Harry Gwala District Municipality
(Registration number DC 43)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Council	
Executive Mayor	ZD Nxumalo
Deputy Mayor	TN Jojozi
Speaker	MSD Mdunge
Chief Whip	N Mhatu
Executive Committee Member	KS Dlamini
Executive Committee Member	SD Bekwa
Executive Committee Member	Z Tshangase
MPAC Chairperson	NW Dladla
MPWF Chairperson	ZP Dlamini
Ordinary Councillors	TSH Gamede
	BL Marnce
	NR Mtshali
	TG Soni
	PN Damoyi
	B Sibeni
	SRL Nzimande
	HA Lukhozi
	HV Msomi
	NH Zaca
	NH Malimela
	ZM Ngidi
	P Memela
	N Dlamini
	BR Memela
	SG Mkhize
	ZR Tshazi
	N Mda
	R Ramatlapeng
Traditional leader	MSI Zulu
Traditional leader	VV Zimema
Traditional leader	PDH Chiliza
Grading of local authority	Grade 4
Chief Financial Officer (CFO)	Mr KMB Mzimela
Accounting Officer	Mr GM Sineke
Business address	40 Main Street
	Ixopo
	3276

General Information

Postal address	Private Bag X501 Ixopo 3276
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Zuma and Partners Incorporated Seanego Incorporated Mdledle Incorporated Hughes-Madondo Incorporated Ka-Mbonane Cooper
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Municipal Finance Management Act.
Preparer	The annual financial statements were internally compiled by: Mrs S Mkhize-Zitha Deputy Chief Financial Officer

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
HGDA	Harry Gwala Development Agency
MM	Municipal Manager
HGDM	Harry Gwala District Municipality
MANCO	Management Committee
MPWF	Multi-party Women's Forum
MPAC	Municipal Public Accounts Committee

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period ended 30 June 2024. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is highly dependent on the National and or Provincial grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

In accordance with the provisions outlined in Section 124 (1)(a) of the Municipal Finance Management Act (MFMA), we hereby confirm the inclusion of comprehensive particulars regarding the salaries, allowances, and benefits of political office-bearers and councilors of Harry Gwala District Municipality in the notes to the annual financial statements. These particulars encompass both financial and in-kind components of remuneration, providing a transparent overview of the compensation structure for political office-bearers and councilors. Furthermore, as the accounting officer, I affirmatively declare that the salaries, allowances, and benefits outlined in the annual financial statements are thoroughly examined against the upper limits specified in Section 219 of the Constitution. This evaluation ensures strict adherence to the constitutional framework governing remuneration for political office-bearers and councilors. I can confirm that, to the best of my knowledge, the salaries, allowances, and benefits provided to political office-bearers and councilors fall within the prescribed upper limits established by Section 219 of the Constitution.

The annual financial statements set out on pages 5 to 75, which have been prepared on the going concern basis, were approved by the Municipal Manager on 30 August 2024 and were signed on its behalf by:

Mr GM Sineke
Municipal Manager

Friday, 30 August 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	858 345	715 785
Receivables from exchange transactions	5&6	12 036 379	32 135 757
Receivables from non-exchange transactions	4&6	3 721 751	3 768 911
VAT receivable	7	13 857 907	27 060 922
Cash and cash equivalents	8	209 430 269	124 640 559
		239 904 651	**188 321 934**
Non-Current Assets			
Property, plant and equipment	9	2 996 848 819	2 925 179 095
Intangible assets	10	313 463	515 455
Investments in controlled entities	11	100	100
		2 997 162 382	**2 925 694 650**
Total Assets		**3 237 067 033**	**3 114 016 584**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	107 150 527	111 902 755
Consumer deposits	13	3 178 970	2 415 086
Employee benefit obligation	14	1 168 000	1 616 000
Unspent conditional grants and receipts	15	10 500 000	21 176 580
		121 997 497	**137 110 421**
Non-Current Liabilities			
Employee benefit obligation	14	29 368 000	26 118 999
Long term payables from exchange transactions	16	10 405 815	10 405 815
		39 773 815	**36 524 814**
Total Liabilities		**161 771 312**	**173 635 235**
Net Assets		**3 075 295 721**	**2 940 381 349**
Accumulated surplus		3 075 295 721	2 940 381 349
Total Net Assets		**3 075 295 721**	**2 940 381 349**

* See Note 37

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	72 558 094	77 672 220
Other income	18	1 478 501	1 178 353
Interest revenue	19	38 524 060	24 975 028
Actuarial gains	14	1 374 000	3 755 000
Total revenue from exchange transactions		**113 934 655**	**107 580 601**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	20	809 851 580	735 797 420
Public contributions and donations	21	-	3 887 850
Skills development levy refund		418 239	372 203
Total revenue from non-exchange transactions		**810 269 819**	**740 057 473**
Total revenue	22	**924 204 474**	**847 638 074**
Expenditure			
Bad debts written off	23	29 994 816	34 789 639
Contracted services	24	122 533 973	134 262 759
Depreciation and amortisation	25	98 412 810	92 906 385
Employee related costs	26	256 038 759	245 741 536
Finance costs	27	2 153	112 875
(Reversal of impairments loss) /Impairment loss	28	149 312 986	(345 866)
Inventory consumed	29	33 597 928	33 421 199
Loss on disposal of assets and liabilities	9	1 190 315	2 875 378
Operational costs	30	74 274 467	69 116 389
Remuneration of councillors	31	6 931 900	6 987 878
Transfer payments	32	17 000 000	15 290 000
Total expenditure		**789 290 107**	**635 158 172**
Surplus for the year		**134 914 367**	**212 479 902**

* See Note 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	**2 727 901 447**	**2 727 901 447**
Changes in net assets		
Surplus for the year	212 479 902	212 479 902
Total changes	212 479 902	212 479 902
Restated* Balance at 01 July 2023	**2 940 381 354**	**2 940 381 354**
Changes in net assets		
Surplus for the year	134 914 367	134 914 367
Total changes	134 914 367	134 914 367
Balance at 30 June 2024	**3 075 295 721**	**3 075 295 721**

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		68 519 572	52 967 353
Grants		799 593 239	757 346 203
Interest income		23 397 120	12 542 589
		891 509 931	822 856 145
Payments			
Employee costs		(258 795 659)	(248 485 414)
Suppliers		(239 467 967)	(240 525 021)
Finance costs		(2 153)	(62 877)
		(498 265 779)	(489 073 312)
Net cash flows from operating activities	33	**393 244 152**	**333 782 833**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(308 454 440)	(257 490 798)
Purchase of other intangible assets	10	-	(541 100)
Net cash flows from investing activities		**(308 454 440)**	**(258 031 898)**
Cash flows from financing activities			
Movement in long term payables from exchange transactions		-	12 311
Finance lease payments		-	(1 348 951)
Net cash flows from financing activities		**-**	**(1 336 640)**
Net increase/(decrease) in cash and cash equivalents		**84 789 712**	**74 414 295**
Cash and cash equivalents at the beginning of the year		124 640 559	50 226 251
Cash and cash equivalents at the end of the year	8	**209 430 271**	**124 640 546**

The accounting policies on pages 12 to 31 and the notes on pages 32 to 75 form an integral part of the annual financial statements.

* See Note 37

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	76 192 311	(9 026 963)	**67 165 348**	72 558 094	**5 392 746**	46
Other Revenue	871 843	(290 627)	**581 216**	1 478 501	**897 285**	46
Interest revenue	17 055 504	17 610 254	**34 665 758**	38 524 060	**3 858 302**	46
Actuarial gains	-	-	**-**	1 374 000	**1 374 000**	46
Total revenue from exchange transactions	**94 119 658**	**8 292 664**	**102 412 322**	**113 934 655**	**11 522 333**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	815 191 999	15 836 161	**831 028 160**	809 851 580	**(21 176 580)**	46
Skills development levy refund	372 203	-	**372 203**	418 239	**46 036**	46
Total revenue from non-exchange transactions	**815 564 202**	**15 836 161**	**831 400 363**	**810 269 819**	**(21 130 544)**	
Total revenue	**909 683 860**	**24 128 825**	**933 812 685**	**924 204 474**	**(9 608 211)**	
Expenditure						
Bad debt written	(30 417 956)	-	**(30 417 956)**	(29 994 816)	**423 140**	46
Contracted Services	(134 685 405)	(9 865 508)	**(144 550 913)**	(122 533 973)	**22 016 940**	46
Depreciation and amortisation	(96 291 506)	-	**(96 291 506)**	(98 412 810)	**(2 121 304)**	46
Employee costs	(250 265 791)	(1)	**(250 265 792)**	(256 038 759)	**(5 772 967)**	46
Finance costs	(10 000)	(4 306)	**(14 306)**	(2 153)	**12 153**	46
Impairment loss	(28 300 000)	-	**(28 300 000)**	(149 312 986)	**(121 012 986)**	46
Inventory Consumed	(28 432 379)	(6 912 024)	**(35 344 403)**	(33 597 928)	**1 746 475**	46
Loss on disposal of assets	-	-	**-**	(1 190 315)	**(1 190 315)**	46
Operational costs	(72 677 190)	(5 779 236)	**(78 456 426)**	(74 274 467)	**4 181 959**	46
Remuneration of councillors	(8 118 813)	-	**(8 118 813)**	(6 931 900)	**1 186 913**	46
Transfer payments	(17 000 000)	-	**(17 000 000)**	(17 000 000)	**-**	46
Total expenditure	**(666 199 040)**	**(22 561 075)**	**(688 760 115)**	**(789 290 107)**	**(100 529 992)**	
Surplus before taxation	**243 484 820**	**1 567 750**	**245 052 570**	**134 914 367**	**(110 138 203)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**243 484 820**	**1 567 750**	**245 052 570**	**134 914 367**	**(110 138 203)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	513 296	202 489	**715 785**	858 345	**142 560**	46
Receivables from exchange transactions	28 498 592	1 775 408	**30 274 000**	12 036 379	**(18 237 621)**	46
Receivables from non-exchange transactions	2 335 728	(24 800)	**2 310 928**	3 721 751	**1 410 823**	46
VAT receivable	25 559 911	1 593 246	**27 153 157**	13 857 907	**(13 295 250)**	46
Cash and cash equivalents	69 306 955	59 843 078	**129 150 033**	209 430 271	**80 280 238**	46
	126 214 482	**63 389 421**	**189 603 903**	**239 904 653**	**50 300 750**	
Non-Current Assets						
Property, plant and equipment	(306 141 124)	(10 726 898)	**(316 868 022)**	2 996 848 819	**3 313 716 841**	46
Intangible assets	689 566	131 219	**820 785**	313 463	**(507 322)**	46
Investments in controlled entities	100	-	**100**	100	**-**	
	(305 451 458)	**(10 595 679)**	**(316 047 137)**	**2 997 162 382**	**3 313 209 519**	
Total Assets	**(179 236 976)**	**52 793 742**	**(126 443 234)**	**3 237 067 035**	**3 363 510 269**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	71 893 930	(34 767 150)	**37 126 780**	107 150 527	**70 023 747**	46
Consumer deposits	2 323 930	628 421	**2 952 351**	3 178 970	**226 619**	46
Employee benefit obligation	-	-	**-**	1 168 000	**1 168 000**	46
Unspent conditional grants and receipts	-	-	**-**	10 500 000	**10 500 000**	46
	74 217 860	**(34 138 729)**	**40 079 131**	**121 997 497**	**81 918 366**	
Non-Current Liabilities						
Employee benefit obligation	28 868 999	(1 134 000)	**27 734 999**	29 368 000	**1 633 001**	46
Long term payables from exchange transactions	10 393 504	12 311	**10 405 815**	10 405 815	**-**	46
	39 262 503	**(1 121 689)**	**38 140 814**	**39 773 815**	**1 633 001**	
Total Liabilities	**113 480 363**	**(35 260 418)**	**78 219 945**	**161 771 312**	**83 551 367**	
Net Assets	**(292 717 339)**	**88 054 160**	**(204 663 179)**	**3 075 295 723**	**3 279 958 902**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(292 717 339)	88 054 160	**(204 663 179)**	3 075 295 721	**3 279 958 900**	46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Water, sanitation and other receipts	115 087 328	-	**115 087 328**	68 519 572	**(46 567 756)**	
Grants	815 191 999	-	**815 191 999**	799 593 239	**(15 598 760)**	
Interest income	5 713 231	16 206 304	**21 919 535**	23 397 120	**1 477 585**	
	935 992 558	**16 206 304**	**952 198 862**	**891 509 931**	**(60 688 931)**	
Payments						
Suppliers and employees	(611 116 653)	(16 835 642)	**(627 952 295)**	(498 263 626)	**129 688 669**	
Finance costs	(100 000)	100 000	**-**	(2 153)	**(2 153)**	
	(611 216 653)	**(16 735 642)**	**(627 952 295)**	**(498 265 779)**	**129 686 516**	
Net cash flows from operating activities	**324 775 905**	**(529 338)**	**324 246 567**	**393 244 152**	**68 997 585**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(306 141 124)	(10 726 898)	**(316 868 022)**	(308 454 440)	**8 413 582**	
Cash flows from financing activities						
Long term payables from exchange transactions	(2 400 000)	-	**(2 400 000)**	-	**2 400 000**	
Increase in consumer deposit	149 000	-	**149 000**	-	**(149 000)**	
Net cash flows from financing activities	**(2 400 000)**	**-**	**(2 400 000)**	**-**	**2 400 000**	
Net increase/(decrease) in cash and cash equivalents	16 234 781	(11 256 236)	**4 978 545**	84 789 712	**79 811 167**	
Cash and cash equivalents at the beginning of the year	53 541 251	71 099 314	**124 640 565**	124 640 559	**(6)**	
Cash and cash equivalents at the end of the year	**69 776 032**	**59 843 078**	**129 619 110**	**209 430 271**	**79 811 161**	

Reconciliation

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Significant accounting polices

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

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

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 Significant judgements and sources of estimation uncertainty

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgemental is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying tangible assets.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgements, refer to note on entity combinations.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the heath care retirement and long service awards obligations.

Additional information is disclosed in Note 14.

Effective interest rate

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

Allowance for doubtful debts

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

1.6 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.

1.6 Property, plant and equipment (continued)

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, it's 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.

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.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	
• Office		30 years
Furniture and office equipment	Straight-line	
• Office equipment		7 years
• Office furniture		10 years
• Paintings, sculptures, ornaments		10 years
Transport Assets	Straight-line	
• Motor vehicles		7 years
• Trailers and accessories		10 years
• Trucks		10 years
Computer equipment	Straight-line	
• Computer hardware including operation systems		5 years
• Networks		10 years
• Computer software		5 years
Dams/structure	Straight-line	
• Concrete		100 years
• Earth		50 years

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

River	Straight-line	
• Structure - Weir		50 years
• Borehole Establishment		30 years
Pump Stations	Straight-line	
• Structure - buildings		55 years
• Structure - Clarifiers		55 years
• Structure - Filters		55 years
• Electrical		15 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure - Carports		15 years
Perimeter protection	Straight-line	
• Palisade - Concrete		25 years
• Palisade - Steel / Razor wire / Weld mesh		15 years
Reservoirs	Straight-line	
• Structure - Concrete		50 years
• Structure - Galaxy		30 years
• Structure - Steel Tank		30 years
• Structure Jojo		15 years
• Electrical		20 years
• Mechanical		15 years
Underground	Straight-line	
• Chambers		30 years
• Manholes		30 years
• Mechanical		15 years
Water purification works	Straight-line	
• Structure		55 years
• Ponds		55 years
• Electrical		20 years
• Mechanical		15 years
Spring protection	Straight-line	
• Spring		20 years
• Jojo tanks		15 years
• Reticulation		40 years
• Standpipes		20 years
Sewerage pump stations	Straight-line	
• Structure - Buildings		55 years
• Structure - Reactors		55 years
• Structure - Drying beds		55 years
• Structure - Clarifiers chambers		35 years
• Structure - Maturation Ponds		35 years
• Electrical		20 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure, Carports		15 years
• Rising mains		40 years
• Gravity mains		40 years
Other machinery and equipment	Straight-line	
• Audiovisual equipments		10 years
• Building air conditioning systems		5 years
• Domestic equipment		5 years
• Kitchen appliances		10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.7 Intangible assets

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

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.

Significant Accounting Policies

1.7 Intangible assets (continued)

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

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- 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	5 years

1.8 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

1.8 Financial instruments (continued)

- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

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

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.

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.8 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Short-term Investment Deposits	Financial asset measured at amortised cost
Bank Balances and Cash	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Other Debtors	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Consumer Deposit	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

1.8 Financial instruments (continued)

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.

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 amortised cost.
- Financial instruments at cost.

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

Gains and losses

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 entity 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.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

1.8 Financial instruments (continued)

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.9 Tax

Value Added Tax

The annual financial statements are prepared on an accrual basis, which means that revenues and expenses are recognized when they are incurred, regardless of when the associated cash inflows or outflows occur. However, in compliance with the tax regulations of South Africa, we declare our VAT liability or receivable to the South African Revenue Service (SARS) on a payment basis.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

1.10 Leases (continued)

Finance leases - lessee

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. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.13 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.

Assets that generate a commercial return are those that generate positive cash flows which are expected to be significantly higher than the cost of the assets.

Non-cash-generating assets are assets other than cash-generating assets. Non-cash-generating assets are assets that are not used with the objective to generate a commercial return. Instead, they are used to deliver services

An 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.

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

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

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.

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

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.

Value in use of a non-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.

1.13 Impairment of non-cash-generating assets (continued)

Identification

An asset is impaired when the carrying amount of the asset exceeds its recoverable service amount.

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

Irrespective of whether there is any indication of impairment, the municipality also tests a non-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.

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

Impairment loss is recognised in surplus or deficit

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset 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.

A reversal of an impairment loss for a non-cash-generating unit is allocated to the non-cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a non-cash-generating unit.

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

- its recoverable service 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.

Significant Accounting Policies

1.14 Employee benefits

Identification

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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.

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.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Significant Accounting Policies

1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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.

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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Significant Accounting Policies

1.17 Revenue from exchange transactions (continued)

Service charges

Service charges relating to water are based on consumption. Meters are read on a monthly basis and recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption are made in the invoicing period in which meters have been read.Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

In circumstances where services cannot readily be measured and qualified, a flat rate service charge is levied monthly on such properties.

Tarrif charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

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

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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.

1.20 Borrowing costs (continued)

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.

Unauthorised 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).

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).

1.24 Irregular expenditure

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

Irregular 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).

1.25 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

1.25 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.26 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development 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.

1.27 Budget information

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

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

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

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

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

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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.28 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.

Significant Accounting Policies

1.28 Related parties (continued)

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.

1.29 Events after reporting date

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

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have "cultural significance" and defines a heritage asset as "an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations". "Cultural significance" has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 104 (as revised): Financial Instruments

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

The impact of this amendment is currently being assessed.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

3. Inventories

Water for distribution	858 345	715 785

Key judgements made and assumptions applied

Inventory water includes water purchased or purified and not yet sold at reporting date insofar as it is stored (controlled) in reservoirs at year end.

Inventory water also includes any water purification costs incurred for non-purchased water.

The municipality furthermore assesses whether there is material water purification chemicals and other consumables in hand at year end and discloses them separately on the notes to the annual financial statements. At the end of the financial year ended 30 June 2024 there was no material inventory in hand.

4. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	3 334 238	3 768 911
Salary third party payments -SARS Overpayment	387 513	-
	3 721 751	**3 768 911**

Receivables from exchange transactions Disclosure		
Gross Balances	5 827 505	5 874 664
Less:Allowances for impairment	(2 105 753)	(2 105 753)
	3 721 752	**3 768 911**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions (continued)

Salary third party payments -SARS Overpayment, is made up of the payment was made to SARS R 382 413 for the late payment of PAYE,UIF and SDL while the application for appeal was already done which was approved in July 2024, overpayment was offset against August SARS Liability and also there was over payment for the payment made to Department of Justice R 5 100 in April 2024 (Children maintenance from some of the employees).

Receivables from non-exchange transactions impaired

	2024	2023
Debtor-Kokstad deposits	105 753	105 753
Cyclone construction - Farmers market	2 000 000	2 000 000
Subtotal	2 105 753	2 105 753
Less: Allowance for impairment	(2 105 753)	(2 105 753)
	-	-

5. Receivables from exchange transactions

	2024	2023
Consumer debtors - Water	8 894 893	25 930 298
Consumer debtors - Sewerage	1 672 800	2 278 687
Consumer debtors - Value Added Tax	1 468 686	3 926 772
	12 036 379	**32 135 757**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 12 months past due are not considered to be impaired. At 30 June 2024, 6 968 806 (30 June 2023: R 26 803 953,00 were past due but not impaired.

6. Consumer debtors disclosure

	2024	2023
Gross balances		
Consumer debtors - Water	159 884 663	161 107 770
Consumer debtors - Sewerage	52 716 814	58 337 797
Consumer debtors - Value Added Tax	21 567 428	23 314 938
	234 168 905	**242 760 505**
Less: Allowance for impairment		
Consumer debtors - Water	(150 989 770)	(135 177 472)
Consumer debtors - Sewerage	(51 044 014)	(56 059 110)
Consumer debtors - Value Added Tax	(20 098 742)	(19 388 166)
	(222 132 526)	**(210 624 748)**
Net balance		
Consumer debtors - Water	8 894 893	25 930 298
Consumer debtors - Sewerage	1 672 800	2 278 687
Consumer debtors - Value Added Tax	1 468 686	3 926 772
	12 036 379	**32 135 757**
Water		
Current (0 -30 days)	11 927 145	19 598 793
31 - 60 days	4 427 853	2 716 374
61 - 90 days	2 824 468	3 150 198
91 - 120 days	2 404 844	5 527 407
>120 days	138 300 353	130 114 998
	159 884 663	**161 107 770**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Consumer debtors disclosure (continued)

Sewerage		
Current (0 -30 days)	2 563 687	2 756 576
31 - 60 days	772 199	891 409
61 - 90 days	630 456	799 399
91 - 120 days	602 395	852 757
>120 days	48 148 077	53 037 656
	52 716 814	**58 337 797**

Value Added Tax		
Current (0 -30 days)	1 751 926	2 934 641
31 - 60 days	581 966	340 824
61 - 90 days	306 327	394 724
91 - 120 days	252 108	774 078
>120 days	18 675 101	18 870 671
	21 567 428	**23 314 938**

Figures in Rand	2024	2023

6. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	4 999 824	14 730 854
31 - 60 days	2 454 653	2 504 248
61 - 90 days	2 447 884	2 376 020
91 - 120 days	2 125 788	2 815 313
>120 days	171 242 898	175 274 196
	183 271 047	**197 700 631**

Industrial/ commercial		
Current (0 -30 days)	1 206 076	2 176 312
31 - 60 days	428 865	642 142
61 - 90 days	349 357	339 588
91 - 120 days	354 655	383 593
>120 days	13 680 434	12 612 496
	16 019 387	**16 154 131**

National and provincial government		
Current (0 -30 days)	10 036 858	8 382 843
31 - 60 days	2 898 500	802 218
61 - 90 days	964 010	1 628 713
91 - 120 days	778 904	3 955 336
>120 days	20 200 198	14 136 633
	34 878 470	**28 905 743**

Total		
Current (0 -30 days)	16 242 758	25 290 009
31 - 60 days	5 782 018	3 948 608
61 - 90 days	3 761 251	4 344 321
91 - 120 days	3 259 347	7 154 242
>120 days	205 123 530	202 023 325
	234 168 904	242 760 505
Less: Allowance for impairment	(222 130 781)	(210 624 725)
	12 038 123	**32 135 780**

Total debtor past due but not impaired		
Current (0 -30 days)	3 363 861	6 216 315
31 - 60 days	3 238 806	810 184
61 - 90 days	359 758	1 631 401
91 - 120 days	3 707	3 957 444
>120 days	2 674	14 188 609
	6 968 806	**26 803 953**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(210 624 726)	(212 010 418)
Contributions to allowance	(11 506 055)	1 385 692
	(222 130 781)	**(210 624 726)**

7. VAT receivable

VAT	13 857 907	27 060 922

Figures in Rand	2024	2023

7. VAT receivable (continued)

The annual financial statements are prepared on an accrual basis, which means that revenues and expenses are recognized when they are incurred, regardless of when the associated cash inflows or outflows occur. However, in compliance with the tax regulations of South Africa, we declare our VAT liability or receivable the South African Revenue Service (SARS) on a payment basis.

Statutory receivable

Vat calculation

VAT Receivable Accrual	**2024**
Input vat	101 712 321
Output vat	(87 854 415)
Vat Receivable	**13 857 906**

Transactions arising from the legislation

The municipality accounts for Output VAT and Input VAT in terms of the Value Added Tax Act no 89 of 1991

Determination of the transaction amount

The municipality charges output VAT on supplies of goods and services that it renders.The output VAT is charged on taxable suplies**.**
The municipality is also entitled to VAT deduction on input VAT charged to it for making taxable supplies.
Taxable supplies are supplies for which VAT is charged at either the standard rate (currently 15%) or zero rate (0%).

Basis used to assess and test whether a statutory receivable is impaired

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.
If there is an indication that a statutory receivable or a group of statutory receivables may be impaired, the municipality measures the impairment loss as the difference between the present value of estimated future cash flows and the carrying amount.
When the carrying amount is higher than the present value of the estimated future cash flows, the carrying amount of the statutory receivable is reduced. The amount of impairment loss is recognised in the surplus or deficit.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	300	300
Bank balances	41 922 070	(3 456 198)
Short-term deposits	167 507 899	128 096 457
	209 430 269	**124 640 559**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Eskom account	200 000	200 000

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB Ixopo Branch account number- 62022648169	41 927 867	3 390 475	17 089 981	41 922 070	(3 456 198)	7 443 106
FNB call account number- 62032587331	35 700 000	9 562 219	2 043 102	35 700 000	9 562 219	2 043 102
FNB call account number - 62095523281	202 000	25 858 944	202 000	202 000	25 858 944	202 000
FNB call account number - 62138538692	10 502 000	30 829 245	15 464 073	10 502 000	30 829 245	15 464 073
FNB call account number - 62398395204	2 000	4 009 721	2 000	2 000	4 009 721	2 000
FNB call account number - 62434145331	8 667	1 252 178	2 537	8 667	1 252 178	2 537
FNB call account number - 62434147072	1 775 981	4 215 598	1 585 029	1 775 981	4 215 598	1 585 029
FNB call account number - 62434151239	46 112 137	12 856	25 438	46 112 137	12 856	25 438
FNB call account number - 62414264797	17 518	12 920	12 475	17 518	12 920	12 475
Investec bank call account number - 50006688425	-	29 081 540	1 593 635	-	29 081 540	1 593 635
FNB fixed term account number - 76204521754	49 086 859	-	-	49 086 859	-	-
FNB fixed term account number - 76205904082	24 000 000	-	-	24 000 000	-	-
Nedbank fixed term account number - 7881166592	100 737	23 261 236	21 852 556	100 737	23 261 236	21 852 556
Total	**209 435 766**	**131 486 932**	**59 872 826**	**209 429 969**	**124 640 259**	**50 225 951**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 672 272	-	13 672 272	13 672 272	-	13 672 272
Buildings	37 529 025	(16 023 012)	21 506 013	37 529 025	(14 829 763)	22 699 262
Machinery and equipment	6 030 720	(3 581 247)	2 449 473	4 730 873	(2 959 229)	1 771 644
Furniture and office equipment	7 374 731	(5 275 477)	2 099 254	6 639 218	(4 900 657)	1 738 561
Transport assets	39 972 733	(23 934 110)	16 038 623	36 429 636	(18 599 134)	17 830 502
Computer equipment	13 932 094	(9 028 716)	4 903 378	11 995 047	(7 603 240)	4 391 807
Infrastructure: information and communication	616 662	(392 505)	224 157	718 520	(422 250)	296 270
Infrastructure water and sanitation	3 716 222 681	(781 786 708)	2 934 435 973	3 604 021 640	(743 001 812)	2 861 019 828
Community	2 257 925	(738 249)	1 519 676	2 789 609	(1 030 660)	1 758 949
Total	**3 837 608 843**	**(840 760 024)**	**2 996 848 819**	**3 718 525 840**	**(793 346 745)**	**2 925 179 095**

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	13 672 272	-	-	-	-	13 672 272
Buildings	22 699 262	-	-	(1 193 249)	-	21 506 013
Machinery and equipment	1 771 644	1 306 457	(4 186)	(624 442)	-	2 449 473
Furniture and office equipment	1 738 561	1 063 023	(10 882)	(691 448)	-	2 099 254
Transport assets	17 830 502	3 543 097	(245 168)	(5 089 809)	-	16 038 623
Computer equipment	4 391 807	2 186 584	(28 846)	(1 646 166)	-	4 903 378
Infrastructure: information and communication	296 270	-	(3 602)	(68 510)	-	224 157
Infrastructure water and sanitation	2 861 019 828	301 488 998	(771 680)	(88 783 872)	(138 517 301)	2 934 435 973
Community assets	1 758 949	-	(125 952)	(113 321)	-	1 519 676
	2 925 179 095	**309 588 159**	**(1 190 316)**	**(98 210 817)**	**(138 517 301)**	**2 996 848 819**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	13 672 272	-	-	-	-	-	13 672 272
Buildings	23 892 510	-	-	-	(1 193 248)	-	22 699 262
Machinery and equipment	2 237 904	81 485	-	-	(547 745)	-	1 771 644
Furniture and office equipment	1 602 773	732 296	-	-	(594 507)	(2 001)	1 738 561
Transport assets	16 806 218	6 259 054	-	-	(5 234 770)	-	17 830 502
Computer equipment	5 926 457	560 806	-	-	(2 095 456)	-	4 391 807
Infrastructure: information and communication	100 573	235 000	-	-	(39 303)	-	296 270
Infrastructure water and sanitation	2 684 148 737	256 820 060	(2 875 379)	3 887 850	(80 384 080)	(577 360)	2 861 019 828
Community assets	1 872 269	-	-	-	(113 320)	-	1 758 949
Leased assets	2 570 392	-	-	-	(2 570 392)	-	-
	2 752 830 105	**264 688 701**	**(2 875 379)**	**3 887 850**	**(92 772 821)**	**(579 361)**	**2 925 179 095**

Capital projects that have been significantly delayed

Construction work in progress has been included in the above mentioned property, plant and equipment, based on the nature of the project being constructed. The following projects have been identified as significantly delayed because they have exceeded the expected completion date. The reasons for the significant delays is budget constraints and the reprioritization of projects that the municipality had to implement

PPE	**Expenditure to date**
Infrastructure Water and Sanitation	304 651 881

Figures in Rand	2024	2023

9. Property, plant and equipment (continued)

Change in estimate

Property, plant and equipment

During the 2023/24 financial year , the municipality assessed and changed the estimate of useful lives for certain Property, Plant and Equipment that were reaching their initial estimated useful lives.The effect of this revision has increased the depreciation charges for the current and future periods by R2 589 788.

Details	Depreciation before the change in estimate	Depreciation after change in estimate	Effect due to change in estimate
Movable Assets	3 577 732	(1 298 530)	2 279 203
Infrastructure Assets	366 248	(55 662)	310 585
	3 943 980	**(1 354 192)**	**2 589 788**

Reconciliation of Work-in-Progress 30 June 2024

	Included within Infrastructure	Total
Opening balance	718 005 013	718 005 013
Additions/capital expenditure	298 048 454	298 048 454
Transferred to completed items	(252 251 103)	(252 251 103)
Impairment loss on WIP	(124 278 459)	(124 278 459)
	639 523 905	**639 523 905**

Reconciliation of Work-in-Progress 30 June 2023

	Included within Infrastructure	Total
Opening balance	744 148 309	744 148 309
Additions/capital expenditure	249 567 427	249 567 427
Transferred to completed items	(275 710 723)	(275 710 723)
	718 005 013	**718 005 013**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	43 625 993	49 412 463
Materials consumed	-	3 055 050
	43 625 993	**52 467 513**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	595 582	(282 119)	313 463	1 607 126	(1 091 671)	515 455

Reconciliation of intangible assets - 30 June 2024

	Opening balance	Amortisation	Impairment loss	Total
Computer software	515 455	(201 993)	1	313 463

Reconciliation of intangible assets - 30 June 2023

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	384 235	541 100	(133 564)	(276 316)	515 455

11. Interests in other entities

Investments in controlled entities

Name	Jurisdiction	Determination of ownership interest	% ownership interest 30 June 2024	% ownership interest 30 June 2023	Carrying amount 30 June 2024	Carrying amount 30 June 2023
Harry Gwala Development Agency		Harry Gwala District Municipality	100,00 %	100,00 %	100	100

Figures in Rand	2024	2023

12. Payables from exchange transactions

Trade payables	20 320 400	33 879 177
Retentions	59 447 589	45 690 126
Accrued leave pay	16 385 436	16 171 402
Accrued bonus	4 608 264	4 406 580
Debtors with credit balances	6 388 838	6 582 349
Salary third party payments accruals	-	5 173 121
	107 150 527	**111 902 755**

13. Consumer deposits

Water	3 178 970	2 415 086

As of the year-end date, our annual financial statements reflect a liability related to consumer water deposits. Consumer water deposits represent funds collected from customers as security against potential non-payment of water services or to ensure adherence to the terms of water usage agreements. Throughout the year, changes to the consumer water deposits liability occurs due to various factors, such as new deposits, withdrawals of deposits, or the return of deposits when customers terminate their agreements.

14. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Post-retirement health care benefit liability	(16 734 000)	(14 922 999)
Long service awards	(13 802 000)	(12 812 000)
	(30 536 000)	**(27 734 999)**

Non-current liabilities	(29 368 000)	(26 118 999)
Current liabilities	(1 168 000)	(1 616 000)
	(30 536 000)	**(27 734 999)**

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

1. Bonitas
2. Keyhealth
3. LA Health
4. Samwumed
5. Hosmed

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	14 923 000	14 612 000
Net expense recognised in the statement of financial performance	1 811 000	311 000
	16 734 000	**14 923 000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance are as follows:

Service cost	1 214 000	1 365 000
- Current service cost	1 214 000	1 365 000
Interest cost	1 879 000	1 729 000
Actuarial (gains) losses	(1 282 000)	(2 783 000)
	1 811 000	**311 000**

Figures in Rand	2024	2023

14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,32 %	12,59 %
Expected rate of return on assets	7,79 %	8,19 %
Expected rate of return on reimbursement rights	4,20 %	4,07 %
Average retirement age	62	62

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit.The table below summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2024.

Post Employment Medical Benefit - DBO **Assumption**	**One percent point increase/One year point increase**	**One percent point decrease/One year point decrease**
Medical Aid Contribution rate	18 357 000	14 728 000
Discount Rate	14 225 000	19 890 000
Post employment mortality	16 312 000	17 147 000

Current Service and Interest Costs **Post Employment Medical Benefit Assumption**	**One percent point increase/One year point increase**	**One percent point decrease/One year point decrease**
Medical Aid Contribution rate	3 394 000	2 712 000
Discount Rate	2 736 000	3 531 000
Post employment mortality	3 016 000	3 171 000

Long service awards

The municipality operate an unfunded defined benefit plan for all its employees. The Municipality offers employees long service awards for every five years of service completed, from five years of service to 45 years of service, inclusive. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

Changes in the present value of the defined benefit obligation are as follows:

Figures in Rand	2024	2023
Opening balance	12 812 000	12 634 000
Expected benefits vesting	(1 616 000)	(1 583 000)
Net expense recognised in the statement of financial performance	2 606 000	1 761 000
Subtotal	13 802 000	12 812 000
Current service cost	1 311 000	1 404 000
Interest cost	1 387 000	1 329 000
Actuarial (gains)/ losses	(92 000)	(972 000)

Figures in Rand	2024	2023

14. Employee benefit obligations (continued)

	2 606 000	**1 761 000**

Key Assumptions Used	2024	2023
Discount rate	11,29 %	11,53 %
General earnings inflation rate	6,42 %	6,75 %
Net effective discount rate	4,58 %	4,48 %
Average retirement age	62	62

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. The table below summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2024.

Long Service Award- BDO Assumption	**One percent point increase/ One year point increase**	**One percent point decrease/ One year point decrease**
General Earnings infaltion rate	14 664 000	13 017 000
Discount rate	13 002 000	14 694 000
Average retirement Age	14 462 000	13 074 000

Current Service and Interest Costs **Assumption**	**One percent point increase/ TWO year point increase**	**One percent point decrease/ TWO year point decrease**
General Earnings infaltion rate	2 894 000	2 520 000
Discount rate	2 643 000	2 758 000
Average retirement Age	2 822 000	2 553 000

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant	10 500 000	21 176 580

The R10 500 000 amount received during the financial year is the advance receipt for 2024/25 financial year.The amount was not meant to be spent for 2023/24. It is meant to be spent once the conditions relating to 2024/25 financial year are met.

This amount is invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Long term payables from exchange transactions

The Special Investigating Unit (SIU) performed an investigation per the President's proclamation on allegations of financial misconduct. The investigations resulted in SIU billing the municipality an amount of R14.2 million for the services rendered. However due to financial difficulties that was facing the municipality at the time, the municipality could not afford to pay for these services.

During the 2018/2019 financial year the municipality entered into an arrangement with the Special Investigating Unit (SIU) to repay the amount owed by the municipality in monthly installment of R200 000. There is no interest charged on the outstanding balance. The municipality is struggling to honour this arrangement as this was not budgeted for.

The amount payable within the next 12 months is reclassified to current liabilities.

Reconciliation of long term payables from exchange transactions

Opening balance	12 805 816	12 793 504
Invoices	-	12 312
Subtotal	12 805 816	12 805 816
Reclassification to current liabilities	(2 400 000)	(2 400 000)
	10 405 816	**10 405 816**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Service charges

Sale of water	59 302 020	64 523 369
Sewerage and sanitation charges	13 256 074	13 148 851
	72 558 094	**77 672 220**

18. Other income

Insurance refunds	780 622	332 831
Recoveries	-	72 500
Inspection fees	41 955	31 998
Clearance certificate	8 288	4 172
Forfeits: unclaimed monies	478 418	-
Tender documents	169 218	630 931
Endowment/ Subdivision fees	-	105 921
	1 478 501	**1 178 353**

19. Interest received

Interest revenue		
Bank	21 988 023	10 858 253
Interest charged on trade and other receivables	16 536 037	14 116 775
	38 524 060	**24 975 028**

Figures in Rand	2024	2023

20. Government grants & subsidies

Operating grants		
Equitable share	463 631 000	432 161 000
Expanded public works programme	5 823 000	5 221 000
Financial management grant	1 200 000	1 200 000
Municipal infrastructure grant	4 487 217	9 479 013
Water services infrastructure grant	-	2 017 730
Rural roads asset management system grant	2 391 000	2 381 000
	477 532 217	**452 459 743**
Capital grants		
Municipal infrastructure grant	242 319 363	200 355 407
Water services infrastructure grant	90 000 000	82 982 270
	332 319 363	**283 337 677**
	809 851 580	**735 797 420**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal infrastructure grant

Balance unspent at beginning of the year	21 176 580	-
Current-year receipts	236 130 000	231 011 000
Conditions met - transferred to revenue (current year allocation - capital)	(242 319 363)	(200 355 406)
Conditions met - transferred to revenue (current year allocation - operational)	(4 487 217)	(9 479 014)
	10 500 000	**21 176 580**

Conditions still to be met - remain liabilities (see note 15).

The municipal infrastructure grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas.

The operational expenditure relates to the construction of VIP toilets that are donated to communities and the payment of salaries for the project management unit staff.

Financial management grant

Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	-	-

Financial management grant is used to implement financial management reforms required by the MFMA.

Expanded public works programme

Current-year receipts	5 823 000	5 221 000
Conditions met - transferred to revenue	(5 823 000)	(5 221 000)
	-	-

Expanded public works programme grant is used to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas.

20. Government grants & subsidies (continued)

Water services infrastructure grant

	2024	2023
Current-year receipts	90 000 000	85 000 000
Conditions met - transferred to revenue (current year allocation - capital)	(90 000 000)	(82 982 270)
Conditions met - transferred to revenue (current year allocation - operational)	-	(2 017 730)
	-	-

During the reporting period, an amount of 10 million, which was previously allocated to the municipality as part of the Water Services Infrastructure Conditional Grant, was withheld by the Treasury. This decision stems from the identified lack of performance in meeting the conditions and expenditure requirements associated with the grant.

The water services infrastructure grants used to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services.

The operational expenditure relates to the construction of VIP toilets that are donated to communities.

Rural roads asset management system grant

	2024	2023
Current-year receipts	2 391 000	2 381 000
Conditions met - transferred to revenue	(2 391 000)	(2 381 000)
	-	-

Rural roads asset management system grants is utilised to assess traffic management initiatives.

21. Public contributions and donations

	2024	2023
Assets received from other organs of state	-	3 887 850

22. Revenue

	2024	2023
Service charges	72 558 094	77 672 220
Other income	1 478 501	1 178 353
Interest received	38 524 060	24 975 028
Government grants & subsidies	809 851 580	735 797 420
Public contributions and donations	-	3 887 850
Skills development levy refund	418 239	372 203
	922 830 474	**843 883 074**

The amount included in revenue arising from exchanges of goods or services are as follows:	2024	2023
Service charges	72 558 094	77 672 220
Other income	1 478 501	1 178 353
Interest received	38 524 060	24 975 028
	112 560 655	**103 825 601**

Figures in Rand	2024	2023

22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	809 851 580	735 797 420
Public contributions and donations	-	3 887 850
Skills development levy refund	418 239	372 203
	810 269 819	**740 057 473**

23. Bad debts written off

Bad debts written off	29 994 816	34 789 639

24. Contracted services

Outsourced Services		
Administrative and Support Staff	12 201 195	8 433 734
Burial Services	147 981	123 208
Business and Advisory	8 724 683	16 264 259
Catering Services	563 068	184 775
Cleaning Services	559 483	519 189
Process audits	6 570 742	7 242 018
Security Services	33 080 394	30 600 456
Sewerage Services	1 873 420	1 860 412
Consultants and Professional Services		
Business and Advisory	6 392 212	6 736 167
Legal Cost	5 516 880	2 641 822
Contractors		
Catering Services	218 228	109 797
Employee Wellness	19 872	7 750
Event Promoters	194 000	-
Maintenance of Buildings and Facilities	4 288 164	4 025 091
Maintenance of Equipment	29 742 222	33 913 028
Maintenance of Unspecified Assets	9 610 950	11 474 344
Rural roads site supervision and consulting	2 830 479	2 422 935
Sewerage Services	-	7 703 774
	122 533 973	**134 262 759**

25. Depreciation and amortisation

Property, plant and equipment	98 210 817	92 772 821
Intangible assets	201 993	133 564
	98 412 810	**92 906 385**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Employee related costs

Basic	148 362 530	142 686 959
Bonus	10 668 058	10 268 525
Medical aid - company contributions	10 904 865	10 412 397
Unemployment Insurance Fund	1 042 730	994 037
Leave pay provision charge	1 020 255	1 438 761
Health care retirement benefit	3 093 001	3 094 000
Pension fund - company contributions	21 591 302	20 659 938
SALGBC - company contributions	58 234	52 056
Travel, motor car, accommodation, subsistence and other allowances	27 346 721	27 655 339
Overtime payments	21 206 787	19 197 132
Long-service awards	2 393 786	2 696 507
Housing benefits and allowances	651 577	635 533
	248 339 846	**239 791 184**

Remuneration of municipal manager - Mr GM Sineke

Annual Remuneration	1 261 364	716 190
Car Allowance	189 727	154 709
Cellphone Allowance	19 449	16 208
Housing Allowance	66 621	45 000
Rural Allowance	49 063	35 960
Contribution to UIF	-	1 417
Contribution to medical aid	-	5 007
Contribution to pension	-	5 204
	1 586 224	**979 695**

Remuneration of chief finance officer - Mr KMB Mzimela

Annual Remuneration	1 087 883	862 820
Car Allowance	37 780	74 082
Housing Allowance	106 738	95 803
Rural Allowance	40 720	37 880
Cellphone Allowance	19 449	19 449
Contribution to UIF	-	1 771
Contribution to medical aid	-	10 078
Contributions to SALGBC	-	43
	1 292 570	**1 101 926**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Employee related costs (continued)

Remuneration of social services executive director - Miss NNF Buthelezi

Annual Remuneration	939 504	766 006
Car Allowance	184 601	134 936
Rural Allowance	40 720	39 796
Acting Allowance	-	52 730
Cellphone Allowance	19 449	19 044
Contribution to UIF	-	1 771
Contribution to medical aid	-	12 000
Contributions to SALGBC	-	43
Housing Allowance	133 440	29 556
	1 317 714	**1 055 882**

Remuneration of corporate services executive director - Mrs TT Magaqa

Annual Remuneration	995 585	546 181
Car Allowance	211 435	173 931
Cellphone Allowance	19 449	16 208
Contributions to medical aid	48 000	38 498
Rural Allowance	41 597	37 066
Contribution to UIF	-	1 417
Contributions to SALGBC	-	86
	1 316 066	**813 387**

Remuneration of water services executive director - Mr L Gwala

Annual Remuneration	589 452	718 299
Car Allowance	131 975	150 405
Cellphone Allowance	12 966	16 208
Housing Allowance	86 817	41 534
Rural Allowance	27 435	36 959
Contribution to UIF	-	1 771
Contributions to SALGBC	-	108
	848 645	**965 284**

Mr D Gqiba resigned on 30 April 2023.

Mr N Biyase was appointed as acting executive director water services from 1 May 2023 to 31 October 2023

Mr Gwala was appointed on 1 November 2023.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Employee related costs (continued)

Remuneration of infrastructure executive director - Mr N Biyase

Annual Remuneration	977 257	776 568
Car Allowance	300 359	147 507
Performance Bonuses	-	55 364
Rural Allowance	40 629	34 898
Cellphone Allowance	19 449	17 828
Contribution to UIF	-	1 594
Contribution to SALGBC	-	419
	1 337 694	**1 034 178**

27. Finance costs

Overdue accounts	2 153	62 877
Finance leases	-	49 998
	2 153	**112 875**

28. Impairment loss

Impairments		
Property, plant and equipment	138 517 301	579 361
Intangible assets	-	276 316
Trade and other receivables	15 810 780	5 644 268
	154 328 081	**6 499 945**
Reversal of impairments		
Trade and other receivables	(5 015 095)	(6 845 811)
Total impairment losses (recognised) reversed	**149 312 986**	**(345 866)**

29. Inventory consumed

Sale of goods		
Consumables: Water treatment works chemicals	4 930 318	4 484 410
Consumables: Other	15 770	76 446
Materials and supplies	770 125	3 464 485
Bulk purchases - water	27 881 715	25 395 858
	33 597 928	**33 421 199**

Figures in Rand	2024	2023

30. Operational costs

Advertising	2 749 350	1 924 629
Auditors remuneration	4 572 278	4 659 814
Bank charges	126 651	212 178
Commission paid	595 416	417 983
Hire	1 187 789	476 222
Insurance	2 391 989	1 184 373
Fleet	1 920 410	4 190 948
Motor vehicle expenses	452 669	424 622
Fuel and oil	12 947 235	10 523 843
Printing and stationery	1 137 382	772 845
Protective clothing	2 740 053	3 209 452
Software expenses	4 633 657	4 079 179
Staff welfare	62 752	338 405
Subscriptions and membership fees	121 918	84 294
Telephone and fax	3 630 359	4 170 287
Transport and freight	561 854	147 280
Travel - local	2 981 324	2 827 584
Electricity	24 422 215	22 643 934
Event registration fees	710 698	117 289
Rental of offices	480 698	1 253 701
Skills development levy	1 983 835	1 897 730
Learnership	166 868	94 500
SALGA fees	2 767 545	2 571 526
Workmen's Compensation Fund	929 522	893 771
	74 274 467	**69 116 389**

31. Remuneration of councillors

Executive Mayor	1 031 614	988 722
Deputy Executive Mayor	835 847	797 258
Executive Committee members	1 385 483	1 327 145
Speaker	823 795	763 995
Councillors allowances	1 622 309	1 662 513
Chief Whip	464 818	441 317
Meeting allowance	359 736	630 667
Travel and accommodation	408 298	376 261
	6 931 900	**6 987 878**

In-kind benefits

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

The Mayor, Deputy Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor and the Speaker have two full-time bodyguards driving with them and one relief protector.

The Mayor is allocated a driver and one back up vehicle.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. Transfer payments

Transfer payments - Harry Gwala Development Agency	17 000 000	15 290 000
Transfer payments - Harry Gwala Development Agency		

The transfers from the district municipality to its municipal entity are carried out to provide the necessary financial resources for the day-to-day operational activities of the entity. These funds are intended to support various functions, projects, and initiatives that contribute to the provision of essential services to the community and the achievement of our organizational goals.

33. Cash generated from operations

Surplus	134 914 367	212 479 902
Adjustments for:		
Depreciation and amortisation	98 412 810	92 906 385
Gain on sale of assets and liabilities	1 190 315	2 875 378
Finance costs - Finance leases	-	49 998
Impairment loss (reversal)	149 312 986	(345 866)
Bad debts written	29 994 816	34 789 639
Movements in retirement benefit assets and liabilities	2 801 001	488 999
Assets transferred from other organs of state	-	(3 887 840)
Capital assets purchases on credit	(1 133 719)	(7 197 912)
Changes in working capital:		
Inventories	(142 560)	(202 490)
Consumer debtors	(20 691 123)	(38 056 094)
Other receivables from non-exchange transactions	47 160	(259 565)
Payables from exchange transactions	(4 752 220)	20 229 261
VAT	13 203 015	(1 503 621)
Unspent conditional grants and receipts	(10 676 580)	21 176 580
Consumer deposits	763 884	240 079
	393 244 152	**333 782 833**

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	460 375 193	385 122 041

Total capital commitments		
Already contracted for but not provided for	460 375 193	385 122 041

Authorised operational expenditure

The municipality opted not to disclose the operational commitments for 2023/24 financial year. In the 2022/23 financial year the operational commitments disclosed amounted to R3 413 535

Total commitments

Total commitments		
Authorised capital expenditure	460 375 193	385 122 041

This committed capital expenditure relates to water and sanitation projects that have been awarded and will be financed by conditional grants gazetted and funds internally generated.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

35. Contingencies

Contingent liabilities

Mdlebeni Trading (Pty) Ltd	10 000	10 000
Unitrade 1047 CC T/A Isidingo Security Services	500 000	5 881 011
Unlawful arrest and detention	210 000	710 000
Water scheme project	150 000	150 000
Matatiele Local Municipality	-	2 941 249
Impande Consulting engineers	56 499 504	42 320 256
Lerumo Lantate Training and Development Services	1 000 000	1 000 000
Lakani Projects Pty Ltd	3 500 000	-
Mahlasela and Sons Property	500 000	-
Zana Manzi Services Proprietary Limited	400 000	-
Telela Matutyana & Siviwe Desi	63 722	-
Rheochem (Pty) Ltd	138 456	-
	62 971 682	**53 012 516**

35. Contingencies (continued)

The municipality has no present obligations on the above matters.
These are all possible obligations dependent on court outcomes.

Mdlebeni Trading (Pty) Ltd

The service provider was claiming an amount of R1 254 000 against the municipality for an alleged breach of contract .The plaintiff has taken no further steps to prosecute its claim. The previous attorney's of the plaintiff have withdrawn. Arrangements for the pre-trial conference are being made.

Unitrade 1047 CC T/A Isidingo Security Services

This matter involves a damages claim instituted by Unitrade, relating to the awarding of a tender. The matter has been defended. A pre-trial conference has been held however the plaintiff has taken no steps to enrol the matter for trial.

Unlawful arrest and detention

This matter is in relation to the alleged unlawful arrest and detention of Mr Mdladlana.As a results Mr Mdladlana claims the damages of R500 000. The matter is in the stage of recover.In a process to depose the discover deposit.

Matatiele Local Municipality

Harry Gwala Municipality was disputing the amount raised as a debtor by Matatiele Local Municipality. Upon further engagements with Matatielle Municipality , the municipality sent a revised statement to Harry Gwala Municipality . The revised statement reveals that Harry Gwala Municipality account is R0.00.Harry Gwala Municipality does not owe amount to Matatiele Municipality.

Water scheme project

This is a matter where the Khuzwayo family has demanded payment of R2 000 000 as compensation for the Municipality's construction of water treatment plant on parts of its property .The Municipality may have to pay the family , far less than what they initially demanded.

Impande Consulting Engineers

Impande issued summons against the municipality relating to the termination of their contract on which they were appointed on the panel , tender bid number 749/HGDM/2021, for services related to immovable and movable assets management.

Impande issued summons against the municipality relating to the account alleged to be in arrears as they had already provided the services to the municipality on their contract on which they were appointed on the panel , tender bid number 749/HGDM/2021, for services related to immovable and movable assets management.

Impande applied to review and set aside the appointment of the engineers named TSI ,under the tender number 749/HGDM/2021.

Lerumo Lantate Training and Development Services

Harry Gwala District` Municipality has a civil claim instituted by Lerumo Lantate Training and Development Services at the Pietermaritzburg High Court, under case number: 9372/2022P. The claim amount is R 736 319.90 and interests from the date of demand

Lakani Projects (PTY) LTD

The municipality is engaged in legal proceedings initiated by Lakani Projects(PTY) Ltd. regarding the construction of VIP toilets in Umzimkhulu.Lakani projects had instituted actions against the municipality , alleging contractual and project related issues. The municipality is defending itself against the legal claim brought forth by Lakani Projects (PTY) Ltd.

Figures in Rand	2024	2023

35. Contingencies (continued)

Mahlasela And Sons Property Limited

The municipality is currently involved in legal proceedings initiated by Mahlasela and Sons pertaining the right to use of land for the construction of a water project. Mahlasela and sons applied for an interdict from the court to stop the municipality from proceeding with the water projects works in Summerfield. The municipality is defending itself against the legal claim brought forth by Mahlasela and sons.

Zana Manzi Services Proprietary Limited

Zana Manzi Services Proprietary Limited instituted an action against the Municipality, claiming an amount of R 4 546 489,78 the interest from the date of demand and costs of suit.

Telela Matutyana & Siviwe Desi

Action for damages arising from a motor vehicle collision as a result of an excavation within the municipal boundaries. The road does not belong to Harry Gwala District Municipality.

Rheochem (Pty) Ltd

Claim against the Municipality for rental of chemical containers as well as holding over damages for not returning same to supplier.

The Present Trading & Project CC

This is an application for the return of certain goods that were confiscated by the Municipality.The future financial impact cannot be estimated at this point.

Sifiso Gregory Mkhize

This is the matter of a legal dispute with Mr Mkhize. The matter has been defended and special plea has been delivered . The plaintiff has taken no steps to enrol the matter for this trial.The probabilty of the outflows is remote.

Town and Around Cilvil

Matter was finalised. Application for review was dismissed with cost.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Related parties

Related party transactions

Transfer payments to related parties

Harry Gwala Development Agency	17 000 000	15 290 250

The transfer to the municipal entity is meant to assist the entity's day to day operations. No conditions are attached to these transfers except that these amounts should be spend according to the approved budget.

Key management information

Class	Description	Number
Accounting Officer	Municipal manager	1
Executive management	Executive management	5
Councillors	District Mayor	1
Councillors	Deputy Mayor	1
Councillors	Speaker	1
Councillors	Ordinary councillors and traditional leaders	25

Remuneration of management

Management class: Councillors

30 June 2024

Name	Basic salary	Cellphone allowance	Travelling allowance	Medical aid contributions	Pension contributions	Total
Executive Mayor	778 134	45 600	197 692	10 188	-	1 031 614
Deputy mayor	608 385	45 600	158 156	-	23 706	835 847
Speaker	597 973	45 600	158 156	-	22 066	823 795
EXCO members	954 103	136 800	248 149	10 660	35 771	1 385 483
Chief Whip	324 274	45 600	87 791	7 153	-	464 818
Other councillors	1 761 379	228 000	346 944	3 200	51 013	2 390 536
	5 024 248	**547 200**	**1 196 888**	**31 201**	**132 556**	**6 932 093**

Notes to the Annual Financial Statements

Figures in Rand

36. Related parties (continued)

30 June 2023

Name	Basic salary	Cellphone allowance	Travelling allowance	Medical aid contributions	Pension contributions	Other benefits received	Total
Executive Mayor	715 879	40 800	186 837	45 206	-	-	988 722
Deputy mayor	514 612	40 800	151 017	-	90 829	-	797 258
Speaker	471 435	40 800	150 141	24 293	77 326	-	763 995
EXCO members	774 496	122 400	234 519	37 174	124 554	34 001	1 327 144
Chief Whip	294 111	40 800	76 793	24 797	-	4 816	441 317
Other councillors	1 131 156	205 870	332 261	21 607	175 859	802 689	2 669 442
	3 901 689	**491 470**	**1 131 568**	**153 077**	**468 568**	**841 506**	**6 987 878**

Refer to page 2 "General information (Council)"

Management class: Executive management

Refer to note 26

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and Segment reporting that have been affected by prior-year adjustments:

Statement of financial position

30 June 2023

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	12	(112 617 368)	714 613	(111 902 755)
Accumulated surplus		(2 941 357 276)	975 920	(2 940 381 356)
Vat receivables	7	27 153 154	(92 232)	27 060 922
Other receivables from non exchange transactions	4	3 773 720	(4 809)	3 768 911
Accumulated depreciation Infrastructure Water and Sanitation	9	(741 408 313)	(1 593 500)	(743 001 813)
		(3 764 456 083)	**(8)**	**(3 764 456 091)**

Statement of financial performance

30 June 2023

	Note	As previously reported	Correction of error	Restated
Contracted Services	24	134 273 520	(10 761)	134 262 759
Employee costs	26	245 707 457	34 079	245 741 536
Operational costs	30	69 171 834	(55 445)	69 116 389
Inventory consumed	29	33 985 638	(564 439)	33 421 199
Service charges	17	(77 673 823)	1 603	(77 672 220)
Depreciation and amortisation	25	92 207 409	698 976	92 906 385
Surplus for the year		**497 672 035**	**104 013**	**497 776 048**

Cash Flow Statement	As previously reported	Correction of error	Restated
Cash flow from operating activities			
Sale of goods and services	55 023 892	(2 056 539)	52 967 391
Grants	756 974 000	372 203	757 346 203
Interest income	10 858 253	1 684 336	12 542 589
	822 856 145	**-**	**822 856 183**

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Errors

The following prior period errors adjustment occurred:

Trade creditors

Miss LV Jojo was an employee at Harry Gwala District Municipality,she passed away on 11 April 2023 and the estate was finalised on 23 October 2023 ,however the Municipality applied for a tax directive which was finalised on February 2024 which is the 2024 Financial year thus the leave gratuity, salary and pro rata bonus for the days she worked in the month before she passed away. Total amount due was R 41 559,57 and tax directive was R 7 480, 80 and net amount of R 34 078,77 was paid to a beneficiary banking details provided as per documents attached in the working paperfile payout.

There was a payment for bursary of R 5000 that was a technical ommission,it remained in the system as not yet paid while it was already paid in the bank thus a journal correcting the transaction was processed in the system.

In the period ending 30 June 2023, there were various orders which were raised as the accruals. During the year 1 July 2023 to June 2024 there were no invoices submitted for the services, a decision was taken to cancel those orders in March 2024. The trade creditors amount on cancelled orders was R 717 877..

There was a payment of Telkom and interest on overdue account that was not paid in 2023 Financial year which was only discovered during 2024 that it was not paid and it was cancelled amount to R 25 813,80

Vat receivables

In the period ending 30 June 2023, there various orders which were raise as the accruals from vat vendors so during the year 1 July 2023 to June 2024 there were no invoices submitted for the services so a decision to cancelled those in March 2024. The vat receivables amount on cancelled orders was R 92 232..

Employee Costs

Miss LV Jojo an was an employee at Harry Gwala District Municipality,she passed away on 11 April 2023 and the estate was finalised on 23 October 2023 ,however the Municipality applied for a tax directive which was finalised on February 2024 which is the 2024 Financial year thus the leave gratuity, salary and pro rata bonus for the days she worked in the month before she passed away. Total amount due was R 41 559,57 and tax directive was R 7 480, 80 and net amount was paid to a beneficiary banking details provided as per documents attached in the working paperfile R 34 078,77.

Operational costs

There was a payment for bursary of R 5000 that was a technical ommission,it remained in the system as not yet paid while it was already paid in the bank thus a journal correcting the transaction was processed in the system.

In the period ending 30 June 2023, there were various orders which were raised as the accruals. During the year 1 July 2023 to June 2024 there were no invoices submitted for the services, a decision was taken to cancel those orders in March 2024. The operational costs amount on cancelled orders was R 50 445..

Inventory consumed

In the period ending 30 June 2023, there were various orders which were raised as the accruals. During the year 1 July 2023 to June 2024 there were no invoices submitted for the services, a decision was taken to cancel those orders in March 2024.The inentory consumed amount on cancelled orders was R 564 439.

37. Prior-year adjustments (continued)

Contracted Services

In the period ending 30 June 2023, there were various orders which were raised as the accruals. During the year 1 July 2023 to June 2024 there were no invoices submitted for the services, a decision was taken to cancel those orders in March 2024 .The contracted services amount on cancelled orders was R 10 761.

Depreciation and amortisation

In the period ending 30 June 2023, Depreciation and Amortisation was correctly disclosed as R 92 906 385 on the Statement of Financial Performance, However, this was erroneously disclosed as R 91 700 034 on Note 48(Segment Information). The comparative amount is restated to R 92 906 385 on the Segment Information

Service charges

There was a refund for Water tankers that was authorised to be paid in 2022 Financial year, however it was not paid in the bank and only discovered during 2024 Financial year, It was cancelled, recaptured and paid amount of R 1 603.

Accumulated Depreciation on Infrastructure Water and Sanitation

During 2023/24 financial year , it was discovered that two capital projects that were still included in Work In Progress, were infact completed and had to be transfered to completed assets.

These projects were completed in the prior years.
The accumulated depreciation up to 30 June 2023 on the assets was calculated and amounts to R1 593 500.

Reclassification of the line items on Cash flow statement

Cash flow from operating activities

Sale of goods and services

Interest received from debtors movement was reclassified to Interest income

Grants

Skills development levy was reclassified to revenue from receivable from non-exchange transaction

Interest income

Interest from debtors movement was reclassified from Sale of goods and services

Reclassification of the line items below operating surplus

To ensure compliance with mSCOA data strings, Caseware updated the version for 2023/24.
As per mSCOA item segments on the segment tree structure gains or losses in the financial year should be classified as income or expenditure and should be dislosed together with other income and expenditure on the statement of financial performance.
The gains and losses for 2022/23 were then presented with other income and expenditure on the statement of financial performance in 2023/24.

38. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

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

The management of liquidity risk is essential for the financial well-being and sustainability of the Municipality. Liquidity risk refers to the potential inability to meet short-term financial obligations as they fall due. The primary objectives of the Municipality's liquidity risk management are to ensure the availability of funds to meet financial obligations, optimize cash flow forecasting to anticipate and address liquidity needs and mitigate the impact of unforeseen events on the municipality's financial position.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	10 500 000	-	-	-
Trade and other payables	107 150 527	-	-	-
Long-term payable from exchange transactions	2 400 000	2 400 000	7 200 000	-
Consumer deposits	3 178 970	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	21 176 580	-	-	-
Trade and other payables	111 902 755	-	-	-
Long-term payable from exchange transactions	2 400 000	2 400 000	7 200 000	805 816
Consumer deposits	2 415 086	-	-	-
		-	-	-

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 Council.

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

Financial instrument	30 June 2024	30 June 2023
Cash and cash equivalents	209 430 269	124 640 559
Receivables from exchange transactions	234 168 905	242 760 505
Receivables from non-exchange transactions	5 827 505	5 874 664

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

39. 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality continue to receive conditional grants and equitable share allocations as gazetted for the ongoing operations for the municipality.

40. Events after the reporting date

Harry Gwala Municipality Council set on 30 July 2024 to resolve the irregular, unauthorised expenditure and fruitless and wasteful expenditure. Investigations were performed by MPAC before the end of the financial year and council took a resolution to write off the unauthorised expenditure amounting to R9 691 677, Irregular expenditure for the prior years amounting to R 3 503 831 and current year year amounying to R147 693 369. Fruitless and wasteful expenditure council took a resolution that it must be recovered amounting to R62 877.

41. Unauthorised expenditure

Opening balance as previously reported	9 691 677	-
Add: Unauthorised expenditure - current	127 976 270	9 691 677
Less: Amount written off - prior period	(9 691 677)	-
Closing balance	**127 976 270**	**9 691 677**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	127 976 270	9 691 677

Analysed as follows: non-cash

Employee related cost	1 597 968	-
Depreciation and amortisation	-	1 921 028
Bad debts written off	-	6 039 208
Employee benefit obligation actuarial valuations	4 175 001	1 731 441
Impairment loss	121 012 986	-
Loss on disposal of Fixed and intangible assets	1 190 315	-
	127 976 270	**9 691 677**

The nature of the overspending is primarily attributed to non-cash items, namely employee related costs , actuarial assumptions on employee benefit obligations and loss on disposal of assets and liabilities. These items were incurred centrally and were not allocated and spread across multiple departments. Management chose to record them under one vote, namely Vote 3 Budget and Treasury Office. It's crucial to note that, in total, the budget has not been overspent when accounting for these non-cash items.

Moreover, unauthorized expenditure within the infrastructure services vote can be attributed to the impairment of loss (Long outstanding WIP impairmed at the end of the year).

Figures in Rand	2024	2023

42. Fruitless and wasteful expenditure

Opening balance as previously reported	8 167 169	8 217 726
Add: Fruitless and wasteful expenditure identified - current	2 153	62 877
Less: Amount written off - prior period	-	(113 434)
Closing balance	**8 169 322**	**8 167 169**

Details of fruitless and wasteful expenditure

Interest paid on Telkom account	-	9 250
Interest paid on Eskom account	2 153	53 627
	2 153	**62 877**

43. Irregular expenditure

Opening balance as previously reported	3 503 831	553 983 863
Add: Irregular expenditure - current	147 693 369	288 281 523
Less: Amount written off - current	(147 693 369)	(288 281 523)
Less: Amount written off - prior period	(3 503 831)	(550 480 032)
Closing balance	**-**	**3 503 831**

The council approved the write off of irregular expenditure incurred in the prior financial year (R3 503 831) and the irregular expenditure incurred in the current financial year (R147 693 369).

Incidents/cases identified/reported in the current year include those listed below:

Competitive bidding process not followed and panel allocation not fair	104 035 674	94 488 636
Incorrect application of SCM delegations	20 831 498	1 515 873
Local content incorrectly applied	22 826 197	192 174 264
Temporary plumbers not procured through SCM	-	102 750
	147 693 369	**288 281 523**

Competitive bidding process not followed is comprised of payments in the current year for old multi year contracts and payments made to suppliers on a panel.

Awards made to close family members of persons in service of the state

During 2023/24 f financial year , the municipality conducted business with the supplier whose spouse is employed by the municipality. The supplier was requested to fill in MBD 4 and declare any known interest , however , the interest was not declared and the municipality appointed the supplier Njana(pty) ltd was appointed for the supply and delivery of blankets. The award amount was R194 350.

Name
The name of the spouse employed by the municipality is Sthembile Mbanjwa.

Position
Ms Sthembile Mbanjwa is executive secretary to Executive Director : Corporate Services.

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 767 545	2 571 526
Amount paid - current year	(2 767 545)	(2 571 526)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material losses

Water loseese	12 223 651	8 436 061

The water losses of 37.5% (2023/24 :31.1 %) is calculated on the system input volume of 3 267 336kl (2022/23 : 3 245 869 kl) purchased at an average price of R9.984 (2022/23 : R8.365) per kl and total units sold amounting to 2 043 012 kl (2022/24 : 2 237 374 kl). Total water stock losses amounts to 1 224 324kl (2022/23 : 1008 495 kl)

The following are the major root causes for the water losses:

1. Ageing infrastructure around the District also causes water losses, there are still asbestos and cement pipes that are still under ground and they keep bursting most of the times.

2. Illegal connections especially in rural areas and informal settlements.

Audit fees

Current year subscription / fee	4 572 278	4 654 960
Amount paid - current year	(4 572 278)	(4 654 960)
	-	-

PAYE and UIF

Current year subscription / fee	41 491 387	39 492 799
Amount paid - current year	(41 491 387)	(36 150 115)
	-	**3 342 684**

Pension and Medical Aid Deductions

Current year subscription / fee	32 496 167	31 764 768
Amount paid - current year	(32 496 167)	(29 704 712)
	-	**2 060 056**

SALGBC

Current year subscription/fee	58 232	52 755
Amount paid - current year	(58 232)	(52 755)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

There are the deviations during the 2023/2024 financial year as follows:

Reason for deviation

	2024	2023
V S panel beaters and spraypa - Repairs of the Nissan UD truck registration number NIX 10981. The impracticality of following normal SCM processes was driven by the fact that the panel beater was chosen by the insurance company as the vehicle in question was insured and the vehicle had already incurred substantial storage costs, which the municipality would have had to bear if another company had been chosen after the insurance claim was declined.	-	235 069
Emergency procurement of water chemicals to prevent the future water quality failures and ensure quality supply of water to the community of Underberg.	18 802	-
	18 802	**235 069**

46. Budget differences

Material differences between budget and actual amounts

46. Budget differences (continued)

The variances between approved and adjustment budget were as a reult of the council approval and council approval was made on 27 February 2024.

The excess of actual expenditure over the final budget of 5% is considered acceptable by management.

1. Service Charges - An increase due to unattended water leaks by consumers. Delays in fixing of faulty meters by water services. Prepaid consumption is increasing due to billing that has been extended to other areas within Umzimkhulu. increased due to the municipality engaging in the process of fixing faulty meter around the district and consumers were billed on the actual consumption.

2 Other revenue - Sale of tenders were underbudgeted and the insurance refund and staff recoveries were not budgeted for

3. Actuarial gains and loss - These none cash items were not budgeted for.

4. Interest received - Interest revenue,was more due to interest from call accounts and fixed term investments and interest on other receivable , the nonpayment for services by the consumers .

5. Government grants and subsidies - Variance within limits (Rollover)

6. Skills development levy - Overperformance by the Skills Unit, more trainings were done more than were expected and wereable to claim from Skills development levy (Department of Labour).

7. Bad debts - It is within the limits

8.Contracted Services - The main contribution for underperformance is the cost containment measures implemented on the Contracted Services.

9. Depreciation and amortisation - Underbudgted, there were more assets were completed than anticipated during the year.

10. Employee related costs - The expenditure for employee related costs is within what was anticipated, however due to employee related costs related to post health care obligations and long service awards are non-cash items arise from actuarial valuations. employee related costs show over performance.

11. Finance costs - Over budgeting, there is arrangement with Government Department not to pay interest on overdue account.

12. Impairment loss - Under budgeting, A decision to impairm the long outstanding WIP was made after the adjustment budget was done through a draft report for Assets verification.

13. Inventory Consumed - Budget within the limits. The expenditure is lower than the budget due to disagreement between Ugu District Municipality and Harry Gwala District Municipality about some of the invoices submitted to the municipality.

14. Loss on disposal of assets - It was not budgeted for

15. Operating Costs - The actual expenditure is less than what was budgeted due to implementation of Cost Containment measures and policy.

16. Remuneration of Councillors - The budget was set in anticipation of an increase due to the release of new gazette for upper limits for councillors however this was not done at year end.

17. Inventory - Underbudgeted, there were water infrastructures that were completed and increased the expected water levels by 30 June 2024.

18. Receivables from exchange transactions - Under budgeted, Municipality took a decision to impaired the Government Department so that causes a reduction.

19. Receivables from non-exchange transactions - Under budgeted, Municipality expected some recoveries and impairment of some of the amounts.
20. VAT receivable - Under budgeted, Municipality under performed during the year as a result there a lot of money by the end

46. Budget differences (continued)
of the Financial year.

21. Cash and cash equivalents - Municipality under spent in some of the expenditure and also received so much interest on the call accounts, fixed accounts and vat refunds was invested and contributed a higher interest earned.

22. Property,Plant and Equipment - During the budgeting phase, we budgeted for capital expenditure to be incurred during the financial year while actual we consider the actaul figure disclosed on the Financial Position.In the next financial year we will align the budget.

23. Intangible assets - over budgeted, expected to buy some assets, however there were delay in buying during the year and expect purchases in the next financial year.

24. Payables from exchange - Third part were paid by the end of the year including PAYE,UIF and SDL and also low spending has impact of not having much as the accruals.

25. Consumer deposits - Under budgeted, There was installation of prepared meter done in Kokstad which was not anticipated to be done during the year.

26. Employee benefit obligation - Under budgeted, There are changes included cause increase due to the revised GRAP standard which were not anticipated.

27. Unspent conditional grant - The amount received during the financial year is the advance receipt for 2024/25 financial year.The amount was not meant to be spent for 2023/24.It was not budgeted for in 2023/24.

47. Segment information

General information

Identification of segments

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

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

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Governance and administration	Administration and support services
Community services	Disaster, health and environmental services
Trading services	Water and Sanitation

47. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2024

	Governance and administration	Community services	Trading services	Total
Revenue				
Revenue from non-exchange transactions	465 249 239	-	345 020 580	810 269 819
Revenue from exchange transactions	24 845 302	41 955	89 047 398	113 934 655
Total segment revenue	**490 094 541**	**41 955**	**434 067 978**	**924 204 474**
Entity's revenue				**924 204 474**
Expenditure				
Bad debts written off	29 994 816	-	-	29 994 816
Contracted services	56 083 285	4 139 022	62 311 666	122 533 973
Depreciation and amortisation	7 240 026	921 065	90 251 718	98 412 809
Employee related cost	83 362 895	30 948 048	141 727 818	256 038 761
Finance costs	2 153	-	-	2 153
Inventory consumed	43 681	742 214	32 812 033	33 597 928
Operational cost	45 949 205	2 280 380	26 044 878	74 274 463
Remuneration of councillors	6 931 900	-	-	6 931 900
Transfers and subsidies	-	17 000 000	-	17 000 000
Loss on disposal of fixed and intangible assets	47 516	357 736	785 063	1 190 315
Impairment Loss	-	-	149 312 986	149 312 986
Total segment expenditure	**229 655 477**	**56 388 465**	**503 246 162**	**789 290 104**
Total segmental surplus/(deficit)	**260 439 064**	**(56 346 510)**	**(69 178 184)**	**134 914 370**

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

	Governance and administration	Community services	Trading services	Total
Assets				
Segment assets	190 687 125	3 953 523	2 921 668 564	3 116 309 212
Additions to non-current assets	66 874 887	(292 562)	54 175 495	120 757 820
Total segment assets	**257 562 012**	**3 660 961**	**2 975 844 059**	**3 237 067 032**
Total assets as per Statement of financial Position				**3 237 067 032**
Liabilities				
Segment liabilities	(158 592 343)	-	(3 178 970)	(161 771 313)
Total liabilities as per Statement of financial Position				**(161 771 313)**

30 June 2023

	Governance and administration	Community services	Trading services	Total
Revenue				
Revenue from non-exchange transactions	433 733 203	-	306 324 270	740 057 473
Revenue from exchange transactions	15 801 359	31 998	91 747 244	107 580 601
Total segment revenue	**449 534 562**	**31 998**	**398 071 514**	**847 638 074**
Entity's revenue				**847 638 074**

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

Expenditure				
Bad debts written off	34 789 639	-	-	34 789 639
Contracted services	47 925 617	2 322 947	84 014 195	134 262 759
Depreciation and amortisation	9 642 074	1 604 041	81 660 270	92 906 385
Employee related cost	82 251 810	29 722 685	133 767 039	245 741 534
Finance costs	112 875	-	-	112 875
Inventory consumed	33 935	451 946	32 935 318	33 421 199
Operational cost	43 302 294	1 105 446	24 708 649	69 116 389
Remuneration of councillors	6 987 878	-	-	6 987 878
Transfers and subsidies	-	15 290 000	-	15 290 000
Loss disposal of fixed and intangible assets	-	-	2 875 378	2 875 378
Impairment loss	2 001	-	(347 867)	(345 866)
Total segment expenditure	**225 048 123**	**50 497 065**	**359 612 982**	**635 158 170**
Total segmental surplus/(deficit)	**224 486 439**	**(50 465 067)**	**38 458 532**	**212 479 904**
Assets				
Segment assets	182 899 969	3 872 038	2 660 960 655	2 847 732 662
Additions to non-current assets	7 526 485	288 838	258 468 599	266 283 922
Total segment assets	**190 426 454**	**4 160 876**	**2 919 429 254**	**3 114 016 584**
Total assets as per Statement of financial Position				**3 114 016 584**
Liabilities				
Segment liabilities	(170 881 935)	-	(2 753 300)	(173 635 235)
Total liabilities as per Statement of financial Position				**(173 635 235)**

Measurement of segment surplus or deficit, assets and liabilities

Notes to the Annual Financial Statements

47. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

In accordance with GRAP 18.32, the municipality is required to report certain geographical information. However, due to practical constraints and excessive costs associated with obtaining the necessary information, the entity is unable to provide the specific details related to external revenues, total expenditure, and non-current assets for the geographical areas in which it operates. The decision not to disclose this information is based on the assessment that the cost to develop such information would be prohibitively high.