055 146)	62 204 632	70 107 227	(10 692 200)	59 415 027
Other property, plant and equipment- Buildings	83 460 809	(35 223 465)	48 237 344	77 563 937	(32 654 579)	44 909 358
Sanitation Infrastructure	1 811 234	(202 029)	1 609 205	1 811 234	(111 531)	1 699 703
Water Supply Infrastructure	1 110 909	(29 694)	1 081 215	129 864	(23 204)	106 660
Roads Infrastructure	3 954 149	(1 744 029)	2 210 120	3 954 149	(1 455 093)	2 499 056
Stormwater Infrastructure	6 595 311	(2 978 023)	3 617 288	6 595 311	(2 742 088)	3 853 223
Electrical Infrastructure	8 725 003	(2 250 231)	6 474 772	8 314 189	(1 874 583)	6 439 606
ICT Infrastructure	5 813 653	(2 603 726)	3 209 927	5 813 653	(1 709 693)	4 103 960
Leased Assets	2 711 110	(2 006 694)	704 416	2 711 110	(1 103 821)	1 607 289
<b>Total</b>	<b>349 046 117</b>	<b>(140 064 412)</b>	<b>208 981 705</b>	<b>314 339 870</b>	<b>(124 410 937)</b>	<b>189 928 933</b>

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**Nkangala District Municipality**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

Figures in Rand

**10. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Disposals	Transfers received	Transfers	Work in Progress	Depreciation	Total
Land	1 713 105	-	-	-	-	-	-	1 713 105
Machinery and Equipment	21 976 537	-	(485 598)	150 000	-	-	(3 410 954)	18 229 985
Furniture and Office Equipment	6 888 654	1 346 216	(25 672)	-	-	-	(888 611)	7 320 587
Transport Assets	28 655 781	2 792 850	(509 408)	-	-	-	(3 334 097)	27 605 126
Computer Equipment	10 657 719	1 559 930	(273 934)	-	-	-	(1 517 467)	10 426 248
Community	62 944 762	129 400	-	-	(1 579 400)	283 212	(2 362 948)	59 415 027
Other property, plant and equipments	45 589 768	227 400	-	1 050 400	-	599 333	(2 557 543)	44 909 358
Sanitation Infrastructure	1 570 574	-	-	219 000	-	-	(89 871)	1 699 703
Water Supply Infrastructure	125 790	-	(12 124)	-	-	-	(7 006)	106 660
Roads Infrastructure	2 787 994	-	-	-	-	-	(288 938)	2 499 056
Stormwater Infrastructure	4 089 157	-	-	-	-	-	(235 934)	3 853 223
Electrical Infrastructure	6 684 384	-	(9 661)	140 000	-	-	(375 117)	6 439 606
ICT Infrastructure	1 604 155	2 812 466	(617)	20 000	-	-	(332 044)	4 103 960
Leased Assets	2 510 161	-	-	-	-	-	(902 877)	1 607 284
	<b>197 798 541</b>	<b>8 868 262</b>	<b>(1 317 014)</b>	<b>1 579 400</b>	<b>(1 579 400)</b>	<b>882 545</b>	<b>(16 303 407)</b>	<b>189 928 928</b>

**Pledged as security**

None of assets pledged as security.

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

**Cumulative expenditure recognised in the carrying value of property, plant and equipment**

Buildings	6 026 126	599 333
Community	932 784	283 212
Water Supply Infrastructure	981 046	-
Electrical infrastructure	410 814	-
	<b>8 350 770</b>	<b>882 545</b>

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# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	17 691 590	(5 780 235)	11 911 355	11 797 170	(4 322 964)	7 474 206
Intangible assets under development	-	-	-	5 894 420	-	5 894 420
Total	17 691 590	(5 780 235)	11 911 355	17 691 590	(4 322 964)	13 368 626

### Reconciliation of intangible assets - 2023

	Opening balance	Transfers received	Transfers	Amortisation	Total
Computer software, other Intangible assets under development	7 474 206	5 894 420	-	(1 457 271)	11 911 355
	5 894 420	-	(5 894 420)	-	-
<b>Total</b>	<b>13 368 626</b>	<b>5 894 420</b>	<b>(5 894 420)</b>	<b>(1 457 271)</b>	<b>11 911 355</b>

### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software, other Intangible assets under development	6 884 255	-	(371 752)	1 889 250	(927 547)	7 474 206
	7 633 550	150 120	-	(1 889 250)	-	5 894 420
<b>Total</b>	<b>14 517 805</b>	<b>150 120</b>	<b>(371 752)</b>	<b>-</b>	<b>(927 547)</b>	<b>13 368 626</b>

### Pledged as security

None of the intangible assets were pledged as security.

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### 14. Consumer deposits

Rental of facilities	14 030	14 030
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Deposits relates to rental of NDM facilities.

### 15. Payables from exchange transactions

Trade payables	42 577 834	22 318 694
Advanced Payments	66 492	8 141
Retentions	28 740 290	13 446 445
Accrued leave pay	9 395 257	11 262 059
Performance Bonus	2 383 240	3 134 346
	<u>83 163 113</u>	<u>50 169 685</u>

### 16. Finance lease obligation

#### Minimum lease payments due

- within one year	787 319	1 049 759
- in second to fifth year inclusive	-	787 319

less: future finance charges

787 319	1 837 078
(31 827)	(158 155)

#### Present value of minimum lease payments

<u>755 492</u>	<u>1 678 923</u>
----------------	------------------

Non-current liabilities

-	755 494
Current liabilities	755 492
	<u>923 429</u>
<u>755 492</u>	<u>1 678 923</u>

It is municipality policy to lease office equipment under finance leases.

The average lease term was 30-36 months and the average effective borrowing rate was 10% (2022: 10%).

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# Nkangala District Municipality

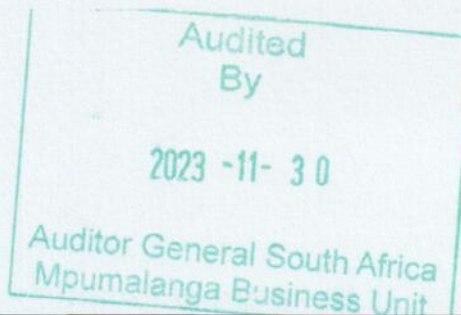
Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 17. Defined benefit obligations (continued)

#### Key assumptions used

The following key assumptions were used to calculate the unfunded accrued liability and the expense figures for the current financial year:

Discount rates used	12.57 %	11.85 %
Health care cost inflation rate	8.17 %	8.46 %
Net-of-health care cost inflation discount rate	4.07 %	3.13 %
Maximum subsidy inflation rate	5.75 %	5.97 %
Net of maximum subsidy inflation discount rate	6.45 %	5.55 %

#### Sensitivity Analysis

The liability at the valuation Date was recalculated to show the effect of :

- (i) A one percentage point increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one percentage point increase and decrease in the discount rate;
- (iii) A one-year age increase and decrease in the assumed rates of post-employment mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

The table below summarises the results of the sensitivity on the accrued liability:

Assumption	Change	Eligible Employee	Continuation Membe	Total	% Change
Central assumptions	-	12.235	5.724	17.959	-
Health care inflation rate	+1%	13.169	6.010	19.179	7%
	- -1%	10.930	5.385	16.315	-9%
Discount rate	+1%	10.307	5.289	15.596	-13%
	- -1%	14.686	6.230	20.916	16%
Post-employment mortality	+1 yr	11.992	5.561	17.553	-2%
	- -1 yr	12.469	5.885	18.354	2%
Average retirement age	-1 yr	13.634	5.724	19.358	8%
Membership continuation	-10%	10.736	5.724	16.460	-8%

The table below summarises the results of the sensitivity analysis on the current service and interest costs for the year ending June 30, 2023

Assumption	Change	Current Service cost	Interest Cost	Total	% Change
Central assumptions	-	1 496 000.00	2 236 000.00	3 732 000.00	-
Health care inflation rate	+1%	1 609 000.00	2 387 000.00	3 996 000.00	7%
	- -1%	1 318 000.00	2 027 000.00	3 345 000.00	-10%
Discount rate	+1%	1 224 000.00	2 087 000.00	3 311 000.00	-11%
	- -1%	1 848 000.00	2 408 000.00	4 256 000.00	14%



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

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### 18. Long service awards

Non-current liabilities  
Current liabilities

5 871 000

1 034 000

**6 905 000**

6 088 000

845 000

**6 933 000**

### Long service awards

Opening balance  
Current service costs  
Interest cost  
Actuarial(gain)/loss  
Expected employer benefit payment

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6 933 000

1 045 000

736 000

(964 000)

(845 000)

**6 905 000**

6 176 000

1 007 000

573 000

(187 000)

(636 000)

**6 933 000**

### Key financial assumptions

The following key financial assumption were used to calculate the unfunded accrued liability and the expense figures for the current year:

#### Assumption

Discount rate

11.60%

11.29%

Salary inflation rate

6.81%

7.46%

Net effective discount rate

4.49%

3.57%

### Sensitivity Analysis

The liability at the valuation date was recalculated to show the effect of:

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

- (i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
- (ii) a one percentage point increase and decrease in the discount rate;
- (iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- (iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

The table below summarises the results of the sensitivity on the accrued liability:

Assumption	Change	Liability	% Change
Central assumptions	-	6 905 000.00	-
General earnings inflation rate	+1%	7 351 000.00	6%
	-1%	6 500 000.00	-6%
Discount rate	+1%	6 494 000.00	-6%
	-1%	7 365 000.00	7%
Average retirement age	+2 yrs	7 365 000.00	7%
	-2 yrs	6 352 000.00	-8%
Withdrawal rates	x2	5 361 000.00	-22%
	x0.5	7 971 000.00	15%



# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

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	2023	2022
<b>21. Operational Revenue</b>		
Request for access of information	1 370	283
Staff Recoveries	58 005	-
Insurance Refund	583 260	70 185
Commission	35 831	31 402
Electricity usage recoveries	67 821	-
Inspection fees	31 249	46 099
Skills development	419 995	312 797
Legal Fees Recovered	261 707	9 214
Merchandising, Jobbing and Contracts	38 996	32 250
	<b>1 498 234</b>	<b>502 230</b>
<b>22. Interest Revenue</b>		
Interest revenue		
Short term Investments and Call Accounts	24 045 585	19 329 837
Bank accounts	975 202	255 716
	<b>25 020 787</b>	<b>19 585 553</b>
<b>23. Licences and permits (non-exchange)</b>		
Health Certificates	1 093 519	1 108 190

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# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Fines, Penalties and Forfeits</b>		
Law Enforcement Fines	2 773 042	89 950
Retentions Forfeits	1 900	40 102
	<b>2 774 942</b>	<b>130 052</b>
<b>26. Total Revenue</b>		
Rental of facilities and equipment	50 700	48 513
Agency services	8 492 681	-
Operational revenue	1 498 234	502 230
Interest revenue	25 020 787	19 585 553
Government grants & subsidies	685 096 006	410 209 712
Fines, Penalties and Forfeits	2 774 942	130 052
Licences and permits (Non-exchange)	1 093 519	1 108 190
	<b>724 026 869</b>	<b>431 584 250</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rental of facilities and equipment	50 700	48 513
Agency services	8 492 681	-
Operational revenue	1 498 234	502 230
Interest revenue	25 020 787	19 585 553
	<b>35 062 402</b>	<b>20 136 296</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Licences or permits	1 093 519	1 108 190
<b>Transfer revenue</b>		
Government grants & subsidies	685 096 006	410 209 712
Fines, Penalties and Forfeits	2 774 942	130 052
	<b>688 964 467</b>	<b>411 447 954</b>

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# Nkangala District Municipality

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### 27. Employee related costs (continued)

Leave Pay	25 198	59 581
Acting Allowance	1 014	-
	<b>692 064</b>	<b>1 305 419</b>

### Remuneration of Manager: Corporate Services (Dec - Current)

Annual Remuneration	614 864	1 145 503
Car Allowance	70 000	96 000
Performance Bonuses	-	62 063
Contributions to UIF, Medical and Pension Funds	70 562	2 249
Acting Allowance	21 517	8 780
Cellphone Allowance	18 929	29 392
Leave Pay	35 277	139 022
	<b>831 149</b>	<b>1 483 009</b>

### Remuneration of Manager: Technical Services (Mar-Current)

Annual Remuneration	279 242	-
Car Allowance	36 000	-
Contributions to UIF, Medical and Pension Funds	20 309	-
Cellphone Allowance	10 278	-
Leave Pay	17 135	-
	<b>362 964</b>	<b>-</b>

### Remuneration of Manager: Technical Services (Jul-Aug)

Annual Remuneration	159 694	840 025
Car Allowance	20 000	120 000
Performance Bonuses	-	52 754
Contributions to UIF, Medical and Pension Funds	16 311	95 054
Cellphone Allowance	5 139	29 394
Leave Pay	88 627	50 644
Acting Allowance	-	6 177
	<b>289 771</b>	<b>1 194 048</b>

### Remuneration of Manager: Social Services (Mar-Current)

Annual Remuneration	236 933	592 849
Car Allowance	89 600	125 543
Performance Bonuses	-	62 063
Contributions to UIF, Medical and Pension Funds	49 679	129 334
Cellphone Allowance	10 278	20 066
Leave Pay	17 135	109 232
	<b>403 625</b>	<b>1 039 087</b>

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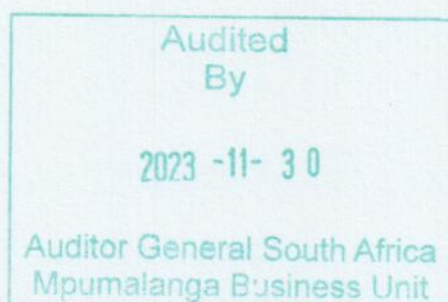


# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	15 987 104	16 303 407
Intangible assets	1 457 272	927 546
	<b>17 444 376</b>	<b>17 230 953</b>
<b>30. Transfer and subsidies</b>		
<b>Operational</b>		
Community and Social Services	5 526 245	4 083 564
Finance and Admin	563 091	2 012 646
Planning and Development	23 868 719	22 154 083
Road Transport	2 332 000	2 228 000
Health	181 081	111 270
Waste water management	94 146 726	14 474 712
Water Management	196 492 280	9 279 395
	<b>323 110 142</b>	<b>54 343 670</b>
<b>Capital</b>		
Public Safety	-	4 767 212
Disaster	2 731 613	-
Planning and Development	18 777 935	22 966 271
Road Transport	83 027 616	5 480 494
Waste Water Management	23 780 631	5 294 821
Water	5 640 713	10 456 491
Finance and Admin	-	213 414
	<b>133 958 508</b>	<b>49 178 703</b>
	<b>457 068 650</b>	<b>103 522 373</b>
<b>Transfers and Subsidies paid classified by region</b>		
General	28 435 230	23 451 811
Dr JS Moroka	61 008 471	9 537 782
Emakhazeni	1 088 123	26 885 040
Emalahleni	20 806 085	12 039 912
Steve Tshwete	26 066 587	551 567
Thembisile Hani	194 454 296	16 281 545
Victor Khanye	125 209 855	14 774 711
	<b>457 068 647</b>	<b>103 522 368</b>





# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>31. Finance Costs</b>		
Finance leases	126 331	194 323
<b>32. Inventory Consumed</b>		
Inventory Consumed	2 815 439	3 766 004
Materials and supplies all directly expensed and no stores in place.		
<b>33. Contracted services</b>		
<b>Outsourced Services</b>		
Administrative and Support Staff	148 230	-
Business and Advisory	2 351 918	3 166 493
Cleaning Services	2 580 120	2 556 390
Personnel and Labour	144 000	98 378
Translators, Scribes and Editors	20 760	14 000
<b>Consultants and Professional Services</b>		
Business and Advisory	21 244 419	9 623 627
Infrastructure and Planning	214 632	1 000
Laboratory Services	1 791 759	1 749 979
Legal Cost	5 473 890	5 303 899
<b>Contractors</b>		
Artists and Performers	43 820	7 000
Audio-visual Services	-	124 374
Catering Services	3 528 701	1 968 849
Employee Wellness	731 535	520 500
Fire Protection	82 418	100 659
Gardening Services	1 827 731	1 987 069
Maintenance of Buildings and Facilities	5 096 313	5 731 764
Maintenance of Equipment	2 093 934	1 361 646
Maintenance of Unspecified Assets	9 482 349	8 629 620
Pest Control and Fumigation	78 689	78 787
Plants, Flowers and Other Decorations	303 790	13 960
Transportation	1 146 782	323 875
Safeguard and Security	7 303 371	5 411 292
Stage and Sound Crew	1 059 985	795 570
	<b>66 749 146</b>	<b>49 568 731</b>

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# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>37. Contingencies</b>		
<b>Contingent liabilities</b>		
TC Makola	1 950 000	1 960 000
MSB Seretse	-	1 553 500
Diamond Ntuli	90 000	90 000
Magiya Women Development	2 187 705	2 187 705
TC Makola	1 834 739	1 834 739
	<b>6 062 444</b>	<b>7 625 944</b>

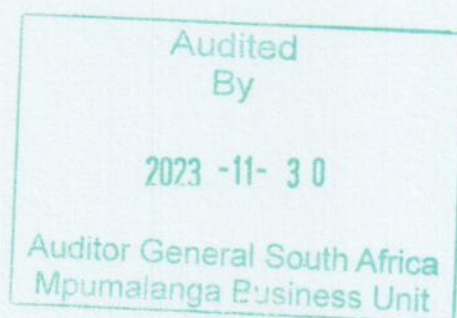
(i) TC Makola is claiming to be paid an amount of R 1 560 000 and three (3) months remuneration calculated at his rate of remuneration at the time of dismissal, R130 000.00 (3) months' compensation, R390 000.00 due to the loss of office suffered whilst he was still a municipal manager of NDM

(ii) MSB Seretse has instituted a civil claim against NDM and another for an amount of R 1 253 500 for compensation, medical expenses and loss of income, plus R 300 000 legal costs. The case has since been finalised after the plaintiff withdrew his action against the municipality having reached a settlement agreement with the other party.

(iii) Mr Diamond Ntuli is suing NDM an amount of R 45 000 for loss of Councillors allowances from September 2014 to the date of reinstatement. Legal costs are estimated at R 45 000.

(iv) Messrs Magiya Women Development is suing NDM an amount of R 1 887 705 for termination of contract done in December 2015 in accordance with the GCC and legal costs of R300 000

(v) The Plaintiff, Mr. Makola has issued a summons against NDM & 7 Others claiming for payment of damages for loss of income due to the unfair dismissal, legal costs for his unfair suspension case which was due to a misrepresentation of a sick note on his disciplinary on his disciplinary hearing. The financial exposure is R 1 609 739 which is made up as follows, R 1 534 739 (12 months salary) R 25 000 (mental anguish) R 50 000 (fraud allegations). Costs in the event NDM loses the matter are estimated at R 300 000. Total exposure is R 1 834 739.





# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>39. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	3 175 273	5 667 455
<b>Total capital commitments</b>		
Already contracted for but not provided for	3 175 273	5 667 455
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Victor Khanye	144 135 320	44 149 722
• Dr JS Moroka	35 801	8 599 368
• Emalahleni	-	824 261
• Steve Tshwete	-	3 486 134
• Emakhazeni	41 043	41 043
• Thembisile Hani	1 117 248 369	8 088 337
• Nkangala	4 661 021	5 824 953
	<b>1 266 121 554</b>	<b>71 013 818</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	1 266 121 554	71 013 818
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	3 175 273	5 667 455
Authorised operational expenditure	1 266 121 554	71 013 818
	<b>1 269 296 827</b>	<b>76 681 273</b>

The district municipality entered into contracts with service providers to construct projects which will subsequently be transferred to local municipalities on completions.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	1 935 595	2 840 000
- in second to fifth year inclusive	466 667	1 986 667
	<b>2 402 262</b>	<b>4 826 667</b>

Operating lease expense refers to the Performance Management System, Risk Management System, Electronic Document Management System, Papercut Software and E-Signature that the municipality is renting

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# Nkangala District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 41. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets and liabilities exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Trade and other receivables from exchange transactions	505 846	223 602
Construction contracts and receivables	16 429 846	6 080 077
Investments	72 188 712	67 748 712
Cash and cash equivalents	233 333 938	231 192 849
Trade payables	(42 577 834)	(22 318 694)
Advanced Payments	(66 492)	(8 141)
Retentions	(28 740 290)	(13 446 445)

#### Market risk

##### Interest rate risk

Nkangala District Municipality has a long term investment in the form of a promissory note. The municipality's interest rate risk arises from long-term borrowings which are issued at variable rates thereby exposing the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

### 42. Going concern

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.

### 43. Nkangala Economic Development Agency (NEDA)

During 2020/21 financial year the District Municipality council took a resolution to establish the Nkangala Economic Development Agency (NEDA). The NEDA board of directors was appointed in August 2023. The establishment is still in process as the municipality is busy with the recruitment of administrative staff. The NEDA will have future financial reporting implications on the Nkangala District Municipality when the NEDA becomes operational.

### 44. Nkangala District Municipality Fire Academy

The Nkangala District Municipality council took a resolution to establish a fire fighting training academy. The project is still in early developmental stages. The Fire Academy when completed and operational will have financial reporting implication on the Nkangala District Municipality.

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# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>47. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	2 229 400	1 981 742
Amount paid - current year	(2 229 400)	(1 981 742)
	-	-
<b>Audit fees</b>		
Opening balance	-	140 355
Current year subscription / fee	6 304 624	4 432 011
Amount paid - current year	(6 304 624)	(4 572 366)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	35 379 705	35 466 447
Amount paid - current year	(35 379 705)	(35 466 447)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	28 275 962	27 286 979
Amount paid - current year	(28 275 962)	(27 286 979)
	-	-

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# Nkangala District Municipality

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## Notes to the Annual Financial Statements

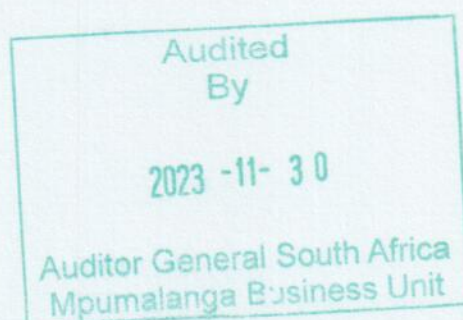
Figures in Rand	2023	2022
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### 49. Debt impairment

Debt impairment	-	25 731
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### 50. Events after reporting period

- 50.1 Subsequent to the end of the 2023 financial year (30 June 2023) the Nkangala District Municipality appointed a new speaker Cllr SR Maja on the 5th of July 2023, whom subsequently has resigned . On the 23 of August 2023 Cllr KJ Boshomane became the newly elected Speaker while Cllr C Nkalitshana was elected as the Chief Whip.
- 50.2 The NEDA board of directors was appointed during August 2023.
- 50.3 A court case between the municipality and Federale Stene was concluded on the 5th of July 2023. This case was regarding an emissions fine of R 1 200 000.00. The amount payable by Federale Stene of R 1 200 000.00 has since been included in the fines revenue of the reporting period and a corresponding debtor raised.





**Nkangala District Municipality**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

Figures in Rand

**51. Segment information (continued)**

**Segment surplus or deficit, assets and liabilities**

**2023**

	Council Governance	Finance	Community Development Services	Planning & Economic Development	Technical Services	Administrative and Corporate Support	Total
<b>Revenue</b>							
Operational Revenue	1 370	1 339 789	31 249	-	-	125 826	1 498 234
Fines Penalties and Forfeits	-	1 057 490	1 717 452	-	-	-	2 774 942
Licences or Permits	-	-	1 093 519	-	-	-	1 093 519
Interest revenue	-	25 071 486	-	-	-	-	25 071 486
Agency services	-	-	-	-	8 492 681	-	8 492 681
Government grants and subsidies	-	389 810 000	-	2 315 000	292 971 006	-	685 096 006
<b>Total segment revenue</b>	<b>1 370</b>	<b>417 278 765</b>	<b>2 842 220</b>	<b>2 315 000</b>	<b>301 463 687</b>	<b>125 826</b>	<b>724 026 868</b>
<b>Entity's revenue</b>							<b>724 026 868</b>
<b>Expenditure</b>							
Employee related costs	30 553 610	18 645 616	85 346 661	12 813 255	9 350 558	24 469 575	181 179 275
Remuneration of councillors	16 981 155	-	-	-	-	-	16 981 155
Contracted services	29 477 692	7 147 279	8 360 937	1 064 474	9 437	20 689 328	66 749 147
Depreciation and amortisation	4 490 863	117 242	7 010 575	142 900	287 741	5 395 049	17 444 370
Finance costs	31 442	4 233	32 002	4 233	4 233	50 187	126 330
Inventory consumed	1 530 960	181 527	573 395	43 178	20 416	465 961	2 815 437
Operational costs	17 545 942	5 840 857	8 913 809	3 583 640	452 913	16 952 575	53 289 736
Transfers and subsidies	249 217	-	4 184 327	23 145 268	425 235 226	4 254 610	457 068 648
Loss on disposal of assets and liabilities	-	437 748	-	-	-	-	437 748
Fair value adjustments	-	106 485	-	-	-	-	106 485
Actuarial gains/losses	-	(4 405 000)	-	-	-	-	(4 405 000)
<b>Total segment expenditure</b>	<b>100 860 881</b>	<b>28 075 987</b>	<b>114 421 706</b>	<b>40 796 948</b>	<b>435 360 524</b>	<b>72 277 285</b>	<b>791 793 331</b>
<b>Total segmental surplus/(deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(67 766 463)</b>

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**Notes to the Annual Financial Statements**

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**51. Segment information (continued)**

**2022**

	Council Governance	Finance	Community Development Services	Planning & Economic Development	Technical Services	Administrative and Corporate Support	Total
<b>Revenue</b>							
Operational Revenue	-	456 131	46 099	-	-	-	502 230
Fines, Penalties and Forfeits	-	122 102	7 950	-	-	-	130 052
Licences or Permits	-	-	1 108 190	-	-	-	1 108 190
Interest revenue	-	19 634 066	-	-	-	-	19 634 066
Government grants and subsidies	-	379 547 000	-	2 551 000	28 111 712	-	410 209 712
<b>Total segment revenue</b>	-	<b>399 759 299</b>	<b>1 162 239</b>	<b>2 551 000</b>	<b>28 111 712</b>	-	<b>431 584 250</b>
<b>Entity's revenue</b>							<b>431 584 250</b>

<b>Expenditure</b>							
Employee Related Costs	29 495 791	18 684 713	83 531 873	13 303 624	9 481 710	26 388 645	180 886 356
Remuneration of Councillors	15 087 417	-	-	-	-	-	15 087 417
Contracted Services	17 617 565	5 346 335	7 846 668	291 966	11 079	18 455 114	49 568 727
Depreciation and Amortisation	3 341 756	135 040	7 547 358	153 825	290 309	5 762 665	17 230 953
Inventory consumed	766 512	128 756	2 439 068	68 881	40 005	377 782	3 821 004
Interest expense	48 011	6 463	50 289	6 463	6 463	76 635	194 324
Operating lease	2 234 949	3 994	39 939	3 994	3 994	1 166 192	3 453 062
Operational Costs	11 336 057	4 910 208	8 707 790	2 597 845	562 542	13 434 343	41 548 785
Transfers and subsidies	2 159 181	-	10 091 239	14 892 088	73 019 580	3 360 285	103 522 373
Gain/(Loss)	463 503	6 441	427 550	26 948	3 966	492 839	1 421 247
Fair value adjustment	-	84 448	-	-	-	-	84 448
Debt impairment	-	25 731	-	-	-	-	25 731
<b>Total segment expenditure</b>	<b>82 550 742</b>	<b>29 332 129</b>	<b>120 681 774</b>	<b>31 345 634</b>	<b>83 419 648</b>	<b>69 514 500</b>	<b>416 844 427</b>
<b>Total segmental surplus/(deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 739 823</b>

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# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 52. Change in estimate

#### Property, plant and equipment

The useful lives of all asset classes were adjusted during the 2022/2023 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 10. The effect of changing the remaining useful life of assets for the Municipality during 2022/2023 has decreased the depreciation charge for the current year by R 388 957,92. It is impracticable to estimate the effect of the changes on future periods.





# Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Appendix A

Acting Allowance	21 517	8 780
Cellphone Allowance	18 929	29 392
Leave Pay	35 277	139 022
	<b>831 149</b>	<b>1 483 009</b>

### Remuneration of Manager: Technical Services (Mar-Current)

Annual Remuneration	279 242	
Car Allowance	36 000	
Contributions to UIF, Medical and Pension Funds	20 309	
Cellphone Allowance	10 278	
Leave Pay	17 135	
	<b>362 964</b>	<b>0</b>

### Remuneration of Manager: Technical Services (Jul-Aug)

Annual Remuneration	159 694	840 025
Car Allowance	20 000	120 000
Performance Bonuses		52 754
Contributions to UIF, Medical and Pension Funds	16 311	95 054
Cellphone Allowance	5 139	29 394
Leave Pay	88 627	50 644
Acting Allowance		6 177
289 771 1 194 048	<b>289 771</b>	<b>1 194 048</b>

### Remuneration of Manager: Social Services (Mar-Current)

Annual Remuneration	236 933	592 849
Car Allowance	89 600	125 543
Performance Bonuses	0	62 063
Contributions to UIF, Medical and Pension Funds	49 679	129 334
Cellphone Allowance	10 278	20 066
Leave Pay	17 135	109 232
	<b>403 625</b>	<b>1 039 087</b>

### Remuneration of Councillors

2023 2022

### Remuneration of the Executive Mayor (Jul-Jun)

Annual Remuneration	828 132	803 084
Car Allowance	163 074	152 031
Cellphone Allowance	42 600	38 307
Contribution to UIF, Medical and Pension Funds	108 706	67 871
	<b>1 142 512</b>	<b>1 061 293</b>

### Remuneration of the Executive Mayor (Jun-Current)

Annual Remuneration	6 740	
Car Allowance	2 247	
	<b>8 987</b>	<b>0</b>





**Nkangala District Municipality**  
Annual Financial Statements for the year ended 30 June 2023  
**Appendix B: Register of SCM Deviations**

NO.	DEVATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF SERVICE (ESTIMATED)	DATE OF DECISION	REASONS FOR DEVOTION	DEPARTMENT	AMT. BCD	DEPUTY CEO	ORDER NUMBER	PAYMENT NO	PAYMENT DATE	ACTUAL PAYMENT	PAYMENT
1	1000001	Maintenance is hereby requested for the 10 Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	M&A, GSA	R 24,000.00	10/07/2022	Maintenance is the only service available for the maintenance of the services of the various departments for a period of 12 months.	Corporate Services	R 24,000.00	10/07/2022	10/07/2022	10/07/2022	10/07/2022	R 24,000.00	
2	1000002	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	Corporate Services	R 24,000.00	10/07/2022	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	R 24,000.00	10/07/2022	10/07/2022	10/07/2022	10/07/2022	R 24,000.00	
3	1000003	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	Corporate Services	R 24,000.00	10/07/2022	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	R 24,000.00	10/07/2022	10/07/2022	10/07/2022	10/07/2022	R 24,000.00	
4	1000004	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	Corporate Services	R 24,000.00	10/07/2022	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	R 24,000.00	10/07/2022	10/07/2022	10/07/2022	10/07/2022	R 24,000.00	
5	1000005	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	Corporate Services	R 24,000.00	10/07/2022	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	R 24,000.00	10/07/2022	10/07/2022	10/07/2022	10/07/2022	R 24,000.00	
6	1000006	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	Corporate Services	R 24,000.00	10/07/2022	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	R 24,000.00	10/07/2022	10/07/2022	10/07/2022	10/07/2022	R 24,000.00	
7	1000007	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	Corporate Services	R 24,000.00	10/07/2022	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	R 24,000.00	10/07/2022	10/07/2022	10/07/2022	10/07/2022	R 24,000.00	
8	1000008	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	Corporate Services	R 24,000.00	10/07/2022	Corporate Services for a period of 12 months. The requested duration is for a period of 12 months.	Corporate Services	R 24,000.00	10/07/2022	10/07/2022	10/07/2022	10/07/2022	R 24,000.00	

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### Appendix B: Register of SCM Deviations

FEBRUARY 2023									
MAY 2023									
MAY 2023									
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## Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Appendix D: Financial ratios

**Nkangala District Municipality**

Kangala District Municipality									
K. Financial Position									
A. Asset Management/OCB/civilian									
1	Capital Expenditure in Total Expenditure	Total Capital Expenditure / Total Expenditure * 100	Statement of Financial Position, Performance Notes to the AFR, Budget, 1-year report, ERF and AFR	10% - 20%	Total Operating Expenditure Capital Expenditure Total Capital Expenditure	40%	45% 47% 48%	49% 50% 51%	52%
2	Depreciation of Property, Plant and Equipment, Property and Intangible Assets (Carrying Value)	Property, Plant and Equipment + Depreciation / Total Property, Plant and Equipment * 100	Statement of Financial Position, Performance Notes to the AFR and AFR	0%	Investment Property and Intangible Assets Carrying value Intangible Assets in carrying value	17 230 963 100 437 770 11 911 955	17 230 963 100 437 770 11 911 955	17 230 963 100 437 770 11 911 955	17 230 963 100 437 770 11 911 955
3	Repairs and Maintenance to Property, Plant and Equipment (Carrying Value)	Total Repairs and Maintenance Expenditure / Total Property, Plant and Equipment * 100	Statement of Financial Position, Performance, ERF, Budgets and 1-year Report	0%	Total Repairs and Maintenance Expenditure Carrying value Total Property in carrying value	16 072 596 271 481 835	16 072 596 271 481 835	16 072 596 271 481 835	16 072 596 271 481 835

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## Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Appendix D: Financial ratios

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# Nkangala District Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Appendix D: Financial ratios

D. Expenditure Management						
	1	2	3	4	5	6
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Budget, In-Year reports and All	30 days	Trade Creditors	41 804
						23 718 484
					Contracted Services	34 632 145
					Repairs and Maintenance	14 815 540
					General Expenses	148 839 300
					Sub-Purchases	
					Capital Credit Purchases / Capital Credit Purchases related to	
					Statement of Financial Performance	
					Irregular, Frictions and Wasteful and Unauthorised Expenditure	9 344
					Total Operating Expenditure	473 539 140
					Financial Expenses	
					Employee-sponsored interest cost	473
					Contracted Services / Total Operating Expenditure x 100	160 949 300
					Repairs and Maintenance / Total Operating Expenditure x 100	15 007 477
					General Expenses / Total Operating Expenditure	473 839 140
					Financial Expenses	
					Contracted Services	152
					Total Operating Expenditure	48 549 721
					Financial Expenses	473 839 140

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**Nkangala District Municipality**  
**Unaudited Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by functional classification)**  
**for the year ended 30 June 2023**

	2023/2022										2022/2021									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome					
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
Revenue - Functional																				
Municipal governance and administration	411 686 440	540 000	412 226 440	-	-	412 226 440	417 405 960	-	5 179 520	101 %	101 %	-	-	-	399 759 300					
Executive and council	-	-	-	-	-	-	1 369	-	1 369	DN/0 %	DN/0 %	-	-	-	-					
Finance and administration	411 686 440	540 000	412 226 440	-	-	412 226 440	417 404 591	-	5 178 151	101 %	101 %	-	-	-	399 759 300					
Internal audit	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Community and public safety	624 000	-	624 000	-	-	624 000	890 046	-	266 046	143 %	143 %	-	-	-	875 282					
Community and social services	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Sport and recreation	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Public safety	174 000	-	174 000	-	-	174 000	48 701	-	(125 299)	28 %	28 %	-	-	-	46 099					
Housing	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Health	450 000	-	450 000	-	-	450 000	841 345	-	391 345	187 %	187 %	-	-	-	829 183					
Economic and environmental services	200 426 960	105 563 000	305 989 960	-	-	305 989 960	305 730 861	-	(259 099)	100 %	100 %	-	-	-	30 949 668					
Planning and development	199 647 000	105 563 000	305 210 000	-	-	305 210 000	303 778 687	-	(1 431 313)	100 %	100 %	-	-	-	30 656 364					
Road transport	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Environmental protection	779 960	-	779 960	-	-	779 960	1 952 174	-	1 172 214	250 %	250 %	-	-	-	291 304					
Trading services	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Energy sources	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Water management	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Waste water management	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Waste management	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Other	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Other	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-					
Total Revenue - Functional	612 737 400	106 103 000	718 840 400	-	-	718 840 400	724 026 867	-	5 186 467	101 %	118 %	-	-	-	431 584 250					

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**Nkangala District Municipality**  
**Unaudited Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2023**

**2023/2022**

**2022/2021**

	Original Budget		Budget Adjustments (i.L.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.L.o. s31 of the MFMA)		Virement (i.L.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
<b>Revenue by Vote</b>																												
Vote1- Municipal Manager	-		-		-		-		-		-		1 369		-		1 369		DN/O %		-		-		-		399 759 299	
Vote2- Finance Services	411 686 440		540 000		412 226 440		-		-		412 226 440		417 278 765		-		5 052 325		101 %		-		-		-		-	
Vote3- Corporate Services	-		-		-		-		-		-		125 826		-		125 826		DN/O %		-		-		-		1 162 239	
Vote4- Community Development Services	1 403 960		-		1 403 960		-		-		1 403 960		2 842 220		-		1 438 260		202 %		-		-		-		-	
Vote5- Planning and Economic Development	2 315 000		-		2 315 000		-		-		2 315 000		2 315 000		-		-		100 %		-		-		-		2 551 000	
Vote6- Technical Services	197 332 000		105 563 000		302 895 000		-		-		302 895 000		301 463 687		-		(1 431 313)		100 %		-		-		-		28 111 712	
	-		-		-		-		-		-		-		-		-		DN/O %		-		-		-		-	
	-		-		-		-		-		-		-		-		-		DN/O %		-		-		-		-	
<b>Total Revenue by Vote</b>	<b>612 737 400</b>		<b>106 103 000</b>		<b>718 840 400</b>		<b>-</b>		<b>-</b>		<b>718 840 400</b>		<b>724 026 867</b>		<b>-</b>		<b>5 186 467</b>		<b>101 %</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>431 584 250</b>	
<b>Expenditure by Vote to be appropriated</b>																												
Vote1- Municipal Manager	103 833 555		9 235 189		113 068 744		-		(3 755 814)		109 312 930		100 604 958		-		(8 707 972)		97 %		-		-		-		82 548 630	
Vote2- Finance Services	33 781 993		862 704		34 644 697		-		365 379		35 010 076		31 610 409		-		(3 399 667)		94 %		-		-		-		29 347 887	
Vote3- Corporate Services	74 614 584		1 124 070		75 738 654		-		2 984 910		78 723 564		71 626 961		-		(7 096 603)		96 %		-		-		-		69 445 857	
Vote4- Community Development Services	121 101 861		3 272 837		124 374 698		-		48 515		124 423 213		112 287 872		-		(12 135 341)		93 %		-		-		-		120 681 773	
Vote5- Planning and Economic Development	44 186 815		2 408 037		46 594 852		-		351 910		46 946 762		40 520 083		-		(6 426 679)		86 %		-		-		-		31 345 635	
Vote6- Technical Services	284 877 754		114 081 977		398 959 731		-		5 100		398 964 831		435 143 025		-		36 178 194		109 %		-		-		-		83 419 645	
	-		-		-		-		-		-		-		-		-		DN/O %		-		-		-		-	
	-		-		-		-		-		-		-		-		-		DN/O %		-		-		-		-	
<b>Total Expenditure by Vote</b>	<b>662 396 562</b>		<b>130 964 814</b>		<b>793 361 376</b>		<b>-</b>		<b>-</b>		<b>793 361 376</b>		<b>791 793 308</b>		<b>-</b>		<b>(1 568 068)</b>		<b>100 %</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>416 789 427</b>	
<b>Surplus/(Deficit) for the year</b>	<b>(49 659 162)</b>		<b>(24 881 814)</b>		<b>(74 540 976)</b>		<b>-</b>		<b>-</b>		<b>(74 540 976)</b>		<b>(67 766 441)</b>		<b>-</b>		<b>6 774 535</b>		<b>91 %</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>14 794 823</b>	

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**Nkangala District Municipality**  
**Unaudited Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2023**

**2022/2021**

**2023/2022**

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Expenditure By Type	Original Budget	Budget Adjustments (i.e., s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.e., s31 of the MFMA)	Virement (i.e., Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Employee related costs	202 040 899	(2 125 000)	199 915 899	-	(110 000)	199 805 899	181 179 275	-	(18 626 624)	91 %	90 %	-	-	-	180 886 356
Remuneration of councillors	16 608 201	2 125 000	18 733 201	-	100 000	18 833 201	16 981 155	-	(1 852 046)	90 %	102 %	-	-	-	15 087 417
Bad debts	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	25 731
Depreciation & asset impairment	18 294 130	-	18 294 130	-	-	18 294 130	17 444 371	-	(849 759)	95 %	95 %	-	-	-	17 235 113
Interest expense	219 700	-	219 700	-	-	235 700	126 329	-	(109 371)	58 %	58 %	-	-	-	194 325
Operating leases	1 415 920	(384 000)	1 031 920	-	16 000	4 433 420	3 452 793	-	(980 627)	78 %	244 %	-	-	-	3 453 081
Inventory consumed	4 558 080	85 500	4 643 580	-	3 401 500	4 004 403	2 815 437	-	(1 188 966)	70 %	62 %	-	-	-	3 766 003
Contracted services	65 906 531	8 929 751	74 836 282	-	(639 177)	72 093 793	66 749 146	-	(5 344 647)	93 %	101 %	-	-	-	49 588 728
Transfers and subsidies	297 996 400	121 730 519	419 726 919	-	(2 742 489)	420 120 930	457 068 647	-	36 947 717	109 %	153 %	-	-	-	103 522 371
546357	55 356 701	623 044	55 979 745	-	394 011	55 559 900	49 836 922	-	(5 722 978)	90 %	90 %	-	-	-	41 548 788
Gain/Losses	-	-	-	-	(419 845)	-	(3 860 767)	-	(3 860 767)	DN/0 %	DN/0 %	-	-	-	1 483 316
<b>Total Expenditure</b>	<b>662 396 562</b>	<b>130 984 814</b>	<b>793 381 376</b>	<b>-</b>	<b>-</b>	<b>793 381 376</b>	<b>791 793 308</b>	<b>-</b>	<b>(1 586 068)</b>	<b>100 %</b>	<b>120 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>416 781 209</b>
<b>Surplus/(Deficit)</b>	<b>(51 991 162)</b>	<b>(24 881 814)</b>	<b>(76 872 976)</b>	<b>-</b>	<b>-</b>	<b>(76 872 976)</b>	<b>(70 098 439)</b>	<b>-</b>	<b>6 774 537</b>	<b>91 %</b>	<b>135 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 619 168</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	2 332 000	-	2 332 000	-	-	2 332 000	2 332 000	-	-	100 %	100 %	-	-	-	2 228 000
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-
Transfers and subsidies - operational	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(49 659 162)</b>	<b>(24 881 814)</b>	<b>(74 540 976)</b>	<b>-</b>	<b>-</b>	<b>(74 540 976)</b>	<b>(67 766 439)</b>	<b>-</b>	<b>6 774 537</b>	<b>91 %</b>	<b>136 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 847 168</b>
Taxation	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>(49 659 162)</b>	<b>(24 881 814)</b>	<b>(74 540 976)</b>	<b>-</b>	<b>-</b>	<b>(74 540 976)</b>	<b>(67 766 439)</b>	<b>-</b>	<b>6 774 537</b>	<b>91 %</b>	<b>136 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 847 168</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(49 659 162)</b>	<b>(24 881 814)</b>	<b>(74 540 976)</b>	<b>-</b>	<b>-</b>	<b>(74 540 976)</b>	<b>(67 766 439)</b>	<b>-</b>	<b>6 774 537</b>	<b>91 %</b>	<b>136 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 847 168</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DN/0 %	DN/0 %	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(49 659 162)</b>	<b>(24 881 814)</b>	<b>(74 540 976)</b>	<b>-</b>	<b>-</b>	<b>(74 540 976)</b>	<b>(67 766 439)</b>	<b>-</b>	<b>6 774 537</b>	<b>91 %</b>	<b>136 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 847 168</b>



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By  
2023-11-30

Auditor General South Africa  
Mpumalanga

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