

**Ndlambe Local Municipality**  
Annual Financial Statements  
for the year ended 30 June 2022

**AUDITOR GENERAL  
SOUTH AFRICA**

**29 NOV 2022**

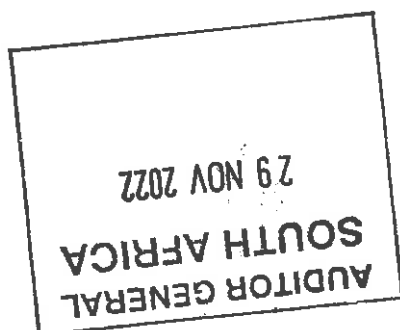
# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Legal form of entity</b>	Ndlambe Municipality (EC 105) is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
<b>Grading of local authority</b>	Grade 3
<b>Nature of business and principal activities</b>	Municipal Services
<b>New Executive committee - Nov 2021</b>	
Mayor	Councillor KC Ncamiso - Corporate Services Portfolio - March 2022 onwards
Speaker	Councillor AL Marasi
Executive Councillors	Councillor ST Dyakala - Infrastructure Portfolio Councillor NF Memani - Community Protection Portfolio Councillor S Venene - Finance Portfolio Councillor A Nyumka - MPAC Chair Councillor S Kolosa - Chief Whip Councillor A Bukani Councillor N Sweli Councillor EHK Walker Councillor NE Haynes Councillor P Khungwayo Councillor SI Melani Councillor S Zweni Councillor MW Mgweba Councillor PY Kani Councillor ZW Myali Councillor WG Johannes Councillor T Mbekela Councillor X Runeli Councillor AW Diniso - resigned
Councillors	
<b>Outgoing Executive committee - July - Nov 2021</b>	
Mayor	Councillor KC Ncamiso - Corporate Services Portfolio
Speaker	Councillor NV Maphaphu
Executive Councillors	Councillor T Mazana - Infrastructure Portfolio Councillor N Xhasa - Community Protection Portfolio Councillor LR Schenk - Finance Portfolio Councillor TM Mbunge - MPAC Chair Councillor AL Marasi - Chief Whip Councillor N Ngamlashe Councillor A Ngqosha Councillor CB James Councillor M Raco Councillor JP Guest Councillor MW Yali Councillor SI Melani Councillor M Mateti Councillor K Daweti Councillor PY Kani Councillor S Venene Councillor TD Mbekela Councillor X Runeli
Councillors	



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Primary legislation governing the municipality's operations

Local Government Municipal Finance Management Act (Act No 56 of 2003)

Local Government: Municipal Systems Act (Act 32 of 2000)

Local Government: Municipal Structures Act (Act 117 of 1998)

Constitution of the Republic of South Africa (Act 108 of 1998)

Municipal Property Rates Act (Act 6 of 2004)

### Accounting Officer

R Dumezweni  
rdumezweni@ndlambe.gov.za

### Chief Finance Officer (CFO)

M Klaas  
mklaas@ndlambe.gov.za

### Business address

47 Campbell Street  
Port Alfred  
6170

### Postal address

P O Box 13  
Port Alfred  
6170

### Bankers

First National Bank

### Auditors

Auditor General

### Jurisdiction

The Ndlambe Local Municipality includes the following areas:

Port Alfred

Bathurst

Alexandria

Kenton-on-Sea

Cannon-Rocks

Seafield

Marselle



# Ndlambe Local Municipality

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

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### Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
FMG	Financial Management Grant
DSRAC	Department of Sports, Recreation, Arts and Culture
DME	Department of Minerals and Energy
INEP	Integrated National Electrification Programme
DWAF	Department of Water and Forestry
ACIP	Accelerated Capital Infrastructure Project
DoRA	Division of Revenue Act
DME	Department of Minerals and Energy
DWS	Department of Water and Sanitation
SBDM	Sarah Baartman District Municipality
CoGTA	Department of Co-operative Governance and Traditional Affairs
VAT	Value Added Tax
SARS	South African Revenue Service

**AUDITOR GENERAL  
SOUTH AFRICA**

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# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (Act 56 of 2003) and 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 judgements 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 accounting officer 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.

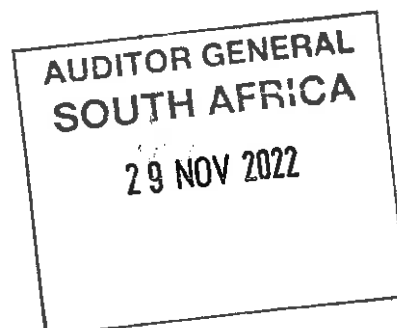
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal 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 2023 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 annual financial statements set out on pages 5 to 102, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:



R Dumezweni  
Accounting Officer



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	1 146 323	1 103 240
Receivables from non-exchange transactions	4	21 191 062	28 001 228
Receivables from exchange transactions	5	28 365 756	21 860 666
VAT receivable	6	7 176 066	13 947 742
Cash and cash equivalents	7	77 785 500	77 077 363
Operating lease asset	8	7 960	128 191
		<b>135 672 667</b>	<b>142 118 430</b>
<b>Non-Current Assets</b>			
Investment property	9	261 357 290	260 119 984
Property, plant and equipment	10	1 093 521 752	1 040 579 722
Intangible assets	11	146 537	266 369
Heritage assets	12	16	16
Other financial assets	13	42 962	49 246
		<b>1 355 068 557</b>	<b>1 301 015 337</b>
<b>Total Assets</b>		<b>1 490 741 224</b>	<b>1 443 133 767</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	15	2 537 867	2 382 641
Payables from exchange transactions	16	56 777 483	55 864 133
Unspent conditional grants and receipts	17	16 676 702	1 048 439
Financial liabilities - DBSA	18	1 919 728	1 738 010
Operating lease liability	8	46 620	57 445
Employee benefit obligation	19	3 427 491	3 768 000
Provisions	20	12 014 775	11 092 334
		<b>93 400 666</b>	<b>75 951 002</b>
<b>Non-Current Liabilities</b>			
Financial liabilities - DBSA	18	2 450 514	4 370 245
Employee benefit obligation	19	65 229 744	64 358 000
Provisions	20	60 330 172	54 276 702
		<b>128 010 430</b>	<b>123 004 947</b>
<b>Total Liabilities</b>		<b>221 411 096</b>	<b>198 955 949</b>
<b>Net Assets</b>		<b>1 269 330 128</b>	<b>1 244 177 818</b>
Accumulated surplus		1 269 330 128	1 244 177 818
<b>Total Net Assets</b>		<b>1 269 330 128</b>	<b>1 244 177 818</b>

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\* See Note 43

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	166 321 134	154 494 270
Rendering of services		430 870	407 750
Rental of facilities and equipment		796 315	667 429
Interest received - Trade and other receivables		5 657 234	4 739 159
Licences and permits		3 267 204	2 981 737
Housing debtor income		1 444 801	1 845 940
Other income	23	4 473 608	4 780 265
Interest received - investment	24	4 278 823	2 942 458
<b>Total revenue from exchange transactions</b>		<b>186 669 989</b>	<b>172 859 008</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	134 328 925	124 995 920
Licences and Permits - Non-exchange		1 211 988	984 234
Environmental levies		5 021 013	5 012 373
Interest received - Non-exchange receivables		2 976 991	1 726 274
<b>Transfer revenue</b>			
Government grants & subsidies	26	208 894 930	278 854 003
Public contributions and donations	27	6 435 634	1 715 421
Fines, Penalties and Forfeits		675 422	371 854
<b>Total revenue from non-exchange transactions</b>		<b>359 544 903</b>	<b>413 660 079</b>
<b>Total revenue</b>	21	<b>546 214 892</b>	<b>586 519 087</b>
<b>Expenditure</b>			
Employee related costs	28	(164 361 413)	(163 348 705)
Remuneration of councillors	29	(7 812 605)	(7 547 525)
Depreciation and amortisation	30	(47 494 773)	(45 530 909)
Finance costs	31	(6 696 803)	(6 354 014)
Lease rentals on operating lease		(5 379 494)	(2 165 147)
Debt Impairment	32	(47 323 184)	(42 420 180)
Alternative Energy Programmes		(5 594 743)	(2 425 709)
Bulk purchases	33	(81 666 463)	(65 594 016)
Contracted services	34	(77 353 013)	(74 949 450)
Transfers and Subsidies		(3 349 996)	(3 309 889)
General Expenses	35	(61 881 916)	(59 370 849)
<b>Total expenditure</b>		<b>(508 914 403)</b>	<b>(473 016 393)</b>
<b>Operating surplus</b>		<b>37 300 489</b>	<b>113 502 694</b>
Loss on disposal of assets and liabilities		(3 665 364)	-
Fair value adjustments	36	(837 645)	(2 298 210)
Impairment loss	37	(7 645 161)	(146 094)
<b>Surplus for the year</b>		<b>(12 148 170)</b>	<b>(2 444 304)</b>
		<b>25 152 319</b>	<b>111 058 390</b>

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\* See Note 43

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported		1 118 573 583	1 118 573 583
Adjustments			
Correction of errors	43	14 545 845	14 545 845
<b>Balance at 01 July 2020 as restated*</b>		<b>1 133 119 428</b>	<b>1 133 119 428</b>
Changes in net assets			
Surplus for the year		111 058 390	111 058 390
Total changes		111 058 390	111 058 390
<b>Restated* Balance at 01 July 2021</b>		<b>1 244 177 809</b>	<b>1 244 177 809</b>
Changes in net assets			
Surplus for the year		25 152 319	25 152 319
Total changes		25 152 319	25 152 319
<b>Balance at 30 June 2022</b>		<b>1 269 330 128</b>	<b>1 269 330 128</b>

Note(s)



\* See Note 43



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rates and services		271 618 656	241 675 139
Government Grants and Subsidies		234 727 441	288 149 613
Interest income		10 046 383	8 057 879
Other receipts		6 593 831	6 998 058
		<u>522 986 311</u>	<u>544 880 689</u>
<b>Payments</b>			
Employee costs		(172 174 018)	(170 896 230)
Suppliers		(229 102 441)	(188 359 549)
Finance costs		(6 696 803)	(6 354 014)
Grants and subsidies		(3 349 995)	(3 309 889)
		<u>(411 323 257)</u>	<u>(368 919 682)</u>
<b>Net cash flows from operating activities</b>	39	<u>111 663 054</u>	<u>175 961 007</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(110 277 061)	(127 627 085)
Proceeds from sale of property, plant and equipment	10	1 060 157	-
		<u>(109 216 904)</u>	<u>(127 627 085)</u>
<b>Cash flows from financing activities</b>			
Repayment of financial liabilities - dbsa		(1 738 013)	(1 995 121)
<b>Net cash flows from financing activities</b>		<u>(1 738 013)</u>	<u>(1 995 121)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>708 137</b>	<b>46 338 801</b>
Cash and cash equivalents at the beginning of the year		77 077 363	30 738 562
<b>Cash and cash equivalents at the end of the year</b>	7	<u>77 785 500</u>	<u>77 077 363</u>

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\* See Note 43

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	181 067 277	(22 345 412)	158 721 865	166 821 134	7 599 269	53.1
Rendering of services	402 359	-	402 359	430 870	28 511	53.2
Rental of facilities and equipment	205 176	728 729	933 905	796 315	(137 590)	53.3
Interest received	5 758 630	-	5 758 630	5 657 234	(101 396)	53.4
Licences and permits	11 889 840	-	11 889 840	3 267 204	(8 622 636)	53.5
Housing debtor income	579 432	(1 127 583)	(548 151)	1 444 801	1 992 952	53.6
Other income	3 738 173	-	3 738 173	4 473 608	735 435	53.7
Interest received - investment	3 588 108	-	3 588 108	4 278 823	690 715	53.8
<b>Total revenue from exchange transactions</b>	<b>207 228 995</b>	<b>(22 744 266)</b>	<b>184 484 729</b>	<b>186 669 989</b>	<b>2 185 260</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	138 921 071	-	138 921 071	134 328 925	(4 592 146)	53.9
Licences and Permits (Non-exchange)	2 100 838	(282 702)	1 818 136	1 211 988	(606 148)	53.10
Environmental levies	1 342 820	1 106 239	2 449 059	5 021 013	2 571 954	53.11
Interest received - non-exchange receivables	3 201 008	-	3 201 008	2 976 991	(224 017)	53.12
<b>Transfer revenue</b>						
Government grants & subsidies	179 888 968	71 458 564	251 347 532	208 894 930	(42 452 602)	53.13
Public contributions and donations	-	435 697	435 697	6 435 634	5 999 937	53.14
Fines, Penalties and Forfeits	74 244	873 278	947 522	675 422	(272 100)	53.15
<b>Total revenue from non-exchange transactions</b>	<b>325 528 949</b>	<b>73 591 076</b>	<b>399 120 025</b>	<b>359 544 903</b>	<b>(39 575 122)</b>	
<b>Total revenue</b>	<b>532 757 944</b>	<b>50 846 810</b>	<b>583 604 754</b>	<b>546 214 892</b>	<b>(37 389 862)</b>	
<b>Expenditure</b>						
Personnel	(169 555 333)	(823 843)	(170 379 176)	(164 361 413)	6 017 763	53.16
Remuneration of councillors	(7 555 401)	(57 000)	(7 612 401)	(7 812 605)	(200 204)	53.17
Depreciation and amortisation	(38 422 920)	-	(38 422 920)	(47 494 773)	(9 071 853)	53.18
Impairment loss	-	-	-	(7 645 161)	(7 645 161)	53.19
Finance costs	(599 546)	(732)	(600 278)	(6 696 803)	(6 096 525)	53.20
Lease rentals on operating lease	(2 685 152)	(3 310 230)	(5 995 382)	(5 379 494)	615 888	53.21
Debt Impairment	(25 000 002)	-	(25 000 002)	(47 323 184)	(22 323 182)	53.22
Alternative Energy Programmes	(4 000 000)	1 949 867	(2 050 133)	(5 594 743)	(3 544 610)	53.23
Bulk purchases	(64 882 843)	4 045 000	(60 837 843)	(81 666 463)	(20 828 620)	53.24
Contracted Services	(73 319 227)	799 723	(72 519 504)	(77 353 013)	(4 833 509)	53.25
Transfers and Subsidies	(2 935 000)	(606 400)	(3 541 400)	(3 349 996)	191 404	53.26
General Expenses	(62 256 838)	(5 219 127)	(67 475 965)	(61 881 916)	5 594 049	53.27
<b>Total expenditure</b>	<b>(451 212 262)</b>	<b>(3 222 742)</b>	<b>(454 435 004)</b>	<b>(516 559 564)</b>	<b>(62 124 560)</b>	
<b>Operating surplus</b>	<b>81 545 682</b>	<b>47 624 068</b>	<b>129 169 750</b>	<b>29 655 328</b>	<b>(99 514 422)</b>	

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Loss on disposal of assets and liabilities	-	-	-	(3 665 364)	<b>(3 665 364)</b>	53.28
Fair value adjustments	-	-	-	(837 645)	<b>(837 645)</b>	53.29
	-	-	-	<b>(4 503 009)</b>	<b>(4 503 009)</b>	
<b>Surplus before taxation</b>	<b>81 545 682</b>	<b>47 624 068</b>	<b>129 169 750</b>	<b>25 152 319</b>	<b>(104 017 431)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>81 545 682</b>	<b>47 624 068</b>	<b>129 169 750</b>	<b>25 152 319</b>	<b>(104 017 431)</b>	

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Annual Financial Statements for the year ended 30 June 2022

**Statement of Comparison of Budget and Actual Amounts**

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	2 300 362	467 654	2 768 016	1 146 323	(1 621 693)	53.30
Operating lease asset	217 109	-	217 109	7 960	(209 149)	53.31
Receivables from non-exchange transactions	44 192 587	1 850 118	46 042 705	21 191 062	(24 851 643)	53.32
Receivables from exchange transactions	34 703 580	(20 752 985)	13 950 595	28 365 756	14 415 161	53.32
VAT receivable	(6 866 398)	-	(6 866 398)	7 176 066	14 042 464	53.33
Cash and cash equivalents	40 020 208	(20 715 209)	19 304 999	77 785 500	58 480 501	53.34
	<b>114 567 448</b>	<b>(39 150 422)</b>	<b>75 417 026</b>	<b>135 672 667</b>	<b>60 255 641</b>	
<b>Non-Current Assets</b>						
Investment property	195 688 139	-	195 688 139	261 357 290	65 669 151	53.35
Property, plant and equipment	991 494 332	91 898 019	1 083 392 351	1 093 521 752	10 129 401	53.36
Intangible assets	551 371	(556 729)	(5 358)	146 537	151 895	53.37
Heritage assets	16	-	16	16	-	53.38
Other financial assets	49 246	-	49 246	42 962	(6 284)	53.39
	<b>1 187 783 104</b>	<b>91 341 290</b>	<b>1 279 124 394</b>	<b>1 355 068 557</b>	<b>75 944 163</b>	
<b>Total Assets</b>	<b>1 302 350 552</b>	<b>52 190 868</b>	<b>1 354 541 420</b>	<b>1 490 741 224</b>	<b>136 199 804</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Consumer deposits	2 212 163	-	2 212 163	2 537 867	325 704	53.40
Payables from exchange transactions	55 300 287	(786 298)	54 513 989	56 777 482	2 263 493	53.41
Unspent conditional grants and receipts	450 307	4 225 515	4 675 822	16 676 702	12 000 880	53.42
Financial liabilities - DBSA	(1 738 010)	-	(1 738 010)	1 919 728	3 657 738	53.43
Operating lease liability	98 938	-	98 938	46 620	(52 318)	53.44
Employee benefit obligation	5 326 535	-	5 326 535	3 427 491	(1 899 044)	53.45
Provisions	13 377 481	-	13 377 481	12 014 775	(1 362 706)	53.46
	<b>75 027 701</b>	<b>3 439 217</b>	<b>78 466 918</b>	<b>93 400 665</b>	<b>14 933 747</b>	
<b>Non-Current Liabilities</b>						
Financial liabilities - DBSA	6 108 256	-	6 108 256	2 450 514	(3 657 742)	53.47
Employee benefit obligation	53 990 691	-	53 990 691	65 229 744	11 239 053	53.48
Provisions	39 207 384	-	39 207 384	60 330 172	21 122 788	53.49
	<b>99 306 331</b>	<b>-</b>	<b>99 306 331</b>	<b>128 010 430</b>	<b>28 704 099</b>	
<b>Total Liabilities</b>	<b>174 334 032</b>	<b>3 439 217</b>	<b>177 773 249</b>	<b>221 411 095</b>	<b>43 637 846</b>	
<b>Net Assets</b>	<b>1 128 016 520</b>	<b>48 751 651</b>	<b>1 176 768 171</b>	<b>1 269 330 129</b>	<b>92 561 958</b>	
<b>Net Assets</b>						
Accumulated surplus	1 128 016 520	48 751 651	1 176 768 171	1 269 330 129	92 561 958	53.50

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Rates and services	263 765 000	(2 228 000)	<b>261 537 000</b>	267 362 404	<b>5 825 404</b>	53.51
Government Grants and subsidies	179 461 000	75 684 000	<b>255 145 000</b>	219 099 179	<b>(36 045 821)</b>	53.52
Other receipts	23 408 000	1 210 000	<b>24 618 000</b>	19 506 879	<b>(5 111 121)</b>	53.53
	<b>466 634 000</b>	<b>74 666 000</b>	<b>541 300 000</b>	<b>505 968 462</b>	<b>(35 331 538)</b>	
<b>Payments</b>						
Supplier and Employee costs	(385 259 000)	(2 985 000)	<b>(388 244 000)</b>	(385 524 647)	<b>2 719 353</b>	53.54
Finance costs	(600 000)	-	<b>(600 000)</b>	(6 696 803)	<b>(6 096 803)</b>	53.55
Grants and subsidies paid	(2 935 000)	(616 000)	<b>(3 551 000)</b>	(3 349 995)	<b>201 005</b>	53.56
	<b>(388 794 000)</b>	<b>(3 601 000)</b>	<b>(392 395 000)</b>	<b>(395 571 445)</b>	<b>(3 176 445)</b>	
<b>Net cash flows from operating activities</b>	<b>77 840 000</b>	<b>71 065 000</b>	<b>148 905 000</b>	<b>110 397 017</b>	<b>(38 507 983)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(78 368 000)	(92 216 000)	<b>(170 584 000)</b>	(109 011 024)	<b>61 572 976</b>	53.57
Proceeds from sale of property, plant and equipment	-	-	-	1 060 157	<b>1 060 157</b>	53.58
Decrease in non-current investments	67 000	-	<b>67 000</b>	-	<b>(67 000)</b>	53.59
<b>Net cash flows from investing activities</b>	<b>(78 301 000)</b>	<b>(92 216 000)</b>	<b>(170 517 000)</b>	<b>(107 950 867)</b>	<b>62 566 133</b>	
<b>Cash flows from financing activities</b>						
Repayment of financial liabilities - DBSA	(1 738 000)	-	<b>(1 738 000)</b>	(1 738 013)	<b>(13)</b>	53.60
<b>Net cash flows from financing activities</b>	<b>(1 738 000)</b>	<b>-</b>	<b>(1 738 000)</b>	<b>(1 738 013)</b>	<b>(13)</b>	
Net increase/(decrease) in cash and cash equivalents	(2 199 000)	(21 151 000)	<b>(23 350 000)</b>	708 137	<b>24 058 137</b>	
Cash and cash equivalents at the beginning of the year	42 268 000	6 496 000	<b>48 764 000</b>	77 077 363	<b>28 313 363</b>	53.61
<b>Cash and cash equivalents at the end of the year</b>	<b>40 069 000</b>	<b>(14 655 000)</b>	<b>25 414 000</b>	<b>77 785 500</b>	<b>52 371 500</b>	

AUDITOR GENERAL  
SOUTH AFRICA

29 NOV 2022

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand

Note(s)

2022

2021

### 1. Presentation of Annual Financial Statements

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.

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are rounded to the nearest Rand.

#### 1.2 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.

#### 1.3 Materiality

Material 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.

#### 1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

The municipality assesses its trade receivables, held to maturity investments and loans and 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, held to maturity investments and loans and 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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### 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 these assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation interest.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

#### 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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### 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 pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

#### 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.

#### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow -

The municipality considers the nature of the agreements entered into between itself and other entities. A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Should it render a service on behalf of another entity or vice versa, it will trigger the need to the related disclosure in terms of GRAP 109.

The municipality has identified that it acts as an agent for the collection of motor vehicle licence fees on behalf of the department of Transport.

Additional information is disclosed in Note 52.

#### Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.5 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note ).

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

### 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.

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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.

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 Years
Plant and machinery	Straight-line	5 - 15 Years
Motor vehicles	Straight-line	5 - 15 Years
Office equipment	Straight-line	5 - 15 Years
IT equipment	Straight-line	5 - 15 Years
Community	Straight-line	10 - 30 Years
Electricity Network	Straight-line	15 - 80 Years
Roads	Straight-line	15 - 80 Years
Wastewater Network	Straight-line	15 - 60 Years
Water Network	Straight-line	15 -100 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.

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

### 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.

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Intangible assets (continued)

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:

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Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 -15 Years

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

### 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

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# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Heritage assets (continued)

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

### 1.9 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.
- It is settled at a future date.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

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 unissued 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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 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:

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
DBSA Loans	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.

# **Ndlambe Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

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

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

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

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

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

#### Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

The 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.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### 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
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the 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 recognises 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.

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

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).

### 1.10 Statutory receivables

#### Identification

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 a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Impairment losses

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 1.10 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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 estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.11 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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.11 Leases (continued)

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### 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.

### 1.12 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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.13 Impairment of 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.

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.13 Leases (continued)

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

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

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

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

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

Useful life is either:

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

### Identification

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

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

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

### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.13 Leases (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.13 Leases (continued)

#### 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 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 cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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 cash-generating asset is recognised immediately in surplus or deficit.

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the 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 cash-generating unit.

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

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

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

### 1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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



# Ndlambe Local Municipality

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### 1.14 Impairment of non-cash-generating assets (continued)

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

After the recognition of an impairment loss, 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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets (continued)

#### Reversal of an 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 municipality estimates the recoverable service 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.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.15 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 1.15 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

#### Post-employment benefits

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

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

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

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Employee benefits (continued)

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

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

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

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### 1.16 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.

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

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

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

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

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

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

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

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.18 Employee benefits (continued)

Control of an asset arises 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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

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

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

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

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

### 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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.18 Employee benefits (continued)

#### 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.

#### Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### 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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.18 Employee benefits (continued)

#### 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.

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

### 1.21 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.21 Accounting by principals and agents (continued)

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.22 Comparative figures

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

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.25 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 excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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

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

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.25 Irregular expenditure (continued)

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

### 1.26 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.

### 1.27 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 economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

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

### 1.28 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.

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.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.28 Related parties (continued)

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.

### 1.30 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of the financial period the municipality determined commitments in respect of capital expenditure in terms of GRAP 17 that has been approved and contracted for.

### 1.31 Material Losses (Water and Electricity)

Water and electricity losses are required to be disclosed as part of the material loss disclosure of the MFMA Section 125. Losses are calculated on the following basis -

Nr of units of lost supply, being the difference between what was supplied and what has been sold at the per unit tariff rate.

The unit tariff rate, in the case of electricity being the lower rate of Kwh as charged per council and the case of water the lowest rate per Kl (incl VAT).

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

#### Standard/ Interpretation:

- Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards

Effective date:  
Years beginning on or after

01 April 2021

Expected impact:

The impact of the is not material.

### 2.2 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 2022 or later periods:

#### Standard/ Interpretation:

- Guideline: Guideline on Accounting for Landfill Sites
- GRAP 25 (as revised): Employee Benefits
- iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction
- Guideline: Guideline on the Application of Materiality to Financial Statements
- GRAP 104 (as revised): Financial Instruments
- iGRAP 21: The Effect of Past Decisions on Materiality
- GRAP 2020: Improvements to the standards of GRAP 2020
- GRAP 1 (amended): Presentation of Financial Statements

Effective date:  
Years beginning on or after

01 April 2009

01 April 2009

01 April 2009

01 April 2009

01 April 2025

01 April 2023

01 April 2023

01 April 2023

Expected impact:

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

### 3. Inventories

Water for distribution  
Stores, materials and fuels

75 960	57 366
1 070 363	1 045 874
<b>1 146 323</b>	<b>1 103 240</b>

Inventories recognised as an expense during the year

5 186 850	8 156 047
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No Inventories were written down to net realisable value.

Game is held for recreational purposes in the form of viewing of game at the reserves by the public. These animals are held for the enjoyment of the public and not for resale. It is not the intention of the municipality to trade in wildlife and as such these animals have not been recognised as Biological assets or non-living resources.

### 4. Receivables from non-exchange transactions

Consumer debtors - Rates  
Environmental Levies  
Schedule 6B - RBIG receivable  
Deposits  
Housing Sundry  
Recoverable legal expenses  
Provision for doubtful debts - Environmental Levies  
Provision for doubtful debts - Consumer debtors - Rates

61 629 311	56 795 421
7 948 124	6 830 649
-	10 204 248
85 500	85 500
125 061	125 061
326 494	326 494
(7 180 783)	(6 976 795)
(41 742 645)	(39 389 350)
<b>21 191 062</b>	<b>28 001 228</b>



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>		
Consumer debtors - Rates	61 629 311	56 795 421
Environmental Levies	7 948 124	6 830 649
Provision for doubtful debts - Receivables from Non-Exchange transactions	(48 923 428)	(46 366 145)
	<b>20 654 007</b>	<b>17 259 925</b>
<b>Financial asset receivables included in receivables from non-exchange transactions above</b>	<b>537 055</b>	<b>10 741 303</b>
<b>Total receivables from non-exchange transactions</b>	<b>21 191 062</b>	<b>28 001 228</b>

### Statutory receivables general information

#### Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 7 470 243 (2021: R 8 970 151) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

#### Factors the entity considered in assessing statutory receivables past due but not impaired

The municipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principals. These principals are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly, this is accumulated to produce the provision for impairment as raised at year end. Refer to the municipal policy for full details.

#### Statutory receivables impaired

As of 30 June 2022, Statutory receivables of R 48 923 428 (2021: R 46 366 145) were impaired and provided for.

#### Reconciliation of provision for impairment for statutory receivables

Opening balance	(45 564 128)	(44 730 441)
Provision for impairment	(7 018 278)	(4 674 375)
Amounts written off as uncollectible	3 658 978	3 068 671
	<b>(48 923 428)</b>	<b>(46 336 145)</b>

#### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 537 055 (2021: R 537 055) were past due but not impaired.

### 5. Receivables from exchange transactions

<b>Gross balances</b>		
Electricity	28 366 992	19 751 205
Water	53 450 487	44 757 711
Waste water	20 690 373	18 058 336
Refuse	25 986 608	22 207 586
Prepaid Electricity Sales - Vendors	1 401 744	426 191
Housing rental	1 071 928	1 449 828
Service charges and other	15 519 131	13 409 577
	<b>146 487 263</b>	<b>120 060 434</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Provision for Doubtful debts - Electricity	(16 749 379)	(10 496 976)
Provision for Doubtful debts - Water	(44 411 925)	(37 885 877)
Provision for Doubtful debts - Waste water	(18 390 779)	(16 164 831)
Provision for Doubtful debts - Refuse	(23 400 389)	(20 056 537)
Provision for Doubtful debts - Housing rental	(1 017 931)	(1 388 685)
Provision for Doubtful debts - Service charges and other	(14 151 104)	(12 206 862)
	<b>(118 121 507)</b>	<b>(98 199 768)</b>
<b>Net balance</b>		
Electricity	11 617 613	9 254 229
Water	9 038 562	6 871 834
Waste water	2 299 594	1 893 505
Refuse	2 586 219	2 151 049
Prepaid electricity sales - Vendors	1 401 744	426 191
Housing rental	53 997	61 143
Service charges and other	1 368 027	1 202 715
	<b>28 365 756</b>	<b>21 860 666</b>
<b>Electricity</b>		
Current (0 -30 days)	8 141 034	6 440 373
31 - 60 days	2 469 517	1 548 990
61 - 90 days	1 560 448	820 695
91 - 120 days	1 307 874	555 416
121 - 365 days	6 335 439	3 125 185
> 365 days	8 552 680	7 260 546
	<b>28 366 992</b>	<b>19 751 205</b>
<b>Water</b>		
Current (0 -30 days)	7 386 104	5 729 427
31 - 60 days	2 014 022	1 619 732
61 - 90 days	1 776 902	1 620 186
91 - 120 days	1 810 630	1 467 954
121 - 365 days	7 935 662	9 191 720
> 365 days	32 527 167	25 128 692
	<b>53 450 487</b>	<b>44 757 711</b>
<b>Waste water</b>		
Current (0 -30 days)	1 426 517	1 396 998
31 - 60 days	735 252	741 133
61 - 90 days	604 475	619 482
91 - 120 days	583 379	587 205
121 - 365 days	3 170 300	3 735 984
> 365 days	14 170 450	10 977 534
	<b>20 690 373</b>	<b>18 058 336</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	1 678 456	1 641 674
31 - 60 days	886 265	869 956
61 - 90 days	715 238	702 765
91 - 120 days	645 002	644 672
121 - 365 days	3 695 647	3 951 746
> 365 days	18 366 000	14 396 773
	<b>25 986 608</b>	<b>22 207 586</b>
<b>Prepaid electricity sales - Vendors</b>		
Current (0 -30 days)	1 401 744	426 191
<b>Housing rental</b>		
Current (0 -30 days)	72 426	63 048
31 - 60 days	36 752	52 804
61 - 90 days	35 661	34 732
91 - 120 days	34 988	33 973
121 - 365 days	147 885	174 883
> 365 days	744 216	1 090 388
	<b>1 071 928</b>	<b>1 449 828</b>
<b>Service charges and other</b>		
Current (0 -30 days)	1 362 454	368 185
31 - 60 days	238 020	259 105
61 - 90 days	214 662	253 101
91 - 120 days	212 841	253 645
121 - 365 days	1 444 172	1 522 784
> 365 days	12 046 982	10 752 757
	<b>15 519 131</b>	<b>13 409 577</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(98 199 767)	(83 388 948)
Contributions to allowance	(46 768 590)	(42 328 277)
Debt impairment written off against allowance	26 846 850	27 517 457
	<b>(118 121 507)</b>	<b>(98 199 768)</b>

### Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 6 405 340 (2021: R 7 536 598) were past due but not impaired.

### Consumer debtors impairment process

The municipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principals. These principals are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly, this is accumulated to produce the provision for impairment as raised at year end. This process is similar to the process undertaken for the provision of doubtful debts as documented under note 4. Refer to the municipal policy for full details.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 6. VAT receivable

VAT	7 176 066	13 947 742
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VAT receivable represents the Net amount of refunds outstanding along with the yet to be claimed Input VAT on accruals and yet to be declared Output VAT on outstanding Accounts receivable. This is as a result of the differences between the cash basis of declarations to SARS and the Accrual basis of accounting for the GRAP annual financial statements.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 111	5 111
Bank balances	6 027 941	9 864 837
Short-term deposits	71 752 448	67 207 415
	<u>77 785 500</u>	<u>77 077 363</u>

Ndlambe Municipality also holds four bank accounts with the New Republic Bank Limited. These accounts related to bank investments made by Port Alfred TLC. New Republic Bank Limited went into liquidation in 1999. These accounts do not show any withdrawable funds/balances and are not active on bank confirmation searches. The liquidation process is however ongoing and during the prior year distributions have been made in accordance with the liquidation process as disclosed in note 23.

### Cash and cash equivalents pledged as collateral

Total financial assets ceded to DBSA	1 300 000	1 300 000
There is a cession recorded against the account (FNB-71078484865) to this value. Refer to note regarding DBSA loans.		
Total financial assets pledged as guarantee to ESKOM	11 403 720	1 024 929
There is a guarantee recorded against the FNB bank accounts in favour of ESKOM.		

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
	5 684 152	9 864 837	9 109 621	6 027 941	9 864 837	8 791 767
FIRST NATIONAL BANK General Account-Current	3 119 050	6 923 549	7 890 189	3 462 839	6 923 549	7 588 268
FIRST NATIONAL BANK Current Account-Housing	106 172	715 338	51 883	106 172	715 338	51 883
FIRST NATIONAL BANK Current Account - Revolving	2 458 930	2 225 950	1 167 549	2 458 930	2 225 950	1 151 616
	34 854 052	38 840 559	13 703 949	34 854 052	38 840 559	13 703 949
FIRST NATIONAL BANK CRR Call Accounts	18 096 193	32 576 527	7 439 917	18 096 193	32 576 527	7 439 917
FIRST NATIONAL BANK Fixed Deposit Account DBSA	3 139 220	3 124 438	3 124 438	3 139 220	3 124 438	3 124 438
FIRST NATIONAL BANK Call Account - Eskom	3 154 458	3 139 594	3 139 594	3 154 458	3 139 594	3 139 594
FIRST NATIONAL BANK Call Account - Eskom Guarantee	10 464 181	-	-	10 464 181	-	-
	20 883 266	14 694 740	3 548 656	20 883 266	14 694 740	3 548 656
STANDARD BANK Notice Bank - Alex	213 606	200 897	188 944	213 606	200 897	188 944
STANDARD BANK Call Account - FMG 003	-	778 610	-	-	778 610	-
STANDARD BANK Call Account - Ndlambe waste management 006	-	-	-	-	-	-
STANDARD BANK Call Account - LED Kapriver 007	-	-	-	-	-	-
STANDARD BANK Call Account - Fire Officer 008	1 979 540	483 647	483 687	1 979 540	483 647	483 687
STANDARD BANK Upgrade road 009	1 278 940	603 935	694 445	1 278 940	603 935	694 445
STANDARD BANK Upgrade Bathurst Bulkwater supply 010	1 332 068	1 289 307	-	1 332 068	1 289 307	-
STANDARD BANK Bathursts Water 011	287 602	937 711	6 409	287 602	937 711	6 409
STANDARD BANK PMU 012	-	-	8 060	-	-	8 060
STANDARD BANK INEG 014	3 370	-	-	3 370	-	-
STANDARD BANK Upgrade Roads 015	-	-	129 389	-	-	129 389
STANDARD BANK LED Mobile 016	-	-	-	-	-	-
STANDARD BANK Equitable Share Councillors 017	-	-	2 037 722	-	-	2 037 722
STANDARD BANK Revolving Account 018	-	-	-	-	-	-
STANDARD BANK EPWP 019	-	5 847	-	-	5 847	-

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand			2022			2021
<b>7. Cash and cash equivalents (continued)</b>						
STANDARD BANK	-	-	-	-	-	-
DEDEA West Beach 020	-	-	-	-	-	-
STANDARD BANK	-	-	-	-	-	-
Drought Relief 021	1 291 321	266 013	-	1 291 321	266 013	-
STANDARD BANK	-	-	-	-	-	-
MIG Upgrade Sewer 022	1 040 431	722 526	-	1 040 431	722 526	-
STANDARD BANK	-	-	-	-	-	-
Water Service Infrastructure 023	3 453 435	4 020 813	-	3 453 435	4 020 813	-
STANDARD BANK	-	-	-	-	-	-
Drought Relief 024	1 372 403	1 373 927	-	1 372 403	1 373 927	-
STANDARD BANK	-	-	-	-	-	-
EC Sports 025	8 031 237	4 011 507	-	8 031 237	4 011 507	-
STANDARD BANK	-	-	-	-	-	-
Ndlambe Building Acc's 026	-	-	-	-	-	-
STANDARD BANK	-	-	-	-	-	-
COGTA Retention 027	396 403	-	-	396 403	-	-
STANDARD BANK	-	-	-	-	-	-
OTP 028	135 105	-	-	135 105	-	-
STANDARD BANK	-	-	-	-	-	-
Wentzel Park 029	67 805	-	-	67 805	-	-
STANDARD BANK	-	-	-	-	-	-
Wentzel Park Rentention	-	-	-	-	-	-
	4 634 858	2 404 770	4 334 005	4 634 858	2 404 770	4 334 005
INVESTEC BANK	-	-	-	-	-	-
Call Account - Disaster 501	-	-	16 215	-	-	16 215
INVESTEC BANK	-	-	-	-	-	-
Call Account - FMG 502	-	-	400 241	-	-	400 241
INVESTEC BANK	-	-	-	-	-	-
Call Account - FMG 503	-	-	-	-	-	-
INVESTEC BANK	-	-	-	-	-	-
Call Account - LED Essential Oil 504	-	-	1 916	-	-	1 916
INVESTEC BANK	-	-	-	-	-	-
Call account -Chicory 506	-	-	-	-	-	-
INVESTEC BANK	-	-	-	-	-	-
Call Account - Cacadu IDP 510	-	-	902 019	-	-	902 019
INVESTEC BANK	-	-	-	-	-	-
Call Account-EC Sports 511	699 940	464 730	223 017	699 940	464 730	223 017
INVESTEC BANK	-	-	-	-	-	-
Call Account -LG Seta 512	-	-	30 136	-	-	30 136
INVESTEC BANK	-	-	-	-	-	-
EPWP 514	-	-	-	-	-	-
INVESTEC BANK	-	-	-	-	-	-
Call Account - EC Loc Gov LED Section Assist 515	-	-	647 864	-	-	647 864
INVESTEC BANK	-	-	-	-	-	-
Equitable share Councillors 516	2 118 096	1 835 922	1 808 562	2 118 096	1 835 922	1 808 562
INVESTEC BANK	-	-	-	-	-	-
Call Account-PrepwaterMete523	-	-	-	-	-	-
INVESTEC BANK	-	-	-	-	-	-
Call Account-LED Initia 524	1 816 822	104 118	104 140	1 816 822	104 118	104 140
INVESTEC BANK Call	-	-	-	-	-	-
Account-Retention 526	-	-	129 151	-	-	129 151
INVESTEC BANK	-	-	-	-	-	-
Call Account-DME 509	-	-	35 723	-	-	35 723
INVESTEC BANK	-	-	-	-	-	-
Call Account-Disaster relief 529	-	-	-	-	-	-

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022		2021		
<b>7. Cash and cash equivalents (continued)</b>					
INVESTEC BANK Call Acc-MIG Water Ret. 530	-	-	35 021	-	35 021
	11 380 270	11 267 347	464 888	11 380 270	464 888
ABSA BANK Call Account - PMU 0075	407 021	-	383	407 021	383
ABSA BANK Call Account - Roads 0651	5	-	(771 383)	5	(771 383)
ABSA BANK Call Account - Sportsfield 1801	-	-	1 120 028	-	1 120 028
ABSA BANK Call Account - Sewer Projects 2132	-	-	1 015	-	1 015
ABSA BANK Call Account - Waterworks 2417	-	-	114 845	-	114 845
ABSA BANK Call Account - Councillors Equitable Share 3669	2 731 566	1 575 136	-	2 731 566	-
ABSA BANK Call Account - Revolving 9340	885 501	-	-	885 501	-
ABSA BANK Call Account -Additional Equitable share - Covid19 9798	7 718	9 692 211	-	7 718	-
ABSA BANK Call Account -071	5 341 062	-	-	5 341 062	-
ABSA BANK Call Account -637	2 007 397	-	-	2 007 397	-
<b>Total</b>	<b>77 436 598</b>	<b>77 072 253</b>	<b>31 161 119</b>	<b>77 780 387</b>	<b>30 843 265</b>

### 8. Operating lease asset (liability)

Current assets	7 960	128 191
Current liabilities	(46 620)	(57 445)
	<b>(38 660)</b>	<b>70 746</b>

Operating lease liabilities result from operating leases where the municipality is the lessee and have straight lined the rental expenditure over the period of the lease in accordance with GRAP 13.

Operating lease assets result from operating leases where the municipality is the lessor and have straight lined the rental income over the period of the lease in accordance with GRAP 13. Refer to note 40 for disclosure in terms of GRAP 13 future minimum cashflows.

**Ndlambe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

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**9. Investment property**

	2022		2021	
Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment
264 385 513	(3 028 223)	261 357 290	268 061 991	(7 942 007)
		260 119 984		260 119 984

Investment property

**Reconciliation of investment property - 2022**

	Opening balance	Additions	Disposals/Derecognitions	Depreciation	Total
Land	233 814 087	4 913 937	(2 500 040)	-	236 227 984
Buildings	26 305 897	-	-	(1 176 591)	25 129 306
	<b>260 119 984</b>	<b>4 913 937</b>	<b>(2 500 040)</b>	<b>(1 176 591)</b>	<b>261 357 290</b>

**Reconciliation of investment property - 2021**

	Opening balance	Depreciation	Total
Land	233 814 087	-	233 814 087
Investment property	27 482 335	(1 176 438)	26 305 897
	<b>261 296 422</b>	<b>(1 176 438)</b>	<b>260 119 984</b>

**Pledged as security**

No Investment Property has been pledged as security.

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.



**Ndlambe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand

**10. Property, plant and equipment**

	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	82 260 691	-	82 260 691	82 260 691	-	82 260 691
Buildings	146 492 454	(39 098 660)	107 393 794	131 085 353	(31 391 072)	99 694 281
Plant and machinery	9 686 044	(7 227 455)	2 458 589	9 413 480	(6 680 135)	2 733 345
Motor vehicles	48 473 109	(27 993 614)	20 479 495	40 217 977	(24 824 355)	15 393 622
Office equipment	10 018 517	(7 859 559)	2 158 958	9 903 588	(7 359 926)	2 543 662
IT equipment	7 016 646	(4 592 009)	2 424 637	6 753 659	(4 487 062)	2 266 597
Electrical Network	158 541 559	(52 635 542)	105 906 017	145 478 276	(50 908 254)	94 570 022
Work in progress	115 366 362	-	115 366 362	172 261 259	-	172 261 259
Roads	470 243 144	(159 023 894)	311 219 250	463 296 171	(145 261 955)	318 034 216
Wastewater network	189 357 411	(52 827 540)	136 529 871	184 012 467	(45 818 157)	138 194 310
Water network	331 001 405	(123 677 317)	207 324 088	222 524 530	(109 896 813)	112 627 717
<b>Total</b>	<b>1 568 457 342</b>	<b>(474 935 590)</b>	<b>1 093 521 752</b>	<b>1 467 207 451</b>	<b>(426 627 729)</b>	<b>1 040 579 722</b>

**Ndlambe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	82 260 691	-	-	-	-	-	82 260 691
Buildings	99 694 281	56 629	(6 609)	15 410 578	(4 378 581)	(3 382 504)	107 393 794
Plant and machinery	2 733 345	315 187	(8 201)	-	(526 856)	(54 886)	2 458 589
Motor vehicles	15 393 622	8 915 414	(28 785)	-	(3 620 835)	(179 921)	20 479 495
Office equipment	2 543 662	335 898	(26 962)	-	(658 879)	(34 761)	2 158 958
IT equipment	2 266 597	793 089	(52 753)	-	(544 127)	(38 169)	2 424 637
Electrical Network	94 570 022	681 401	(723 142)	16 233 288	(3 495 001)	(1 360 551)	105 906 017
Work in progress	172 261 259	97 541 584	-	(154 436 481)	-	-	115 366 362
Roads	318 034 216	-	(229 285)	7 418 377	(14 010 947)	6 889	311 219 250
Wastewater network	138 194 310	19 234	(1 132 680)	7 249 951	(5 709 331)	(2 091 613)	136 529 871
Water network	112 627 717	352 588	-	108 124 287	(13 270 858)	(509 646)	207 324 088
	<b>1 040 579 722</b>	<b>1 09 011 024</b>	<b>(2 208 417)</b>	<b>-</b>	<b>(46 215 415)</b>	<b>(7 645 162)</b>	<b>1 093 521 752</b>

**Ndlambe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand

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

**Reconciliation of property, plant and equipment - 2021**

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	82 260 691	-	-	-	-	-	82 260 691
Buildings	103 096 895	515 804	-	-	(3 918 418)	-	99 694 281
Plant and machinery	3 237 661	232 023	-	-	(736 339)	-	2 733 345
Motor vehicles	15 897 209	2 995 196	-	-	(3 498 783)	-	15 393 622
Office equipment	2 722 846	664 640	-	-	(843 824)	-	2 543 662
IT equipment	1 908 402	920 402	-	-	(562 207)	-	2 266 597
Electrical Network	98 995 085	-	-	-	(4 425 063)	-	94 570 022
Work in progress	57 952 131	118 467 156	(3 879 601)	(132 333)	-	(146 094)	172 261 259
Roads	325 522 273	2 642 100	3 879 601	-	(14 009 758)	-	318 034 216
Wastewater network	140 936 659	2 387 995	-	-	(5 130 344)	-	138 194 310
Water network	120 249 857	3 468 471	-	-	(11 090 611)	-	112 627 717
	<b>952 779 709</b>	<b>132 293 787</b>	<b>-</b>	<b>(132 333)</b>	<b>(44 215 347)</b>	<b>(146 094)</b>	<b>1 040 579 722</b>

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

**Reconciliation of Work-in-Progress 2022**

	Included within Buildings	Included within Roads	Included within Water Network	Included within Sewerage Network	Included Electrical Network	Total
Opening balance	13 072 277	-	141 555 953	17 633 029	-	172 261 259
Additions/capital expenditure	2 448 301	7 418 377	47 697 395	23 744 220	16 233 288	97 541 581
Transferred to completed assets	(15 410 578)	(7 418 377)	(108 124 287)	(7 249 951)	(16 233 288)	(154 436 481)
	<b>110 000</b>	<b>-</b>	<b>81 129 061</b>	<b>34 127 298</b>	<b>-</b>	<b>115 366 359</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

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

#### Reconciliation of Work-in-Progress 2021

	Included within Buildings	Included within Roads	Included within Water Network	Included within Sewerage Network	Total
Opening balance	3 333 816	3 879 601	49 504 792	1 233 922	57 952 131
Additions/capital expenditure	9 884 555	-	92 051 161	16 531 440	118 467 156
Impairment	(146 094)	-	-	-	(146 094)
Other changes, movements	-	-	-	(132 333)	(132 333)
Transferred to completed items	-	(3 879 601)	-	-	(3 879 601)
	<b>13 072 277</b>	<b>-</b>	<b>141 555 953</b>	<b>17 633 029</b>	<b>172 261 259</b>

#### 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 17 846 541 16 089 111

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.

**Ndlambe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand

**11. Intangible assets**

	2022		2021	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software, other	2 894 604	(2 748 067)	3 402 629	(3 136 260)
		146 537		266 369
				266 369

**Reconciliation of intangible assets - 2022**

	Opening balance	Disposals	Amortisation	Total
Computer software, other	266 369	(17 065)	(102 767)	146 537

**Reconciliation of intangible assets - 2021**

	Opening balance	Additions	Amortisation	Total
Computer software, other	381 197	24 296	(139 124)	266 369

**Ndlambe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand

**12. Heritage assets**

	2022		2021			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16	-	16	16	-	16

**Reconciliation of heritage assets 2022**

Conservation areas	Opening balance	16	Total	16
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**Reconciliation of heritage assets 2021**

Conservation areas	Opening balance	16	Total	16
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**Age and/or condition of heritage assets**

The following information relating to age and/or condition of heritage assets is provided for better appreciation:  
Heritage assets all are of considerable age as they mostly relate to remains of old infrastructure, such as the pier, mooring posts and parts of ship wrecks. These have ages between 60 - 150 years.

**Restrictions on heritage assets**

The heritage assets, disclosed below have restrictions in terms of their disposal due to the fact that they are registered with the National Heritage Council and therefore cannot and will not be disposed of in the course of operations of the municipality.

Carrying value of heritage assets with restrictions:

Conservation areas	16
Disposal restrictions due to registration at National Heritage Council.	16

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 13. Other financial assets

#### Designated at fair value

Listed shares	42 962	49 246
Old Mutual shares held at fair value determined at the quoted market value.		

#### Non-current assets

Designated at fair value	42 962	49 246
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### 14. Financial instruments disclosure

#### Categories of financial instruments

##### 2022

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	28 365 756	28 365 756
Receivables from non-exchange transactions	-	21 191 062	21 191 062
Cash and cash equivalents	-	77 785 500	77 785 500
Other financial assets	42 962	-	42 962
	<b>42 962</b>	<b>127 342 318</b>	<b>127 385 280</b>

#### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	56 777 483	56 777 483
Financial liabilities - DBSA	4 370 242	4 370 242
	<b>61 147 725</b>	<b>61 147 725</b>

##### 2021

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	21 860 666	21 860 666
Receivables from non-exchange transactions	-	28 001 228	28 001 228
Cash and cash equivalents	-	77 077 363	77 077 363
Other financial assets	49 246	-	49 246
	<b>49 246</b>	<b>126 939 257</b>	<b>126 988 503</b>

#### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	55 864 133	55 864 133
Financial liabilities - DBSA	6 108 255	6 108 255
	<b>61 972 388</b>	<b>61 972 388</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>15. Consumer deposits</b>		
Electricity	1 745 871	1 709 771
Water	757 674	646 147
Housing rental	34 322	26 723
	<b>2 537 867</b>	<b>2 382 641</b>
<b>16. Payables from exchange transactions</b>		
Trade payables	12 424 555	9 280 925
Payments received in advanced	7 876 656	6 486 978
Accrued leave pay	9 071 296	8 447 596
Accrued bonus	3 783 531	3 724 897
Accrued expense	10 961 364	5 159 019
Unidentified Direct Deposits	5 195 350	7 611 956
Retention monies	6 530 281	12 717 443
Overtime accrual	686 995	678 525
Human Settlements	106 172	715 337
Advanced Receipts - Land sales proceeds	141 283	1 041 457
	<b>56 777 483</b>	<b>55 864 133</b>
<b>17. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
MIG	-	-
INEP	-	-
COGTA - Disaster Grant	7 848 524	-
EC Sports, Arts and Culture	1 131 249	1 044 562
EPWP	34	145
FMG	-	2 013
Water Services Infrastructure Grant	5 723 522	1 719
SBDM: Public Safety	1 973 373	-
	<b>16 676 702</b>	<b>1 048 439</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	1 048 439	1 041 458
Additions during the year	87 409 373	57 838 000
Income recognition during the year	(71 781 110)	(57 831 019)
	<b>16 676 702</b>	<b>1 048 439</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>18. Other financial liabilities</b>		
<b>At amortised cost</b>		
DBSA Loan 101161/2 20 Years @ 10.89%	2 646 727	3 280 760
DBSA Loan 102557/1 15 Years @ 8.81%	1 723 515	2 827 495
	<u>4 370 242</u>	<u>6 108 255</u>
<b>Total other financial liabilities</b>	<u>4 370 242</u>	<u>6 108 255</u>
<b>Non-current liabilities</b>		
At amortised cost	2 450 514	4 370 245
<b>Current liabilities</b>		
At amortised cost	1 919 728	1 738 010
<b>19. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
<b>Post retirement medical aid plan</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value of defined benefit obligation-wholly unfunded</b>		
Present value of the defined benefit obligation-wholly unfunded	(59 973 000)	(52 499 290)
Benefits paid during the year	2 480 081	2 676 070
Current service costs	(2 862 000)	(2 490 020)
Interest Costs	(5 891 000)	(5 543 332)
Actuarial Gain/(Loss)	6 615 645	(2 116 428)
	<u>(59 630 274)</u>	<u>(59 973 000)</u>
Non-current liabilities	(57 375 604)	(57 442 000)
Current liabilities	(2 254 670)	(2 531 000)
	<u>(59 630 274)</u>	<u>(59 973 000)</u>
The fair value of plan assets includes:		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	2 862 000	2 490 020
Interest cost	5 891 000	5 543 332
Actuarial (gains) losses	(6 615 645)	2 116 428
Benefits paid during the year	(2 480 081)	(2 676 070)
	<u>(342 726)</u>	<u>7 473 710</u>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 19. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,25 %	10,03 %
General earnings inflation rate (long term)	6,20 %	4,71 %
Health cost inflation rate (health cost trend)	8,77 %	6,78 %
Net discount rate	3,20 %	3,04 %
Average retirement age (Years)	62	62

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on Interest Costs - movement in health care inflation	8 253 089	6 272 052
Effect on Service Costs - movement in health care inflation	4 099 184	2 843 908

Amounts for the current and previous four years are as follows:

	2022	2021	2020	2019	2018
Defined benefit obligation	(59 630 274)	(59 973 000)	(52 499 290)	(59 171 458)	(62 299 488)

#### Long Service Awards

Ndlambe Municipality offers long service bonus awards to active employees, the amount of which is dependent on the annual salary of the individual employee. Councillors are not eligible for this benefit and were not taken into account. The award comprises of a percentage of their annual salaries as well as additional leave days to employees at the end of the specified time period.

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

<b>Carrying value of the defined benefit obligation-wholly unfunded</b>		
Present value of the defined benefit obligation-wholly unfunded	(8 153 000)	(6 817 936)
Benefits paid during the year	475 475	340 886
Current service costs	(964 000)	(764 911)
Interest Costs	(678 000)	(501 104)
Actuarial Gain/(Loss)	292 564	(409 935)
	<b>(9 026 961)</b>	<b>(8 153 000)</b>
Non-current liabilities	(7 854 140)	(6 916 000)
Current liabilities	(1 172 821)	(1 237 000)
	<b>(9 026 961)</b>	<b>(8 153 000)</b>

The fair value of plan assets includes:

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 19. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

Current service cost	964 000	764 911
Interest cost	678 000	501 104
Actuarial (gains) losses	(292 564)	409 935
Benefits paid during the year	(475 475)	(340 886)
	<b>873 961</b>	<b>1 335 064</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,02 %	8,98 %
General earnings inflation rate (long term)	7,65 %	5,74 %
Net discount rate	2,20 %	3,07 %
Average retirement age (Years)	62	62

#### Other assumptions

Assumed inflation & discount trends have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on Long service Award - discount rate	9 545 793	8 550 919
Effect on Interest Costs - discount rate	897 730	798 044
Effect on Service Costs - discount rate	1 008 584	893 055

Amounts for the current and previous four years are as follows:

	2022	2021	2020	2019	2018
Defined benefit obligation	(9 026 961)	(8 153 000)	(6 817 936)	(6 980 880)	(6 278 398)

#### Summary of Employee benefit obligations

The Employee benefit obligations disclosed above can be summarised as follows:

#### Current Liabilities - Employee benefit obligations

Post retirement medical aid plan	2 254 670	2 531 000
Long service awards	1 172 821	1 237 000
	<b>3 427 491</b>	<b>3 768 000</b>

#### Non-Current Liabilities - Employee benefit obligations

Post retirement medical aid plan	57 375 604	57 442 000
Long Service Awards	7 854 140	6 916 000
	<b>65 229 744</b>	<b>64 358 000</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 20. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	65 369 036	831 361	6 144 550	72 344 947

#### Reconciliation of provisions - 2021

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	57 588 778	2 180 642	5 599 616	65 369 036
Non-current liabilities			60 330 172	54 276 702
Current liabilities			12 014 775	11 092 334
			<b>72 344 947</b>	<b>65 369 036</b>

Ndlambe Municipality operates 5 landfill sites which by law will have to be permitted and closed in accordance with the "Minimum Requirements" and in accordance with the Environment Conservation Act. (Act no.73 of 1989) Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management. This requirement does not extend over transfer stations which have been operated as transfer stations.

Closure of the landfill sites are dependant on a number of external factors, such as amongst others, waste minimisation and population changes. Previously there has been a court order to affect the closure of the Bushmens' landfill site, thereby directly affecting the provision estimation as the closure is now projected within the timeframes set out by the court ruling.

The site assessments and provision calculation was conducted by Zutari (Pty) Ltd.

### 21. Revenue

Burial services	430 870	407 750
Service charges	166 321 134	154 494 270
Rental of facilities and equipment	796 315	667 429
Interest received - trade and other receivables	5 657 234	4 739 159
Licences and Permits (Exchange transactions)	3 267 204	2 981 737
Housing debtor income	1 444 801	1 845 940
Licences and Permits (Non-exchange)	1 211 988	984 234
Other income	4 473 608	4 780 265
Interest received - investment	4 278 823	2 942 458
Property rates	134 328 925	124 995 920
Environmental levies	5 021 013	5 012 373
Interest, Dividends and Rent on Land	2 976 991	1 726 274
Government grants & subsidies	208 894 930	278 854 003
Public contributions and donations	6 435 634	1 715 421
Fines, Penalties and Forfeits	675 422	371 854
	<b>546 214 892</b>	<b>586 519 087</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 21. Service concession arrangements (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	166 321 134	154 494 270
Burial services	430 870	407 750
Rental of facilities and equipment	796 315	667 429
Interest received - trade and other receivables	5 657 234	4 739 159
Licences and permits	3 267 204	2 981 737
Housing debtor income	1 444 801	1 845 940
Other income	4 473 608	4 780 265
Interest received - investment	4 278 823	2 942 458
	<b>186 669 989</b>	<b>172 859 008</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	134 328 925	124 995 920
Licences or permits	1 211 988	984 234
Environmental levies	5 021 013	5 012 373
Interest, Dividends and Rent on Land	2 976 991	1 726 274
<b>Transfer revenue</b>		
Government grants & subsidies	208 894 930	278 854 003
Public contributions and donations	6 435 634	1 715 421
Fines, Penalties and Forfeits	675 422	371 854
	<b>359 544 903</b>	<b>413 660 079</b>

### 22. Service charges

Sale of electricity	84 727 310	69 913 935
Sale of water	49 073 128	52 115 029
Solid waste	17 770 738	17 719 414
Sewerage and sanitation charges	14 749 958	14 745 892
	<b>166 321 134</b>	<b>154 494 270</b>

### 23. Other income

Building plan fees	2 679 556	2 391 433
Encroachments	2 407	2 428
Commission on Insurance	214 256	-
Insurance refunds	626 094	-
Refund received - SALA	-	1 319 734
Subdivisions	115 914	69 110
Sundry income	650 623	634 410
Town planning income	72 130	125 188
Camping fees	112 628	156 324
Funds collected - New Republic Bank	-	81 638
	<b>4 473 608</b>	<b>4 780 265</b>

Funds collected - New Republic Bank relates to monies received from the sequestration and liquidation process undertaken by the administrators. The bank accounts were fully impaired previously and these monies represent recoveries from this process.

### 24. Investment revenue

<b>Interest revenue</b>		
Bank	4 278 823	2 942 458

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Property rates</b>		
<b>Rates received</b>		
Property rates	134 328 925	124 995 920
<b>Valuations</b>		
All	14 251 553 212	14 154 174 842

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 26. Government grants & subsidies

#### Operating grants

Unconditional: Equitable share	103 139 000	99 534 000
Unconditional: Equitable share: Cllrs & Ward Contribution	4 443 000	4 267 000
Unconditional: Equitable share: Covid-19	-	16 419 000
Unconditional: LG SETA Grants	316 953	241 094
Unconditional: SBDM Grant Revenue	1 207 838	1 550 000
Finance Management Grant	2 652 013	2 809 038
SBDM: Fire Officers	-	482 104
Municipal Infrastructure Grant	1 433 150	1 345 955
Library Grant (DSRAC)	2 592 578	2 253 561
	<b>115 784 532</b>	<b>128 901 752</b>

#### Capital grants

Unconditional: OTP Grant	16 297 914	27 272 691
Conditional: Regional Bulk Infrastructure Grant (RBIG)	8 516 427	52 246 199
Unconditional: Department of Co-operative Governance and Traditional Affairs	-	19 493 000
Unconditional: Department of Water and Sanitation	3 192 688	-
Water Services Infrastructure Grant (Capital)	14 278 197	14 998 280
Department of Co-operative Governance and Traditional Affairs - Disaster Grant	7 380 476	-
Municipal Infrastructure Grant (Capital)	27 229 850	34 741 045
Expanded Public Works Prog Grant (EPWP) (Capital)	1 144 111	1 201 036
Library Grant (DSRAC) (Capital)	70 735	-
INEP (Capital)	15 000 000	-
	<b>93 110 398</b>	<b>149 952 251</b>
	<b>208 894 930</b>	<b>278 854 003</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	106 130 049	119 372 828
Unconditional grants received	128 597 393	168 776 785
	<b>234 727 442</b>	<b>288 149 613</b>

#### MIG

Current-year receipts	28 663 000	36 087 000
Conditions met - transferred to revenue	(28 663 000)	(36 087 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

#### INEP

Current-year receipts	15 000 000	-
Conditions met - transferred to revenue	(15 000 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 17).

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Remuneration of councillors (continued)</b>		
<b>Department of Co-operative Governance and Traditional Affairs - Disaster Grant</b>		
Current-year receipts	15 229 000	-
Conditions met - transferred to revenue	(7 380 476)	-
	<b>7 848 524</b>	-
Conditions still to be met - remain liabilities (see note 17).		
<b>EC Sports/Arts and Culture</b>		
Balance unspent at beginning of year	1 044 562	548 123
Current-year receipts	2 750 000	2 750 000
Conditions met - transferred to revenue	(2 663 313)	(2 253 561)
	<b>1 131 249</b>	<b>1 044 562</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>EPWP: Public Works</b>		
Balance unspent at beginning of year	145	180
Current-year receipts	1 144 000	1 201 000
Conditions met - transferred to revenue	(1 144 111)	(1 201 035)
	<b>34</b>	<b>145</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>FMG</b>		
Balance unspent at beginning of year	2 013	11 051
Current-year receipts	2 650 000	2 800 000
Conditions met - transferred to revenue	(2 652 013)	(2 809 038)
	<b>-</b>	<b>2 013</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>Regional Bulk Infrastructure Grant (RBIG)</b>		
Balance unspent at beginning of year	(10 204 249)	(19 492 878)
Current-year receipts	18 720 676	61 534 828
Conditions met - transferred to revenue	(8 516 427)	(52 246 199)
	<b>-</b>	<b>(10 204 249)</b>
Conditions met - amount outstanding - refer to Receivables from non-exchange transactions (see note 4).		
Note - the balance in 2020 and 2021 above does not represent unspent conditional grant, but rather amounts receivable due to conditions of the grant which were met prior to funds being received.		
<b>Water Services Infrastructure Grant</b>		
Balance unspent at beginning of year	1 719	-
Current-year receipts	20 000 000	15 000 000
Conditions met - transferred to revenue	(14 278 197)	(14 998 281)
	<b>5 723 522</b>	<b>1 719</b>
Conditions still to be met - remain liabilities (see note 17).		



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 26. Remuneration of councillors (continued)

#### SBDM: Public Safety

Current-year receipts 1 973 373 -

Conditions still to be met - remain liabilities (see note 17).

### 27. Public contributions and donations

Sarah Baartman District Municipality - cash	1 026 000	1 200 000
University of Potsdam(Germany)	110 000	-
SALGA	385 697	-
South African Library for the Blind	-	166 921
Sarah Baartman District Municipality - Vehicles	-	348 500
Investment property transfers received	4 913 937	-
	<b>6 435 634</b>	<b>1 715 421</b>

Sarah Baartman District Municipality donated the following funds during the current financial year -

Cash donation towards anniversary celebration at Emzini Bathurst: R 100 000  
Cash donation towards the renovation of Krantz Port Alfred: R 200 000  
Cash donation towards Sarel Hayward Dam Pumpstation Line: R 726 000

Potsdam University - Germany donated the following funds during the current financial year -

Cash donation towards Multi Purpose Community Centre : R 110 000

SALGA donated the following funds during the current financial year -

Cash donation towards acquisition of rainwater tanks: R 325 697  
Computer equipment to the value of : R 60 000

Investment property transfers received-

Investment property in the form of land was transferred to the municipality during the current year, these properties were fair valued R4 913 937

Sarah Baartman District Municipality donated the following funds during the previous financial year -

Cash donation towards the acquisition of a Vacuum tanker: R 500 000  
Cash donation towards the acquisition of a Water tanker: R 400 000  
Cash donation towards SMME support: R 300 000  
Vehicles to the value of: R 348 500

The South African Library for the Blind donated the following assets during the previous financial year -

IT Equipment to the value of: R 103 493  
Office equipment to the value of: R 39 132  
Specialised computer software - Intangible assets to the value of: R 24 296

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 28. Employee related costs

Basic	90 528 810	89 102 888
Bonus	7 452 533	7 510 552
Allowances	3 946 583	4 784 373
Post-employment benefits	24 101 058	25 618 957
Medical aid - company contributions	12 141 982	11 869 118
UIF	989 208	889 709
Leave pay provision charge	783 986	574 125
Overtime payments	10 871 383	9 986 684
Long-service awards	70 057	-
Car allowance	4 108 202	3 687 020
Housing benefits and allowances	597 383	607 078
Group insurance	252 333	249 384
Industrial levy	69 341	77 613
	<b>155 912 859</b>	<b>154 957 501</b>

### Remuneration of municipal manager

Annual Remuneration	1 449 604	1 239 082
Backpay	21 901	61 050
Car Allowance	193 529	180 569
Performance Bonuses	113 075	-
Contributions to UIF, Medical and Pension Funds	135 646	270 864
Telephone allowance	17 084	15 940
13th Cheque	111 931	106 235
Leave Pay	96 576	94 302
	<b>2 139 346</b>	<b>1 968 042</b>

### Remuneration of chief finance officer

Annual Remuneration	989 952	932 950
Backpay	16 867	48 872
Acting Allowance	66 225	-
Car Allowance	197 944	184 688
Contributions to UIF, Medical and Pension Funds	232 426	222 428
Telephone allowance	26 709	24 625
13th Cheque	81 350	78 244
Leave pay	57 803	97 584
	<b>1 669 276</b>	<b>1 589 391</b>

### Remuneration of director Infrastructural Development

Annual Remuneration	806 098	919 309
Backpay	13 663	49 135
Car Allowance	186 947	209 313
Performance Bonuses	90 083	-
Contributions to UIF, Medical and Pension Funds	186 531	207 292
Telephone allowance	32 991	36 938
13th Cheque	72 799	70 720
Leave Pay	45 475	65 101
	<b>1 434 587</b>	<b>1 557 808</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 28. Employee related costs (continued)

#### Remuneration of director Corporate Services

Annual Remuneration	1 060 390	993 859
Backpay	15 433	49 000
Acting Allowance	34 145	69 925
Car Allowance	158 355	147 750
Performance Bonuses	90 112	70 706
Contributions to UIF, Medical and Pension Funds	217 142	207 073
Telephone allowance	13 196	12 313
13th Cheque	86 647	83 626
Leave pay	56 914	76 981
	<b>1 732 334</b>	<b>1 711 233</b>

#### Remuneration of director Community Protection Services

Annual Remuneration	822 805	934 128
Backpay	15 641	48 872
Car Allowance	164 953	184 688
Performance Bonus	90 039	-
Contributions to UIF, Medical and Pension Funds	194 031	221 912
Telephone allowance	21 994	24 625
13th Cheque	101 686	78 366
Leave pay	61 862	72 139
	<b>1 473 011</b>	<b>1 564 730</b>

#### Reconciliation of employee costs

Employee costs - ex S57 managers	155 912 859	154 957 501
Remuneration of municipal manager	2 139 346	1 968 042
Remuneration of chief financial officer	1 669 276	1 589 391
Remuneration of director Infrastructural Development	1 434 587	1 557 808
Remuneration of director Corporate Services	1 732 334	1 711 233
Remuneration of director Community Protection Services	1 473 011	1 564 730
	<b>164 361 413</b>	<b>163 348 705</b>

### 29. Remuneration of councillors

Executive Major	917 563	894 911
Speaker	752 773	723 436
Executive Members	1 251 058	1 192 524
Councillors	4 891 211	4 736 654
	<b>7 812 605</b>	<b>7 547 525</b>

#### In-kind benefits

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

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

### 30. Depreciation and amortisation

Property, plant and equipment	46 215 415	44 215 347
Investment property	1 176 591	1 176 438
Intangible assets	102 767	139 124
	<b>47 494 773</b>	<b>45 530 909</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Finance costs</b>		
Non-current borrowings	551 522	754 398
Trade and other payables	732	-
Landfill Rehabilitaion - Interest Cost	6 144 549	5 599 616
	<b>6 696 803</b>	<b>6 354 014</b>
<b>32. Debt impairment</b>		
Electricity	6 460 716	1 198 617
Water	21 759 422	23 226 348
Refuse	5 040 625	5 495 078
Waste Water	5 251 453	5 928 742
Service charges	526 701	2 111 426
Housing debtors	(108 197)	(61 071)
Rates	5 386 613	2 718 441
Environmental levies	3 005 851	1 802 599
	<b>47 323 184</b>	<b>42 420 180</b>
<b>33. Bulk purchases</b>		
Electricity - Eskom	64 075 241	50 646 614
Water	17 591 222	14 947 402
	<b>81 666 463</b>	<b>65 594 016</b>
<b>34. Contracted services</b>		
Outsourced Services	12 646 831	9 039 172
Consultants and Professional Services	21 892 797	38 994 778
Contractors	42 813 385	26 915 500
	<b>77 353 013</b>	<b>74 949 450</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>35. General expenses</b>		
Advertising	738 844	865 230
Auditors remuneration	4 653 265	4 329 517
Bank charges	906 510	865 843
Commission paid	1 963 380	1 939 596
Delivery expenses	5 518	3 257
Electricity	8 430 179	11 612 514
Entertainment	54 894	-
Fines and penalties	4 800	16 300
Fuel and oil	8 986 192	5 031 521
Hire	6 292 631	7 846 135
IT expenses	5 656 927	4 752 486
Insurance	2 411 219	2 246 212
Levies	1 423 741	1 265 117
Other expenses	2 824 963	2 830 202
Other materials	10 498 340	9 427 031
Postage and courier	772 265	929 531
Printing and stationery	81 859	65 250
Protective clothing	749 955	1 472 303
Subscriptions and membership fees	1 771 865	1 591 160
Telephone and fax	1 841 983	1 402 739
Title deed search fees	36 701	60 464
Transport and Freight	254 427	-
Travel - local	1 521 458	818 441
	<b>61 881 916</b>	<b>59 370 849</b>
<b>36. Fair value adjustments</b>		
Other financial assets		
• Old Mutual shares	(6 284)	-
• FV Adjustment of Landfill rehabilitation provision	(831 361)	(2 180 642)
• Write-down of Water & Game Inventory	-	(117 568)
	<b>(837 645)</b>	<b>(2 298 210)</b>
<b>37. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	7 645 161	146 094
<b>38. Auditors' remuneration</b>		
Fees	4 653 265	4 329 517

# Ndlambe Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>39. Cash generated from operations</b>		
Surplus	25 152 319	111 058 390
<b>Adjustments for:</b>		
Depreciation and amortisation	47 494 773	45 530 909
Gain on sale of assets and liabilities	3 665 364	-
Fair value adjustments	837 645	2 298 210
Impairment deficit	7 645 161	146 094
Debt impairment	47 323 184	42 420 180
Movements in operating lease assets and accruals	109 406	47 425
Movements in retirement benefit assets and liabilities	531 235	3 804 862
Movements in provisions	6 138 266	10 485 960
Other non-cash items - Donated assets	(4 913 937)	(515 421)
Asset movement	-	132 333
<b>Changes in working capital:</b>		
Inventories	(43 083)	194 376
Receivables from exchange transactions	(45 435 810)	(37 788 804)
Receivables from non-exchange transactions	(1 582 298)	4 914 745
Other financial assets	6 284	-
Payables from exchange transactions	2 179 380	2 094 581
VAT	6 771 676	(9 060 743)
Unspent conditional grants and receipts	15 628 263	6 981
Consumer deposits	155 226	190 929
	<b>111 663 054</b>	<b>175 961 007</b>

## 40. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	35 627 108	57 952 779
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#### Total capital commitments

Already contracted for but not provided for	35 627 108	57 952 779
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	596 457	648 021
- in second to fifth year inclusive	477 696	313 935
	<b>1 074 153</b>	<b>961 956</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are escalated by a fixed percentage on an annual basis. No contingent rent is payable.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>40. Commitments (continued)</b>		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	22 827	310 231
- in second to fifth year inclusive	26 720	44 120
- later than five years	2 080	7 508
	<b>51 627</b>	<b>361 859</b>

Certain of the municipality's properties are held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 20 years. There are no contingent rents receivable.

### 41. Contingencies

Campbell and Shelton vs Ndlambe LM- The claimant has instituted proceedings to suspend all approvals for building development on wetland area in Port Alfred. The financial effect of this cannot be determined.

KOSRA, Bushmans Kariega Estuary Care Management Forum & Natures Landing Homeowners Association vs Ndlambe LM - Legal proceedings have been instituted against the municipality regarding the state of the landfill site at Bushmans River Mouth and to put measures in place to rectify the state of the landfill. The financial effect of this cannot be estimated as the financial claim has not been made.

Agri EC vs Ndlambe Municipality & others - Agri EC has taken Ndlambe Municipality to court to force the municipality to apply its by-laws. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

McNamara and others vs Ndlambe municipality - McNamara and others have taken Ndlambe Municipality to court to enforce the municipality to ensure that wetland fencing have been erected, as was removed by another party. The matter is in ongoing, but a financial claim has not been made, the financial effect cannot therefore be estimated.

V. Long vs Ndlambe Municipality & others - Legal proceedings were instituted by V. Long to force Ndlambe Municipality to set aside a decision on a guesthouse approval. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

Agri EC & Others vs Ndlambe Municipality - Agri EC has taken Ndlambe Municipality to court in relation to the legality of abstraction water, which Ndlambe Municipality procures from a company. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

Litigation is in the process against the municipality relating to various matters above. The total estimated potential liability to the municipality at 30 June 2022 & 30 June 2021 cannot be determined reliably.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 42. Related parties

#### Relationships

Accounting Officer

Close family member of key management

Refer to accounting officers' report note

MG Ncamiso (husband of Mayor Ncamiso)

Sole shareholder of Nakhe Security and Cleaning Solutions

50% Shareholder of Genkorald General Trading

XM Ncamiso (son of Mayor Ncamiso)

50% Shareholder of Genkorald General Trading

X Masiza (husband of Ndlambe Director Infrastructure)

Director of Lisolomzi Prestige Security

Members of key management as defined in GRAP 20

1. Members of Council

Full names and remuneration details provided below

2. Section 57 managers

Remuneration details provided in note 29

#### Related party balances

The amounts are unsecured and no security has been given.

#### Related party transactions

##### Capital expenditure from related parties - Property, plant and Equipment

Genkorald General Trading (Pty) Ltd - arm's length

250 334

624 515

##### Purchases from related parties - Security services

Nakhe Security and cleaning (Pty) Ltd - arm's length

210 000

707 500

Lisolomzi Prestige Security (Pty) Ltd

542 960

-

##### Purchases from related parties - Building maintenance

Genkorald General Trading (Pty) Ltd - arm's length

24 782

-

Nakhe Security and cleaning (Pty) Ltd - arm's length

-

21 674



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Related parties (continued)

#### Remuneration of management

##### Management class: Council

2022

Name	Allowance	Backpay	Transport	Telephone	Medical Aid	Pension	Other benefits received	Total
Mayor - KC Ncamiso	404 746	15 205	130 643	28 127	12 960	43 328	5 000	640 009
Ex-Mayor - S Dyakala	195 623	-	58 861	12 673	2 880	7 516	-	277 553
Speaker - L Marasi	327 722	14 491	53 689	26 273	11 520	49 158	-	482 853
Ex-Speaker - NV Maphaphu	194 060	7 352	29 687	14 527	5 760	13 534	5 000	269 920
Executive member - NF Memani	170 571	6 058	50 343	26 273	-	9 787	-	263 032
Executive member - S Venene	170 818	8 966	50 343	26 273	1 440	8 066	-	265 906
Executive member - S Dyakala	81 910	10 787	26 060	13 600	5 760	6 143	-	144 260
Ex-Executive member - A Nyumka	80 612	-	24 283	12 673	2 880	3 041	-	123 489
Ex-Executive member - T Mazana	99 127	3 845	27 837	14 527	-	-	7 000	152 336
Ex-Executive member - N Xhasa	92 772	3 395	27 522	14 527	-	6 483	7 000	151 699
Ex-Executive member - LR Schenk	99 127	3 845	27 837	14 527	-	-	5 000	150 336
Chief Whip - S Kolosa	122 316	4 582	36 612	26 273	8 640	6 876	-	205 299
Ex-Chief Whip - AL Marasi	61 646	-	20 244	14 527	5 760	8 521	7 000	117 698
MPAC Chair - A Nyumka	61 334	5 400	18 952	13 600	5 760	4 600	-	109 646
Ex-MPAC Chair - TM Bunge	89 282	3 732	27 837	14 527	-	6 239	7 000	148 617
Councillor - A Bukani	132 793	4 582	36 612	26 272	5 003	-	-	205 262
Councillor - M Sweli	131 579	4 582	36 612	26 272	-	6 241	-	205 286
Councillor - HK Walker	124 872	4 582	36 612	26 272	7 200	5 738	-	205 276
Councillor - NE Haynes	137 697	4 582	36 612	26 272	-	-	-	205 163
Councillor - P Khungwayo	131 579	4 582	36 612	26 272	-	6 241	-	205 286
Councillor - SI Melani	128 267	7 490	36 612	26 272	-	9 620	-	208 261
Councillor - S Zweni	137 697	4 582	36 612	26 272	-	-	-	205 163
Councillor - MW Mgwaba	132 793	4 582	36 612	26 272	-	5 003	-	205 262
Councillor - PY Kani	137 696	7 490	36 612	26 273	-	-	-	208 071
Councillor - ZW Myali	122 316	4 582	36 612	26 272	8 640	6 877	-	205 299
Councillor - WG Johannes	137 697	4 582	36 612	26 272	-	-	-	205 163
Councillor - T Mbekela	120 326	7 490	36 612	26 272	8 525	9 024	-	208 249

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Related parties (continued)

Councillor - X Runeli	137 696	7 490	36 612	26 272	-	-	208 070
Councillor - AW Diniso	50 116	1 246	13 396	9 612	-	-	74 370
Councillor - KC Ncamiso	14 172	-	3 791	2 720	-	-	20 683
Councillor - N Gamlashe	66 667	2 909	20 244	14 527	-	9 274	118 621
Councillor - CB James	65 542	2 909	20 244	14 527	5 760	4 553	118 535
Councillor - A Nqosha	75 765	2 909	20 244	14 527	-	-	118 445
Councillor - M Raco	70 908	2 909	20 244	14 527	-	4 956	118 544
Councillor - MW Yali	70 908	2 909	20 244	14 527	-	4 956	118 544
Councillor - M Mateti	66 667	2 909	20 244	14 527	-	9 275	118 622
Councillor - K Daweti	70 907	2 909	20 244	19 473	-	4 956	123 489
Councillor - PY Kani	75 765	-	20 244	14 527	-	-	115 536
Councillor - JP Guest	75 765	2 909	20 244	14 527	-	-	118 445
Councillor - S Venene	75 765	-	20 244	14 527	-	-	115 536
Councillor - T Mbekela	70 908	-	20 244	14 527	-	4 956	115 635
Councillor - X Runeli	70 845	-	20 244	14 527	-	4 952	117 568
Councillor - SI Melani	70 845	-	20 244	14 527	-	4 952	117 568
	<b>4 956 219</b>	<b>183 374</b>	<b>1 367 065</b>	<b>820 593</b>	<b>98 488</b>	<b>274 866</b>	<b>7 812 605</b>
						<b>112 000</b>	

**Ndlambe Local Municipality**  
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**42. Related parties (continued)**

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Name	Allowance	Transport	Telephone	Medical aid	Pension	Total
Mayor - KC Ncamiso	562 893	189 504	40 800	17 280	84 434	894 911
Speaker - NV Maphaphu	541 377	83 376	40 800	17 280	40 603	723 436
Executive member - T Mazana	278 400	78 180	40 800	-	-	397 380
Executive member - N Xhasa	259 335	78 180	40 800	-	19 450	397 765
Executive member - LR Schenk	278 400	78 180	40 800	-	-	397 380
Chief Whip - AL Marasi	170 428	56 856	40 800	17 280	25 564	310 928
MPAC Chair - TM Bunge	249 577	78 180	40 800	-	18 718	387 275
Councillor - N Gamlashe	185 492	56 856	40 800	-	27 823	310 971
Councillor - CB James	182 119	56 856	40 800	17 280	13 659	310 714
Councillor - A Nqosha	212 787	56 856	40 800	-	-	310 443
Councillor - M Raco	198 215	56 856	40 800	-	14 867	310 738
Councillor - MW Yali	198 215	56 856	40 800	-	14 867	310 738
Councillor - M Mateti	185 492	56 856	40 800	-	27 823	310 971
Councillor - K Daweti	198 215	56 856	40 800	-	14 867	310 738
Councillor - PY Kani	212 787	56 856	40 800	-	-	310 443
Councillor - JP Guest	212 787	56 856	40 800	-	-	310 443
Councillor - S Venene	212 787	56 856	40 800	-	-	310 443
Councillor - T Mbekela	198 215	56 856	40 800	-	14 867	310 738
Councillor - X Runeli	198 027	56 856	40 800	-	14 852	310 535
Councillor - SI Melani	198 027	56 856	40 800	-	14 852	310 535
	<b>4 933 575</b>	<b>1 381 584</b>	<b>816 000</b>	<b>69 120</b>	<b>347 246</b>	<b>7 547 525</b>

Also refer to note "Remuneration of councillors" Note 28

# Ndlambe Local Municipality

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### 43. Prior period errors & reclassification

The correction of the errors results in adjustments as follows:

#### 2021 Closing balance / 2022 Opening balances:

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
Inventories	1 094 900	8 340	1 103 240	1
Receivables from Non-exchange Transactions	17 796 980	10 204 248	28 001 228	2
Receivables from Exchange Transactions	21 860 666	-	21 860 666	3
VAT Receivable	13 895 311	52 431	13 947 742	4
Property, Plant and Equipment	1 040 123 665	456 057	1 040 579 722	5
Payables from exchange transactions	(53 946 886)	(1 917 248)	(55 864 134)	6
Provisions - Current	(13 658 880)	2 566 546	(11 092 334)	7
Provisions - Non-current	(50 133 550)	(4 143 152)	(54 276 702)	8
Accumulated surplus	(1 236 950 596)	(7 227 222)	(1 244 177 818)	9
	<b>(259 918 390)</b>	<b>-</b>	<b>(259 918 390)</b>	<b>-</b>

Note that Renewable Energy Programme per the Statement of Financial Performance has been renamed to Alternative Energy Programme. This is a better representation of the nature of the expenditure.

#### 1 - Inventories - Statement of Financial Position

Previously reported 2021 balance	1 094 900
Stock issued relating to 2021 in 2022	8 340
<b>Restated 2021 Closing balance</b>	<b>1 103 240</b>

#### 2 - Receivables from Non-exchange Transactions - Statement of Financial Position

Previously reported 2021 balance	17 796 980
Schedule 6B - receivable recognised as balance of Grant owing not yet received	10 204 248
Effect of reversal of incorrectly applied indigent subsidy	772 016
Effect of reversal of incorrectly applied indigent subsidy - provision for doubtful debts	(772 016)
<b>Restated 2021 Closing Balance</b>	<b>28 001 228</b>

#### 3 - Receivables from Exchange Transactions - Statement of Financial Position

Previously reported 2021 balance	21 860 666
Effect of reversal of incorrectly applied indigent subsidy	5 188 924
Effect of reversal of incorrectly applied indigent subsidy - provision for doubtful debts	(5 188 924)
<b>Restated 2021 Closing Balance</b>	<b>21 860 666</b>

#### 4 - VAT Receivable - Statement of Financial Position

Previously reported 2021 balance	13 895 311
VAT on additional accruals raised	52 431
<b>Restated 2021 Closing Balance</b>	<b>13 947 742</b>

#### 5 - Property, plant and equipment - Statement of Financial Position

Previously reported 2021 balance	1 040 123 665
Additional Accrual - WIP	101 332
Additional Accrual - IT Equipment	18 900
Recognition of Donation - SBDM - Vehicles	311 926
Depreciation on asset not previously depreciated - 2021	(32 982)
Correction of alignment of Fixed asset register	300 881
Derecognition of borehole drilling	(244 000)
<b>Restated 2021 Closing Balance</b>	<b>1 040 579 722</b>

The prior period split on the allocation of WIP as disclosed in note 10 was also restated in the current year comparative information. The correction was done between Water and Wastewater WIP.

# Ndlambe Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>43. Prior period errors &amp; reclassification (continued)</b>		
<b>6 - Payables from exchange transactions - Statement of Financial Position</b>		
Previously reported 2021 balance		(53 946 886)
Raise of additional Accruals 2021		(875 792)
Amounts received in terms of Land sales not yet transferred		(1 041 457)
<b>Restated 2021 Closing Balance</b>		<b>(55 864 135)</b>
<b>7 - Provisions - Current - Statement of Financial Position</b>		
Previously reported 2021 balance		(13 658 880)
Correction of current liability portion of provisions		2 566 546
<b>Restated 2021 Closing balance</b>		<b>(11 092 334)</b>
<b>8 - Provisions - Non-Current - Statement of Financial Position</b>		
Previously reported 2021 balance		(50 133 550)
Correction of current liability portion of provisions		(2 566 546)
Correction of opening balances - Provision		(5 003 912)
Correction of Interest charge - finance costs		(1 787 213)
Correction of Fair value adjustment		5 214 519
<b>Restated 2021 Closing balance</b>		<b>(54 276 702)</b>
The provision for landfill site was retrospectively restated due to the following reasons		
1) The values on which the estimate was based indicated an underestimate due to outdated figures from the 2021 calculation which was corrected retrospectively.		
2) The current experts indicated that transfer sites should not have been included historically and was thus removed retrospectively.		
<b>9 - Accumulated Surplus - Statement of Financial Position</b>		
Previously reported 2021 Opening balance		(1 118 573 583)
Effect of opening balance corrections relating to -		(14 545 846)
Correction of opening balances - Provisions		5 003 912
Correction of alignment of Fixed asset register		(300 881)
Derecognition of borehole drilling previously recognised as WIP		244 000
Recognition of revenue in terms of GRAP 23 due to RBIG expenditure in Prior period		(19 492 877)
RESTATED 2020/21 OPENING BALANCE		(1 133 119 429)
		-
RESTATED 2020/21 (Surplus)/Deficit		(111 058 380)
Previously reported Surplus		(118 377 013)
Net corrections as per 2020/21 Statement of Financial Performance (see below)		7 318 633
<b>RESTATED 2020/21 CLOSING BALANCE</b>		<b>(1 244 177 809)</b>

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### 43. Prior period errors & reclassification (continued)

Statement of Financial Performance	2021 Comparative restatements			Reference
	Previously reported	Adjustment DT/(CT)	As restated	
<b>REVENUE</b>				
Revenue from exchange transactions - Service charges	149 607 704	(4 886 566)	154 494 270	i
Revenue from exchange transactions - Housing Debtor income	1 543 583	(302 357)	1 845 940	ii
Revenue from non-exchange - Rates	124 563 224	(432 696)	124 995 920	iii
Revenue from non-exchange - Environmental levies	4 673 053	(339 320)	5 012 373	iv
Revenue from non-exchange - Government Grants and Subsidies	288 142 632	9 288 629	278 854 003	v
Public contributions and donations	1 366 921	(348 500)	1 715 421	vi
<b>EXPENDITURE</b>				
Depreciation and Amortisation	(45 461 175)	69 734	(45 530 909)	vii
Debt Impairment	(36 459 241)	5 960 939	(42 420 180)	viii
Finance costs	(4 566 801)	1 787 213	(6 354 014)	ix
Bulk purchases	(65 590 380)	3 636	(65 584 016)	x
Contracted services	(74 268 733)	680 717	(74 949 450)	xi
General expenses	(59 360 593)	10 266	(59 370 849)	xii
Gain/(Loss) on Disposal	1 041 457	1 041 457	-	xiii
Fair value adjustments	(7 512 729)	(5 214 519)	(2 298 210)	xiv
	<b>277 718 922</b>	<b>7 318 633</b>	<b>270 400 299</b>	

#### i) Revenue from exchange transactions - Service Charges - Statement of Financial Performance

As previously reported	149 607 704
Effect of reversal of incorrectly applied indigent subsidy	4 886 566
	<b>154 494 270</b>

#### ii) Revenue from exchange transactions - Housing debtor income - Statement of Financial Performance

As previously reported	1 543 583
Effect of reversal of incorrectly applied indigent subsidy	302 357
	<b>1 845 940</b>

#### iii) Revenue from non-exchange transactions - Property Rates - Statement of Financial Performance

As previously reported	124 563 224
Effect of reversal of incorrectly applied indigent subsidy	432 696
	<b>124 995 920</b>

#### iv) Revenue from non-exchange transactions - Environmental levies - Statement of Financial Performance

As previously reported	4 673 053
Effect of reversal of incorrectly applied indigent subsidy	339 320
	<b>5 012 373</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>43. Prior period errors &amp; reclassification (continued)</b>		
<b>v) Revenue from non-exchange - Government Grants and Subsidies - Statement of Financial Performance</b>		
As previously reported	288 142 632	
Correction of Schedule 6 RBIG amounts received during year relating to prior period	(9 288 629)	
	<b>278 854 003</b>	
<b>vi) Public Contributions and Donations - Statement of Financial Performance</b>		
As previously reported	1 366 921	
Recognition of additional Donations SBDM - Vehicles	348 500	
	<b>1 715 421</b>	
<b>vii) Depreciation - Statement of Financial Performance</b>		
As previously reported	(45 461 175)	
Additional Depreciation - assets recognised	(69 734)	
	<b>(45 530 909)</b>	
<b>viii) Debt impairment - Statement of Financial Performance</b>		
As previously reported	(36 459 241)	
Additional Impairment - Indigent revenue	(5 960 939)	
	<b>(42 420 180)</b>	
<b>ix) Finance costs - Statement of Financial Performance</b>		
As previously reported	(4 566 801)	
Additional finance costs associated with updated provision on landfill site	(1 787 213)	
	<b>(6 354 014)</b>	
<b>x) Bulk purchases - Statement of Financial Performance</b>		
As previously reported	(65 590 380)	
Additional Accruals raised 2021	(3 636)	
	<b>(65 594 016)</b>	
<b>xi) Contracted Services - Statement of Financial Performance</b>		
As previously reported	(74 268 733)	
Additional Accruals raised 2021	(680 717)	
	<b>(74 949 450)</b>	
<b>xii) General Expenses - Statement of Financial Performance</b>		
As previously reported	(59 360 593)	
Additional Accruals raised 2021	(18 595)	
Recognition of inventory consumed 2021	8 339	
	<b>(59 370 849)</b>	
<b>xiii) Gain/(Loss) on disposal of assets and liabilities - Statement of Financial Performance</b>		
As previously reported	1 041 457	
Amounts received in terms of Land sales not yet transferred	(1 041 457)	
	<b>-</b>	

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>43. Prior period errors &amp; reclassification (continued)</b>		
<b>xiv) Fair value adjustments - Statement of Financial Performance</b>		
As previously reported		(7 512 729)
Reduced finance costs associated with updated provision on landfill site		5 214 519
		<u>(2 298 210)</u>

### Agent and Pincipal disclosure - Note 54

The prior period agent and principal disclosure omitted the recognition of the agent principal arrangement with the Department of Human Settlements. This has not been disclosed along with the 2021 comparative information.

The following disclosures have been restated in the comparative figure:

#### Unauthorised expenditure - Note 44

Previous Disclosure

Opening balance - 2020/21	307 759 179
Add: Unauthorised Expenditure	33 203 257
Less: Condoned by council	(237 308 708)
	<u>103 653 728</u>

New disclosure

Opening balance - 2020/21	307 759 179
Add: Unauthorised Expenditure	37 440 406
Less: Condoned by council	(237 308 708)
	<u>107 890 877</u>

### Cash flow statement

Cash flow from operating activities	RESTATED	PREVIOUSLY DISCLOSED
Rates and services	241 675 139	240 041 988
Government Grants and Subsidies	288 149 613	288 142 632
Interest income	8 057 879	9 407 891
Suppliers	(188 359 549)	(186 540 592)
Other receipts	6 998 058	6 695 719
Finance costs	(6 354 014)	(4 566 801)
	<u>350 167 126</u>	<u>353 180 837</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(127 627 085)	(131 682 252)
Proceeds from sale of property, plant and equipment	-	1 041 457
	<u>(127 627 085)</u>	<u>(130 640 795)</u>

### 44. Unauthorised expenditure

Opening balance as previously reported	107 890 877	307 759 179
<b>Opening balance as restated</b>	<u>107 890 877</u>	<u>307 759 179</u>
Add: Expenditure identified - current	75 498 188	-
Add: Expenditure identified - prior year	-	37 440 406
Less: Amount written off - current	(70 955 368)	(237 308 708)
<b>Closing balance</b>	<u>112 433 697</u>	<u>107 890 877</u>



# Ndlambe Local Municipality

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## Notes to the Annual Financial Statements

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### 44. Unauthorised expenditure (continued)

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

Non-cash	61 711 523	37 366 507
Cash	13 786 665	73 899
	<u>75 498 188</u>	<u>37 440 406</u>

### Unauthorised expenditure: Budget overspending – per municipal department:

Municipal Manager	147 359	-
Finance: Budget and Treasury	-	12 962 052
Waste Management	4 339 389	5 111 214
Electricity	38 940 678	4 233 025
Water	23 843 786	3 034 941
Waste Water Management	3 203 640	4 998 265
Technical	246 777	2 067 589
Corporate Services	-	4 959 421
Finance - Supply Chain	-	73 899
Community and Social Services	4 776 559	-
	<u>75 498 188</u>	<u>37 440 406</u>

### 45. Fruitless and wasteful expenditure

Opening balance as previously reported	79 519	11 055 970
<b>Opening balance as restated</b>	<u>79 519</u>	<u>11 055 970</u>
Add: Expenditure identified - current	4 800	-
Add: Expenditure identified - prior year	-	60 601
Less: Amount written off - current	(11 808)	(11 037 052)
<b>Closing balance</b>	<u>72 511</u>	<u>79 519</u>

Fruitless and wasteful expenditure incurred in the current year was due to traffic fines on municipal vehicles and in the prior year was due to fines on municipal vehicles, late payments and payment to the account of an incorrect casual worker.

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>46. Irregular expenditure</b>		
Opening balance as previously reported	633 168 213	445 676 511
<b>Opening balance as restated</b>	<b>633 168 213</b>	<b>445 676 511</b>
Add: Irregular Expenditure - current	78 990 362	-
Add: Irregular Expenditure - prior year	-	187 491 702
Less: Amount written off - current	(410 315 366)	-
<b>Closing balance</b>	<b>301 843 209</b>	<b>633 168 213</b>

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

	<b>Disciplinary steps taken/criminal proceedings</b>	
- Supply Chain Management Regulation and/or Policy Deviations	Items will be referred to MPAC for Investigation and the need for criminal proceedings to be determined.	78 990 362
-Lack of Supporting documentation	Goods and/or services were received in all instances and none of the payments were made in vain.	
- Deviations not in accordance with S36 of the SCM regulations		
		78 990 362

### 47. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	1 727 228	1 583 112
Current year subscription / fee	1 886 963	1 727 176
Amount paid - current year	(1 756 176)	(1 583 060)
	1 858 015	1 727 228

#### Audit fees

Opening balance	8 815	6 888
Current year subscription / fee	5 351 254	4 951 750
Amount paid - current year	(5 360 069)	(4 948 644)
Credit note	-	(1 179)
	-	8 815

#### PAYE and UIF

Amount paid - current year	21 429 609	18 366 273
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#### Pension and Medical Aid Deductions

Amount paid - current year	28 815 561	28 373 462
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#### VAT

VAT receivable	7 176 066	13 947 742
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VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor - MW Mgweba	1 194	340	1 534
Councillor - TS Dyakala	2 072	1 763	3 835
Councillor - WG Johannes	4 147	144 869	149 016
Councillor - KC Ncamiso	8 484	2 526	11 010
	<b>15 897</b>	<b>149 498</b>	<b>165 395</b>

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor - JP Guest	3 185	1 029	4 214

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

S36(1)(a)(i) - Emergency	24 473 505	13 864 498
S36(1)(a)(ii) - Sole Supplier	1 058 039	1 541 891
S36(1)(a)(v) - Impractical / Impossible (other)	23 637 626	26 301 854
	<b>49 169 170</b>	<b>41 708 243</b>

### 48. Water and electricity losses

#### Material Losses

Water	14 075 376	17 358 336
Electricity	5 144 465	6 532 744
	<b>19 219 841</b>	<b>23 891 080</b>

#### Water Losses

In 2022 the water reticulation losses were 38.2% (2 650 127 kl supplied and 1 637 510 kl sold) (2021: 40% (2 852 685 kl supplied and 1 707 676 kl sold). In both years these losses are predominantly due to physical losses from leaks, burst pipes and reservoir overflows. Furthermore apparent losses are realised due to metering inefficiencies, meter faults, unauthorised and unmetered consumption.

#### Electricity Losses

In 2022, the electricity losses were 8.8% (2021: 13.3%). Electricity purchased was 43 157 538 kWh and 39 346 823 kWh was sold (2021: 39 047 317 kWh purchased and 33 862 599 kWh sold). These losses are predominantly due to MV and LV losses in switchgear, overheadlines, obsolete aluminium lines, underground cables and transformers. Furthermore losses are attributed to metering and meter reading losses and losses due to tampering.

# Ndlambe Local Municipality

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### 49. Risk management

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Credit risk

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

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

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

Financial instrument	2022	2021
Receivables from Non-Exchange Transactions	21 191 062	28 001 228
Receivables from Exchange Transactions	28 365 756	21 860 666
Cash and cash equivalents	77 785 500	77 077 363
Other financial assets	42 962	49 246

The municipality holds deposits of R 2 537 867 (2021: R 2 382 641) from consumer deposits. No guarantees of collateral was provided to third parties.

#### 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.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates which means that the municipality is not exposed to interest rate risk, as any change in interest rates will not affect the repayment terms of the long term liabilities. During 2022 and 2021, the municipality has no borrowings at variable rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

##### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other payables		56 777 483	-	-	-	-
Financial liabilities - DBSA Loans	8,8% - 17%	2 289 549	1 660 947	1 032 354	-	-

# Ndlambe Local Municipality

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### 49. Risk management (continued)

#### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

### 50. 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.

### 51. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of the four major trading services: Electricity (Energy Sources), Water (Water management), Waste Water (Waste Water management) and Refuse (Waste Management) services. The segments were organised around the type of service delivered and the consumers. Management uses these same segments for determining strategic objectives. Segments were not 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.

#### Geographical information

The municipality operates in the Ndlambe Municipal demarcation, which include the following main towns: Port Alfred, Kenton-on-Sea, Alexandria, Cannon-Rocks, Seafield and Marseille. The information necessary to be able to report on segments on a geographical basis is not available and the municipality deems the costs necessary to develop that to be excessive and as such has disclosed the financial information on a geographical basis.

#### 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**  
Electricity  
Water  
Sewerage and Sanitation  
Solid Waste

**Goods and/or services**  
Delivery of electrical services  
Delivery of water services  
Delivery of waste water services  
Rendering of refuse removal

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 51. Segment information (continued)

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

2022

	Electricity	Water	Sewerage and sanitation	Solid Waste	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	-	-	-	5 021 013	5 021 013
Revenue from exchange transactions	84 727 310	49 073 128	14 749 958	17 770 738	166 321 134
Interest received - trade and other receivables	841 037	1 633 212	837 804	1 273 680	4 585 733
<b>Total segment revenue</b>	<b>85 568 347</b>	<b>50 706 340</b>	<b>15 587 762</b>	<b>24 065 431</b>	<b>175 927 880</b>
Revenue from exchange transactions					15 763 117
Revenue from non-exchange transactions					354 523 890
<b>Total revenue reconciling items</b>					<b>370 287 007</b>
<b>Entity's revenue</b>					<b>546 214 887</b>
<b>Expenditure</b>					
Employee related costs	781 333	10 541 943	8 630 622	11 286 169	31 240 067
Depreciation and amortisation	18 316 410	6 496 266	1 950 038	44 165	26 806 879
Finance costs	-	551 522	-	6 144 549	6 696 071
Lease rentals	-	2 723 057	-	-	2 723 057
Debt impairment	6 460 716	21 759 422	8 257 304	5 040 625	41 518 067
Alternative energy programme	5 594 743	-	-	-	5 594 743
Bulk purchases	64 075 241	17 591 222	-	-	81 666 463
Contracted services	12 367 905	18 151 416	2 757 574	5 792 140	39 069 035
General Expenses	1 164 842	5 951 064	7 290 318	4 440 569	18 846 793
Fair value adjustments	-	-	-	831 361	831 361
Loss on disposal of assets	723 143	-	2 391 941	-	3 115 084
Impairment loss	1 825 197	141 034	2 305 247	-	4 271 478
<b>Total segment expenditure</b>	<b>111 309 530</b>	<b>83 906 946</b>	<b>33 583 044</b>	<b>33 579 578</b>	<b>262 379 098</b>
<b>Total segmental surplus/(deficit)</b>					<b>(86 451 216)</b>

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	Electricity	Water	Sewerage and sanitation	Solid Waste	Total
<b>51. Segment information (continued)</b>					
Employee related costs					(133 121 349)
Remuneration of councillors					(7 812 606)
Depreciation					(20 687 895)
Lease rentals					(2 657 170)
Debt impairment					(5 805 119)
Contracted services					(38 283 978)
Transfers and Subsidies					(3 349 995)
General expenses					(43 035 110)
Gain on disposal of assets					(550 281)
Fair value adjustments					(6 284)
Impairment loss					(3 373 683)
Total revenue reconciling items					370 287 007
<b>Entity's surplus (deficit) for the period</b>					<b>25 152 319</b>
<b>Assets</b>					
Receivables from exchange transactions	13 019 357	9 038 562	2 299 594	2 586 219	26 943 732
Property, plant and equipment	105 906 017	207 324 088	136 529 871	-	449 759 976
Property, plant and equipment - WIP	-	81 129 061	34 127 298	-	115 256 359
<b>Total segment assets</b>	<b>118 925 374</b>	<b>297 491 711</b>	<b>172 956 763</b>	<b>2 586 219</b>	<b>591 960 067</b>
Property, plant and equipment					528 505 417
Other non-current assets					261 546 805
Current assets					108 728 935
<b>Total assets as per Statement of financial Position</b>					<b>1 490 741 224</b>
Current liabilities					(93 400 666)
Non-current liabilities					(128 010 430)
<b>Total liabilities as per Statement of financial Position</b>					<b>(221 411 096)</b>

# Ndlambe Local Municipality

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### 51. Segment information (continued)

2021

	Electricity	Water	Sewerage and sanitation	Solid waste	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	-	-	-	5 012 373	5 012 373
Revenue from exchange transactions	69 913 935	52 115 029	14 745 893	17 719 414	154 494 271
Interest received - trade and other receivables	723 591	1 462 015	637 715	984 906	3 808 227
<b>Total segment revenue</b>	<b>70 637 526</b>	<b>53 577 044</b>	<b>15 383 608</b>	<b>23 716 693</b>	<b>163 314 871</b>
Revenue from exchange transactions					14 556 510
Revenue from Non-exchange transactions					408 647 707
<b>Total revenue reconciling items</b>					<b>423 204 217</b>
<b>Entity's revenue</b>					<b>586 519 088</b>
<b>Expenditure</b>					
Employee related costs	725 657	9 939 634	7 953 362	10 878 672	29 497 325
Depreciation and amortisation	4 425 063	11 090 611	5 130 344	-	20 646 018
Finance costs	-	715 614	36 187	5 599 616	6 351 417
Lease rentals	-	2 438	55 980	-	58 418
Debt impairment	1 198 617	23 226 348	7 731 341	5 495 078	37 651 384
Alternative energy	2 425 709	-	-	-	2 425 709
Bulk purchases	50 646 614	14 947 402	-	-	65 594 016
Contracted services	24 923 863	5 019 972	3 947 223	7 504 063	41 395 121
General expenses	2 616 115	4 880 602	7 748 465	4 504 366	19 749 548
Fair value adjustments	-	-	-	2 180 642	2 180 642
<b>Total segment expenditure</b>	<b>86 961 638</b>	<b>69 822 621</b>	<b>32 602 902</b>	<b>36 162 437</b>	<b>225 549 598</b>
<b>Total segmental surplus/(deficit)</b>					<b>(62 234 727)</b>



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	Electricity	Water	Sewerage and sanitation	Solid waste	Total
<b>51. Segment information (continued)</b>					
Total revenue reconciling items					423 204 217
Employee related costs					(133 851 378)
Remuneration of councillors					(7 547 526)
Depreciation					(24 884 893)
Finance costs					(2 597)
Lease rentals					(2 106 728)
Debt impairment					(4 768 797)
Contracted services					(33 554 325)
Transfers and subsidies					(3 309 889)
General expenses					(39 621 305)
Fair value adjustments					(117 568)
Impairment loss					(146 094)
<b>Entity's surplus (deficit) for the period</b>					<b>111 058 390</b>
<b>Assets</b>					
Receivables from exchange transactions	9 680 420	6 871 834	1 893 505	2 151 049	20 596 808
Property, plant and equipment	94 570 022	112 627 717	138 194 310	-	345 392 049
Property, plant and equipment - WIP	-	141 555 953	17 633 029	-	159 188 982
<b>Total segment assets</b>	<b>104 250 442</b>	<b>261 055 504</b>	<b>157 720 844</b>	<b>2 151 049</b>	<b>525 177 839</b>
Property, plant and equipment					535 998 691
Other non-current assets					260 435 615
Current assets					121 521 622
<b>Total assets as per Statement of financial Position</b>					<b>1 443 133 767</b>
Current liabilities					(75 951 002)
Non-current liabilities					(123 004 947)
<b>Total liabilities as per Statement of financial Position</b>					<b>(198 955 949)</b>

# Ndlambe Local Municipality

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### 52. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

#### Details of the arrangement(s) is/are as follows:

The municipality acts as an agent for the Department of Transport whereby it administers the provisioning of motor vehicle licences and registrations as well as drivers' licences. It receives compensation for these services based on a binding arrangement with the department.

The entity is the principal. Refer to note 1.4 for significant judgements applied in making this assessment.

The municipality acts as a principal in binding arrangements with vendors who sell prepaid electricity. The vendors earn commission on the prepaid electricity sales based on agreements.

Furthermore, the municipality acts as an agent for the Department of Human Settlements whereby it oversees the construction of RDP houses on behalf of the department. There is no compensation for this agency service and hence no revenue recognised.

#### Entity as agent

##### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 3 267 204 (2021: R 2 981 737).

#### Additional information

##### Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

##### Reconciliation of the carrying amount of payables

###### Category 1 - MV Licences and registrations

Opening balance	197 733	200 773
Amount received on behalf of the principal	10 450 909	8 693 788
Amounts transferred to the principal	(7 381 438)	(5 715 091)
Amount recognised as revenue for services rendered	(3 267 204)	(2 981 737)
	<b>-</b>	<b>197 733</b>

###### Category 2 - Human Settlements

Opening balance	715 338	51 883
Amounts received - Human settlements	9 238 203	8 128 082
Amounts paid on behalf of Dept. Human Settlements on projects	(9 847 370)	(7 464 627)
	<b>106 171</b>	<b>715 338</b>

###### All categories

Opening balance	913 071	252 656
Amounts received on behalf of the principal	10 450 909	8 693 788
Amount transferred to the principal	(7 381 438)	(5 715 091)
Amount recognised as revenue for the services rendered	(3 267 204)	(2 981 737)
Amounts received - Human settlements	9 238 203	8 128 082
Amounts paid on behalf of Dept. Human Settlements on projects	(9 847 370)	(7 464 627)
	<b>106 171</b>	<b>913 071</b>

#### Entity as principal

##### Fee paid

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 52. Accounting by principals and agents (continued)

Fee paid as compensation to the agent	564 850	561 701
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The fee paid relates to the commission paid to vendors for selling pre-paid electricity to the consumers on behalf of the municipality. The amount decreased in the current year due to a new contract being entered into with vending system service provider.

### 53. Budget differences

**Material differences between budget and actual amounts**

# Ndlambe Local Municipality

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### 53. Budget differences (continued)

The variances are considered to be material for the GRAP 24 variance disclosure where it exceeds 10%. Below are details of the relevant material variances as per the Statement of Comparison of Budget and Actual:

#### STATEMENT OF FINANCIAL PERFORMANCE

##### 53.1) Service Charges:

Immaterial variance between budget and actual. The budget adjustment relates to the provision made for reduced revenue on water due to the existing drought conditions.

##### 53.2) Rendering of services: Immaterial variance

##### 53.3) Rental of facilities and equipment:

Variance is due to the straight-lining of the operating lease liability(lessee)

##### 53.4) Interest received: Immaterial variance

##### 53.5) Licences and Permits

The budgeting process relating to the forecast of licences and permits was flawed as there was an overestimate of the agency revenue and the figure budgeted for more closely relates to overall collections from motor vehicle licences and permits, rather than just the portion earned as municipal portion of the agency services. On the basis of overall collections the budget agrees to collections as disclosed in the agent principal note.

##### 53.6) Housing debtor income

Variance is due to an overbudgeting on indigent debtors for housing rental.

##### 53.7) Other income

The nature of other income is such that revenue from auxillary services is classified as Other income, such as building plan fees. The nature of these services, even based on past trends make it difficult to forecast and was even more complicated in the current year as economic activity returns to normal after the effects of the lockdowns.

##### 53.8) Interest received - investment

The budgeting process did not predict the prime interest rate increases as seen through the financial year, which led to greater than expected interest returns on call deposits.

##### 53.9) Property rates: Immaterial variance

##### 53.10) Licences and permits (non-exchange)

The licencing and permits relate to boat and trading licence. The budgeted figure has not been zero-based as is reflected by the current year income being only two thirds of the budgeted figure, in a trend that continues from the prior year..

##### 53.11) Environmental levies:

Variance is due to an underbudegeting on environmental levies

##### 53.12) Interest received - non-exchange receivables: Immaterial variance

##### 53.13) Government Grants and subsidies

The variance is due to unspent grants, therefore not yet transfered to revenue, as well as not all WSIG grant received during the year.

##### 53.14) Public Contributions and donations

The donations amount was not budgeted for. Donations, by its nature, is gratuitous and were transfered as in-kind donations and other donations - there was no expectation to receive donations during the year, other than what was budgeted for.

##### 53.15) Fines, Penalties and Forfeits

The budget for fines, penalties and forfeits was prepared, with the expectation of historical traffic volumes. However with less road traffic due to working from home conditions, the number of fines issued during the year remain subdued versus historical trends..

##### 53.16) Personnel - Immaterial variance

# Ndlambe Local Municipality

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## Notes to the Annual Financial Statements

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### 53. Budget differences (continued)

53.17) Remuneration of councillors - Immaterial variance

53.18) Depreciation and amortisation

The depreciation is not fully budgeted for due to constraints on the budget revenue (tariffs) to absorb the entire amount for depreciation.

53.19) Impairment loss

The impairment loss amount was not budgeted for as impairments by its nature are unplanned - there was no expectation to have any impairment losses during the year.

53.20) Finance costs

The finance costs budget does not include the material interest component related to the provision on the landfill site rehabilitation. This resulted in the variance as identified.

53.21) Lease rentals on operating lease

New lease contracts are largely fixed term and the actual amounts did not significantly increase from prior periods. The current year lease amounts however include leasing of sanitation and water trucks. The overall costs however remained well within the budget.

53.22) Debt impairment

A budget estimation was based on the actual write-off of doubtful debts during the current year. However due to increase in debtors and slow collections the increase in the provision in for doubtful debts was higher than anticipated, resulting in the expenditure exceeding the budget. The impairment adjustments remain unbudgeted due to budget constraints.

53.23) Alternative Energy Programmes

The budgeting process did include the provision of these programmes, but at a rate lower than actually required based on distribution of gel and gel stoves.

53.24) Bulk purchases

The variance is due to underbudgeting on both water and electricity. Post pandemic consumption has also increased due to more holidaymakers visiting the municipal area during the period.

53.25) Contracted services

Contracted services is dependant largely on the requirement for specialist based on the specific criteria relating to repairs and maintenance requirements of the municipality along with the level of activity during the year. As activities has picked up after the lockdown ending, the figure has exceeded the budgeted figure, however still remains within 10% variance.

53.26) Transfers and subsidies - Immaterial variance

53.27) General expenses - Immaterial variance

53.28) Loss on disposal of assets

The disposals of movable & immovable assets based on the derecognition of obsolete assets resulted in unbudgeted gains which contributed towards the variance between budget actual expenditure.

53.29) Fair value adjustments

At the time of the budget no budget was provided for fair value adjustments. It is also not known at the time of the budget what the effect of external factors would be on the landfill provision estimate. As such budget is not provided to the extent of the actual fair value losses incurred as this would have to be funded with revenue through rate increases.

### STATEMENT OF FINANCIAL POSITION

53.30) Inventories

The variance is due to an over-estimate of stock on hand at year end. 2021 figures were not used to normalise stock levels in the budget process.

53.31) Operating lease asset

The budget did not factor in the unwinding of future lease assets as the leases near the end of their term.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 53. Budget differences (continued)

#### 53.32) Receivables from non-exchange transactions & Receivables from exchange transactions

The variance is due to budgeting misalignment between the receivables from exchange transactions and receivables from non-exchange transactions and along with not accounting for the increased provision for doubtful debts, which has been explained in the variance under Debt Impairment.

#### 53.33) VAT receivable

The actual variance is due to the correction of the prior period error related to VAT on the provision for doubtful debts being accounted for against the VAT control account. This was not factored into the budgeted figures and as such the material variance.

#### 53.34) Cash and cash equivalents

The higher than expected actual balance is due to variance on unspent grants along with underbudgeting of opening cash and cash equivalents.

#### 53.35) Investment property

The variance is due to the correction of the prior period error in relation to land parcels added which was not budgeted for on Investment property.

#### 53.36) Property, plant and Equipment: Immaterial variance.

#### 53.37) Intangible assets

The variance is due to removal of annual licence expenditure from budget without removal of depreciation linked to these.

#### 53.38) Heritage assets - Immaterial variance

#### 53.39) Other financial assets

The expected market value of the listed shares are trading well below anticipated levels

#### 53.40) Consumer deposits

The variance is due to larger than anticipated consumer deposits. The budgeting process did not align to the opening actual balances.

#### 53.41) Payables from exchange transactions - Immaterial variance.

#### 53.42) Unspent conditional grants and receipts

Balances of unspent grants per the budget did not factor in multi-year projects on WSIG and COGTA and resulted in unspent amounts at year end.

#### 53.43) & 53.47) Financial liabilities - DBSA

The budgeting process reflected the short term payment portions as debits, which then reflects correctly, but does not incorporate the opening balances and closing balances adjustments in the budget process. This resulted in misallocation between short and long term portions as well as overestimation of the budgeted liability as a whole.

#### 53.44) Operating lease liability

The figures were based previously recognised 2020 figures when the 2022 budget was established. This does not take the 2020 restatement into account.

#### 53.45 & 53.48) Employee Benefit obligation

The actual liability increased in the current year due to increased inflation & medical inflation over future periods. This increase was not included in the budget.

#### 53.46 & 53.49) Provisions

The provisions balances have been restated in the current year which has resulted in a greater than anticipated increase in the provisions balance.

#### 53.50) Accumulated surplus

The variance is a result of the above explanations combined. Due to the nature of the balance it will always represent the balancing figure on the budgeted statement of financial position.

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### 53. Budget differences (continued) CASHFLOW STATEMENT VARIANCES

53.51) Rates and services: Immaterial variance

53.52) Government grants and subsidies

The variance is due to not all WSIG grant monies received during the year.

53.53) Other receipts

The budgeted amount was overestimated due to cashflow workings not being matched to actual projected cashflows, which in turn resulted in the variance.

53.54) Supplier and Employee costs - Immaterial variance

53.55) Finance Costs

The finance costs budget does not include the landfill finance costs. This resulted in the variance as identified.

53.56) Grants and subsidies paid - Immaterial variance

53.57) Purchase of Property, plant and equipment

The budget increase relates to acquisition of assts via grant, however not all grants were spent and not all grant monies were received as was budgeted.

53.58) Proceeds on sale of property, plant and equipment

Amounts were not budgeted as disposals are not determined at budget phase.

53.59) Decrease in non-current investments:

No non-current investment movements

53.60) Repayment of financial liabilities - DBSA: Immaterial variances

53.61) Cash and cash equivalents at the beginning of the year

The commencement budget does not relate to the actual cash balances at end of 2020/21 financial year.

### 54. Change in estimate

#### Property, plant and equipment

The useful life of certain plant was estimated in re-estimated in the current period. Management have revised their estimated respective useful lives. The effect of this revision has decreased the depreciation charges for the current period and increased it for the future periods by R1 525 055.

### 55. Events after the reporting date

No material non-adjusting events have been identified after the reporting date: