



MBHASHE LOCAL MUNICIPALITY (EC 121)  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	The Municipality is responsible for the following activities:- <ul style="list-style-type: none"><li>- collection of rates in respect of property taxes;</li><li>- refuse and solid waste removal;</li><li>- construction and maintenance of access roads, storm water facilities and streetlights within its jurisdiction; and</li><li>- traffic control, issue of learners and drivers licences and renewal of drivers licences, law enforcement activities.</li></ul>
<b>Mayoral Committee</b>	
Executive Mayor	Cllr Samkelo Janda
Speaker	Cllr Babalwa Majavu
Members of the Mayoral Committee	
	Cllr Nomvuyiseko Mgedesi (Chairperson: Local Economic Development)
	Cllr Nombongo Apleni – (Chairperson: Municipal Financial Viability)
	Cllr Fikiswa Ndaule (Chairperson: Good Governance and Public Participation)
	Cllr Mirriam Kungeka Makapela – (Chairperson: Basic Service Delivery and Infrastructure Development)
	Cllr Nolumanyano Ngomthi (Chairperson: Municipal Transformation and Institutional Development)
	Cllr Nolundi Gxamntwana (Chairperson: Basic Service Delivery and Community Services)
Chief WHIP	Cllr Ludwe Mantshiyose
Councillors	Cllr Irene Nomachule Quvile
	Cllr Mzikayise Saki
	Cllr C. Zukile Gobinduku
	Cllr Simphiwe Futshane
	Cllr Thobela Nodliwa
	Cllr Buyiswa Gaven
	Cllr M.R Ndikinda
	Cllr Anda Mpatuse
	Cllr Kungeka Sigwayi
	Cllr Ernest Fipaza
	Cllr Nonyusile Ngolothi
	Cllr Mnikelo Vincent Muru
	Cllr Sonwabile Toyana
	Cllr Luyanda Mpunzi
	Cllr Siyabulela Mdabuka
	Cllr Nosiphiwo Stafana
	Cllr Nosipho Nancy Ntshontsho
	Cllr Lungisa Mahobe
	Cllr Phumelele Methu
	Cllr Shepstone Thethemini Sitwayi
	Cllr D.T Tsengwa
	Cllr Noncedile Kopolo
	Cllr Silulami Ndinisa
	Cllr Lulamile Khumelwana
	Cllr Boniswa Sithela

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## General Information

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Cllr Nokanyo Magatya  
Cllr Wilson Genyane  
Cllr Tamella Nokele  
Cllr Phumzile Msaro  
Cllr Theophilus Manelisi Nxusani  
Cllr Patrick Patuxolo Zuma  
Cllr Simothulele Labhatala  
Cllr Nolusindiso Nkomonye  
Cllr Xoliswa Morrin Tyodana  
Cllr Pakama Patricia Kondile  
Cllr Nomabandla Mkhedamo  
Cllr Nosipho Ganda  
Cllr Mangaliso Sabelo Jafta  
Cllr Nozuko Ncumisa Sidlova  
Cllr Fezeka Mbiko  
Cllr Mpendulo Herbert Gweshu  
Cllr Nkosinathi Nicholas Ndlodaka  
Cllr Ntsikelelo Mahlathi  
Cllr Noluvo Tyelinganye  
Cllr Usivile Mboneli  
Cllr Mzimkulu Tetyana  
Cllr Yoliswa Grissel Mhlathi  
Cllr Nyameka Mongezi  
Cllr Asanda Matshobeni  
Cllr Bongani Dumezweni  
Cllr Lethu Madaka - Mdiniso  
Cllr Zanele Mboxela

**Grading of local authority**

3

**Municipal Manager**

Mr M. Nako

**Chief Finance Officer**

Mr V. Jam Jam (Acting) (period: 10 May 2023 to 31 July 2023)  
Mr Nokwe (former CFO) was deceased - (his period of employment: 01 September 2020 to 30 April 2023)

**MFMA Section 79 Chairpersons**

Cllr Nosipho Ganda (MPAC Chair)  
Cllr Nomxolisi Nqwena  
(Chairperson: Ethics & Members  
Interest Committee)  
Cllr Celiwe Genyane ( Chairpeson:  
Womens Caucus)

**Registered office**

454 Streatfield Road  
Dutywa  
5000

**Postal address**

P.O. Box 25  
Dutywa  
5000

**Bankers**

First National Bank (62231175953)

**Auditors**

Auditor General South Africa

# **MBHASHE LOCAL MUNICIPALITY (EC 121)**

Annual Financial Statements for the year ended 30 June 2023

## **General Information**

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**Attorneys**

Noah and Sons  
Burmeister Attorneys  
MSZ Attorneys

**Municipal website**

[www.mbhashemun.gov.za](http://www.mbhashemun.gov.za)

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

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

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### Abbreviations

AFS	Annual Financial Statements
EPWP	Extended Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
PPE	Property, Plant and Equipment
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
OTP Grant	Grant from The Office of the Premier
SARS	South African Revenue Service
VAT	Value Added Tax

# **MBHASHE LOCAL MUNICIPALITY (EC 121)**

Annual Financial Statements for the year ended 30 June 2023

## **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 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 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 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on page 7 to 77, which have been prepared on the going concern basis, were approved by the Council on 31 August 2023 and were signed on its behalf by:

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**Mr M. Nako**  
**Municipal Manager**

# **MBHASHE LOCAL MUNICIPALITY (EC 121)**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2023.

### **1. Review of activities**

#### **Main business and operations**

the municipality is responsible for the following activities:-

- collection of rates in respect of property taxes;
- refuse and solid waste removal;
- construction and maintenance of access roads, storm water facilities and streetlights within its jurisdiction; and
- traffic control, issue of learners and drivers licences and renewal of drivers licences, law enforcement activities. and operates principally in South Africa.

### **2. Going concern**

We draw attention to the fact that at 30 June 2023, the municipality had accumulated surplus of 974 818 832 rands and that the municipality's total assets exceed its liabilities by 974 818 832 rands.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to enforce strict cash flow management to oversee the operations. The municipality had an improved liquidity position due to the overcollection in revenue projections and also stringent cost containment measures, this has resulted in the municipal having ability to meet short term commitments within 30 days.

### **3. Subsequent events**

The accounting officer is not aware of any significant matter or circumstance arising since the end of the financial year.

### **4. Accounting Officer's interest in contracts**

The Accounting Officer does not have any interest in the contract that the municipality has with various suppliers for procuring goods and/or services.

### **5. Borrowing potential**

The current ratio is above 1. This signifies the progress made in the past financial year, with the municipality passing a more leaner budget with realistic targets. The cash and cash equivalents are more than trade payables as at 30 June 2023.

Our assets versus liabilities show that we have huge potential for borrowing which the municipality is currently not exploring. This option will only be taken to fund borrowings for income-generating assets with the objective of generating a commercial return.

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**Mr M. Nako**  
**Municipal Manager**

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022
<b>Assets</b>			
Current Assets			
Receivables from exchange transactions	9	570 856	638 157
Receivables from non-exchange transactions	10	244 264	237 544
VAT receivable	11	11 957 069	4 868 503
Consumer debtors	12	25 677 540	13 850 472
Cash and cash equivalents	13	333 319 501	248 568 609
		<b>371 769 230</b>	<b>268 163 285</b>
Non-Current Assets			
Investment property	3	33 511 900	33 511 900
Property, plant and equipment	4	667 416 745	613 053 663
Intangible assets	5	420 351	508 799
Heritage assets	6	11	11
		<b>701 349 007</b>	<b>647 074 373</b>
<b>Total Assets</b>		<b>1 073 118 237</b>	<b>915 237 658</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	16	37 534 739	29 757 529
Employee benefit obligation	8	770 000	269 000
Unspent conditional grants and receipts	14	21 768 774	24 214 236
		<b>60 073 513</b>	<b>54 240 765</b>
Non-Current Liabilities			
Employee benefit obligation	8	6 170 000	5 687 000
Provisions	15	32 055 892	28 814 285
		<b>38 225 892</b>	<b>34 501 285</b>
<b>Total Liabilities</b>		<b>98 299 405</b>	<b>88 742 050</b>
<b>Net Assets</b>		<b>974 818 832</b>	<b>826 495 608</b>
Accumulated surplus		974 818 832	826 495 608
<b>Total Net Assets</b>		<b>974 818 832</b>	<b>826 495 608</b>



# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
<b>Revenue</b>			
Service charges	18	3 490 927	2 638 039
Rental of facilities and equipment	19	3 692 802	2 001 021
Interest received (trading)		600 412	3 936 617
Other income	23	950 660	1 514 002
Interest earned		26 197 502	11 615 255
Property rates	25	19 990 931	16 241 570
Licence and permits	21	2 863 539	2 184 101
Grants and subsidies	26	431 878 599	329 775 209
Fines and penalties		2 046 439	1 416 415
<b>Total revenue</b>		<b>491 711 811</b>	<b>371 322 229</b>
<b>Expenditure</b>			
Employee related costs	27	(126 072 450)	(124 442 420)
Remuneration of Councillors	28	(23 443 839)	(19 978 435)
Depreciation and amortisation	29	(51 576 602)	(47 853 508)
Finance costs	31	(3 250 664)	(2 055 449)
Debt Impairment	32	(2 722 217)	(8 208 553)
Administrative and other expenditure	33	(130 076 638)	(93 957 049)
<b>Total expenditure</b>		<b>(337 142 410)</b>	<b>(296 495 414)</b>
<b>Operating surplus</b>		<b>154 569 401</b>	<b>74 826 815</b>
Profit/(Loss) on disposal of assets		(89 843)	(8 187)
Impairment (loss)/Reversal	30	(6 156 342)	(17 083 912)
		<b>(6 246 185)</b>	<b>(17 092 099)</b>
<b>Surplus for the year</b>		<b>148 323 216</b>	<b>57 734 716</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance as previously reported	777 645 514	777 645 514
Prior year adjustments (Ref Note 39)	(8 884 622)	(8 884 622)
<b>Balance at 01 July 2021 as restated*</b>	<b>768 760 892</b>	<b>768 760 892</b>
Changes in net assets		
Surplus/(Deficit) for the year	57 734 716	57 734 716
Total changes	57 734 716	57 734 716
<b>Balance at 01 July 2022 as restated</b>	<b>826 495 616</b>	<b>826 495 616</b>
Changes in net assets		
Surplus/(Deficit) for the year	148 323 216	148 323 216
Total changes	148 323 216	148 323 216
<b>Balance at 30 June 2023</b>	<b>974 818 832</b>	<b>974 818 832</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		5 597 390	17 837 303
Grants		429 433 137	348 668 878
Interest income		26 197 502	11 615 255
Other receipts		5 860 638	5 114 518
		<u>467 088 667</u>	<u>383 235 954</u>
<b>Payments</b>			
Employee costs		(147 459 777)	(144 061 304)
Suppliers		(122 665 947)	(103 854 965)
Finance costs		(9 057)	(82 326)
		<u>(270 134 781)</u>	<u>(247 998 595)</u>
<b>Net cash flows from operating activities</b>	34	<b><u>196 953 886</u></b>	<b><u>135 237 359</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(115 923 470)	(68 216 955)
Purchase of other intangible assets	5	(104 041)	-
Proceeds from sale of other asset		3 824 518	28 854
		<u>(112 202 993)</u>	<u>(68 188 101)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>84 750 893</b>	<b>67 049 258</b>
Cash and cash equivalents at the beginning of the year		248 568 609	181 519 351
<b>Cash and cash equivalents at the end of the year</b>	13	<b><u>333 319 502</u></b>	<b><u>248 568 609</u></b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	500 000	-	<b>500 000</b>	3 490 927	<b>2 990 927</b>	46.1
Rental of facilities and plant equipment	1 850 000	470 000	<b>2 320 000</b>	3 692 802	<b>1 372 802</b>	46.2
Interest received (trading)	-	-	-	600 412	<b>600 412</b>	46.3
Other income	16 050 000	5 020 000	<b>21 070 000</b>	950 660	<b>(20 119 340)</b>	46.4
Interest received - investment	5 000 000	12 000 000	<b>17 000 000</b>	26 197 502	<b>9 197 502</b>	46.5
<b>Total revenue from exchange transactions</b>	<b>23 400 000</b>	<b>17 490 000</b>	<b>40 890 000</b>	<b>34 932 303</b>	<b>(5 957 697)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	7 500 000	-	<b>7 500 000</b>	19 990 931	<b>12 490 931</b>	46.6
Licenses and permits	600 000	850 000	<b>1 450 000</b>	2 863 539	<b>1 413 539</b>	46.7
<b>Transfer revenue</b>						
Government grants & subsidies	393 599 000	29 008 889	<b>422 607 889</b>	431 878 599	<b>9 270 710</b>	46.8
Fines, Penalties and Forfeits	650 000	500 000	<b>1 150 000</b>	2 046 439	<b>896 439</b>	46.9
<b>Total revenue from non-exchange transactions</b>	<b>402 349 000</b>	<b>30 358 889</b>	<b>432 707 889</b>	<b>456 779 508</b>	<b>24 071 619</b>	
<b>Total revenue</b>	<b>425 749 000</b>	<b>47 848 889</b>	<b>473 597 889</b>	<b>491 711 811</b>	<b>18 113 922</b>	
<b>Expenditure</b>						
Employee related costs	(125 769 151)	(126 530)	<b>(125 895 681)</b>	(126 072 450)	<b>(176 769)</b>	46.10
Remuneration of councillors	(26 353 089)	-	<b>(26 353 089)</b>	(23 443 839)	<b>2 909 250</b>	46.11
Depreciation and amortisation	(55 000 000)	-	<b>(55 000 000)</b>	(51 576 602)	<b>3 423 398</b>	46.12
Impairment loss/ Reversal of impairments	-	-	-	(6 156 342)	<b>(6 156 342)</b>	47.13
Finance costs	-	-	-	(3 250 664)	<b>(3 250 664)</b>	46.13
Debt impairment	(2 000 000)	-	<b>(2 000 000)</b>	(2 722 217)	<b>(722 217)</b>	46.14
General Expenses	(132 844 554)	(45 512 875)	<b>(178 357 429)</b>	(130 076 638)	<b>48 280 791</b>	46.15
<b>Total expenditure</b>	<b>(341 966 794)</b>	<b>(45 639 405)</b>	<b>(387 606 199)</b>	<b>(343 298 752)</b>	<b>44 307 447</b>	
<b>Operating surplus</b>	<b>83 782 206</b>	<b>2 209 484</b>	<b>85 991 690</b>	<b>148 413 059</b>	<b>62 421 369</b>	
Loss on disposal of assets and liabilities	-	-	-	(89 843)	<b>(89 843)</b>	
<b>Surplus</b>	<b>83 782 206</b>	<b>2 209 484</b>	<b>85 991 690</b>	<b>148 323 216</b>	<b>62 331 526</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>83 782 206</b>	<b>2 209 484</b>	<b>85 991 690</b>	<b>148 323 216</b>	<b>62 331 526</b>	

### Statement of Financial Position

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from exchange transactions	-	-	-	570 856	<b>570 856</b>	46.16
Receivables from non-exchange transactions	-	-	-	244 264	<b>244 264</b>	46.17
VAT receivable	-	-	-	11 957 069	<b>11 957 069</b>	46.18
Consumer debtors	68 626 627	-	<b>68 626 627</b>	25 677 540	<b>(42 949 087)</b>	46.19
Cash and cash equivalents	531 318 131	(7 459 483)	<b>523 858 648</b>	340 090 693	<b>(183 767 955)</b>	46.20
	<b>599 944 758</b>	<b>(7 459 483)</b>	<b>592 485 275</b>	<b>378 540 422</b>	<b>(213 944 853)</b>	
<b>Non-Current Assets</b>						
Investment property	-	-	-	33 511 900	<b>33 511 900</b>	
Property, plant and equipment	792 836 452	22 599 485	<b>815 435 937</b>	667 416 747	<b>(148 019 190)</b>	46.21
Intangible assets	5 034 127	(140 000)	<b>4 894 127</b>	420 351	<b>(4 473 776)</b>	46.22
Heritage assets	-	-	-	11	<b>11</b>	
	<b>797 870 579</b>	<b>22 459 485</b>	<b>820 330 064</b>	<b>701 349 009</b>	<b>(118 981 055)</b>	
<b>Total Assets</b>	<b>1 397 815 337</b>	<b>15 000 002</b>	<b>1 412 815 339</b>	<b>1 079 889 431</b>	<b>(332 925 908)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	272 558 743	21 279 405	<b>293 838 148</b>	37 534 739	<b>(256 303 409)</b>	46.23
Employee benefit obligation	-	-	-	770 000	<b>770 000</b>	46.24
Unspent conditional grants and receipts	67 371 839	13 322 056	<b>80 693 895</b>	21 768 774	<b>(58 925 121)</b>	46.25
	<b>339 930 582</b>	<b>34 601 461</b>	<b>374 532 043</b>	<b>60 073 513</b>	<b>(314 458 530)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	6 170 000	<b>6 170 000</b>	46.24
Provisions	(11 900 000)	-	<b>(11 900 000)</b>	32 055 892	<b>43 955 892</b>	46.26
	<b>(11 900 000)</b>	-	<b>(11 900 000)</b>	<b>38 225 892</b>	<b>50 125 892</b>	
<b>Total Liabilities</b>	<b>328 030 582</b>	<b>34 601 461</b>	<b>362 632 043</b>	<b>98 299 405</b>	<b>(264 332 638)</b>	
<b>Net Assets</b>	<b>1 069 784 755</b>	<b>(19 601 459)</b>	<b>1 050 183 296</b>	<b>981 590 026</b>	<b>(68 593 270)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 069 784 755	(19 601 459)	<b>1 050 183 296</b>	981 590 026	<b>(68 593 270)</b>	

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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### 1. Presentation of Annual Financial Statements

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

The principal accounting policy adopted in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous period, except for the policies relating to the new standards and interpretations under note 2.1.

The principal accounting policy adopted in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous period, except for the policies relating to the new standards and interpretations under note 2.1.

#### 1.1 Presentation currency

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

#### 1.2 Reporting entity

Mbhashe Local Municipality ("the municipality") is a low capacity local government institution covering Dutywa, Willowvale and Elliotdale in the Eastern Cape.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.3 Judgements, assumptions and estimates

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of GRAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include:

- Impairment of debtors. Management is required to assess the debtors portfolio on an individual and collective basis and to determine an appropriate impairment based on the collection trends, type of consumer and the general economic environment.
- Provision for landfill sites. Management is required to base the provision for the rehabilitation of the landfill sites on appropriate supporting documentation and assumptions relating to available permitted airspace, airspace utilization factor and waste acceptance rate.
- Assessment of conditions related to unspent grants. Management must exercise judgment in assessing the extent to which the conditions pertaining to grants have been met in order to release an appropriate amount to revenue.
- Assets. Management are required to exercise judgment when assessing the fair value / deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.
- Intangible assets. Management is required to assess the useful life of intangible assets based on the period the asset is expected to generate net cash inflows or service potential.

#### Useful life assessment

The municipality's management determines the estimated useful life of an item of property, plant and equipment based on the municipality's expected usage of the asset. The useful life is assessed at each reporting date and if expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. The entity's management determines the estimated useful life of an item of intangible assets based on the entity's expected usage of the asset. The useful life is assessed at each reporting date and if expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. 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. .

#### Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value, management considers the impact of technology and minimum service requirements of assets..

#### Going concern assumption

These annual financial statements have been prepared on a going concern basis.

#### Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated 39. The nature and reason for the re-classification is disclosed. Where accounting errors relating to prior years have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively in terms of the requirements of the standard, and the prior year comparatives are restated accordingly.

# **MBHASHE LOCAL MUNICIPALITY (EC 121)**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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### **1.4 Value add tax**

The municipality accounts for VAT on the payment basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1)(a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.



# MBHASHE LOCAL MUNICIPALITY (EC 121)

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## Accounting Policies

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### 1.5 Investment property

#### Initial recognition

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 property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

#### Subsequent measurement and derecognition - cost model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated on the straight line basis over its expected useful life to its estimated residual value. The depreciable amount is determined after taking into account an asset's residual value. If at any point the residual value exceeds the carrying amount of an investment property, no depreciation is calculated on that investment property. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful life of investment property is estimated to be 40 years.

Investment property is derecognised on disposal when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

### 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.

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.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

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## Accounting Policies

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

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.

#### Subsequent measurement and derecognition - cost model

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	Straight line	Indefinite useful life
Buildings	Straight line	30 years
Other assets	Straight line	5 - 10 years
Infrastructure	Straight line	10 - 60 years
Community assets	Straight line	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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 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.

#### Derecognition of PPE

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.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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.

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its statement of financial position only when it meets the definition of an intangible asset and 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 reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

For intangible assets with indefinite useful life 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. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

#### Initial recognition

The cost of an item of an asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

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

#### Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life.

#### Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated asset average lives

Item	Useful life
Computer software, other	3 to 5 years

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the surplus or deficit.

### 1.8 Budget information

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

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.8 Budget information (continued)

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

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

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

The 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.

### 1.9 Heritage assets

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.

#### 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.

The fair values cannot be measured due to nature of assets. The assets are shown in the financial statements at a nominal value of R11 for record keeping.

### 1.10 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other senior managers reporting directly to the Municipal Manager and supply chain officials.

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

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

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

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.11 Events after reporting period

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.

### 1.12 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

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

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

#### Initial recognition

A financial assets/ financial liability shall be recognised in the statement of financial position when, and only when the municipality becomes a party to the contractual provisions of instrument.

#### Initial measurement financial assets and financial liabilities

When a financial asset/liability is recognised initially, the municipality shall measure it at its fair value plus, in the case of a financial asset/liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset/liability.

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

The municipality shall measure all financial assets/liabilities after initial recognition using the following categories:

- financial instruments at amortised cost
- financial instrument at fair value

All financial assets measured at amortised cost, or cost, are subject to an impairment review in terms of GRAP 104: Financial Instruments. Financial assets are recognised using trade date accounting.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost.

#### Receivables from exchange transactions

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Financial instruments (continued)

#### Cash and cash equivalents

Cash and cash equivalents are recognised at fair value and subsequently carried at amortised cost using the effective interest method. Cash includes cash on hand (including petty cash) and investments comprising cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Trade and other payables from exchange transactions reflected on the face of the statement of financial position or in the notes thereto are classified as other financial liabilities.

Financial liabilities consist of trade payables and are initially measured at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Derecognition

##### Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the asset expires, is settled or waived, or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another party.

An entity recognises financial assets using trade date accounting.

##### Financial liabilities

A financial liability is derecognised when and only when the financial liability is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived).

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Financial instruments (continued)

#### Impairment of financial assets

A financial asset measured at amortised cost or cost, is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The municipality considers evidence of impairment at both a specific asset and collective asset level.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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

#### 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

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Statutory receivables (continued)

- 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.

#### 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.



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## Accounting Policies

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### 1.14 Leases

#### **Municipality as lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and not guaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The municipality recognises the aggregate payments as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### **Municipality as lessee**

Operating lease payments are recognised in surplus or deficit on a straight-line basis over the term of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### **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.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Leases (continued)

#### Municipality as a lessor

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight lined revenue and actual payment received will give rise to an asset. The Municipality recognised the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

### 1.15 Employee benefits

#### Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

Short term employee benefits (those payable within 12 months after the service is rendered) are measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid in terms of short term bonus or leave arrangements when the municipality has a present legal or constructive obligation to pay the amount as a result of a past service provided by an employee and the amount can be estimated reliably.

Liabilities for annual leave are recognised as they accrue to the employees. The liability is based on the total amount of leave days due to the employee and the total related remuneration package.

#### Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions to a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the surplus or deficit in the period in which the service is rendered by the relevant employees.

The municipality makes contributions to the following plans:

- South African Municipal Workers Union National Provident Fund
- Eastern Cape Group Municipal Pension Fund
- Eastern Cape Group Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:

- HOSMED
- Key Health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Other long term employee benefit

For other long term employee benefit the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries. Gains and losses arising from actuarial valuation is recognised in surplus or deficit in the year in which they occur.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation.

The municipality has an unfunded other long term employee benefit that relates to long service awards.

### 1.16 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

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

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 judgment. Indications that an outflow of resources may be probable are:

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

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

- the amount determined using 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.

#### Contingencies

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.18 Revenue from exchange transactions

Revenue from exchange transactions includes revenue from service charges, rental of facilities and equipment, other income and interest received on investments.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts. Revenue from the rendering of the services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements and receiving service. Tariffs are determined per category of property usage, and are levied at a fixed monthly rate based on the category of the customer.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

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

Interest income is recognised using the effective interest rate method.

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

### 1.19 Revenue from non-exchange transactions

Revenue from non-exchange transactions includes rates levied, licences and permits, fines and grants from other spheres of government.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and if applicable, there has been compliance with the relevant legal requirements or restrictions.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. As a result, revenue from spot fines and summonses is recognised when payment is received.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the definition and recognition criteria of an asset have been met.

### Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue when received by the entity.

### Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant. If the compliance with the restrictions have not been met, the revenue is deferred and recognised as a liability

Interest earned on investments arising from grants is recognised as interest earned in surplus or deficit.

### Principal Agent Agreement or Arrangement

The municipality has an arrangement with the Department of Transport to collect license fees on their behalf. In determining that whether the municipality is an agent in this arrangement, All the provision of paragraph 25 of GRAP 109 have to be met. Unless there are other legislative requirements that govern terms and conditions of the transaction. In that paragraph 25(a) is not considered. It is of noting that paragraph 25(c) is not met in this arrangement, that is, the municipality is not exposed to variability of results of the transaction.

## 1.20 Borrowing costs

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

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

## 1.21 Comparative figures

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

## 1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003), Municipal Systems Act (Act No.32 of 2000), Public Office Bearer Act (Act No. 20 of 1998). Unauthorised expenditure is accounted for as an expense in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

## 1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

### 1.25 Changes in accounting policy, estimates and errors

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

### 1.26 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

### 1.27 Operating expenditure

These expenses are accounted for on accrual basis, in the financial statements these are disclosed as administrative costs on the face of the Statement of financial performance, then further disclosed in classes in the note for administrative costs. Expenditure such as debt write off, debt impairment, depreciation and amortisation as well as impairment losses relating to non current assets are disclosed separately on the face of the Statement of financial performance.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

- GRAP 103, Heritage assets (not yet effective)
- IGRAP 21, The effect of past decisions on materiality (1April 2023)
- GRAP 1, Presentation of financial statements (1April 2023) t
- Amendments to standards 2020 (1April 2023) t
- GRAP 104, Financial instruments (1April 2025) t
- GRAP 25, Employee benefits (1April 2023)
- IGRAP 7, The limit on a defined benefit asset, minimum funding requirements and their interaction (1April 2023)

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	33 511 900	-	33 511 900	33 511 900	-	33 511 900

#### Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	33 511 900	33 511 900

#### Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	33 511 900	33 511 900

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. Total amount for land is R27 986 900, Total amount for Buildings is R5 525 000.



# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	87 334 462	(34 132 385)	53 202 077	50 091 287	(32 116 096)	17 975 191
Other Assets	-	-	-	-	-	-
Furniture and fixtures	3 513 872	(2 524 940)	988 932	3 869 630	(3 253 121)	616 509
Motor vehicles	48 559 304	(27 048 250)	21 511 054	46 701 095	(29 220 173)	17 480 922
Office equipment	1 095 236	(875 954)	219 282	1 202 222	(921 912)	280 310
Computer equipment	8 346 102	(3 752 263)	4 593 839	7 851 177	(4 635 174)	3 216 003
Infrastructure and community assets	1 028 881 952	(627 797 457)	401 084 495	969 151 381	(600 838 460)	368 312 921
Plant and equipment	43 686 159	(33 769 162)	9 916 997	56 129 258	(41 762 694)	14 366 564
Landfill site	21 517 808	(12 783 868)	8 733 940	21 517 808	(10 183 869)	11 333 939
Other equipment	2 410 112	(1 373 625)	1 036 487	2 634 193	(1 816 149)	818 044
WIP	166 129 642	-	166 129 642	178 653 260	-	178 653 260
<b>Total</b>	<b>1 411 474 649</b>	<b>(744 057 904)</b>	<b>667 416 745</b>	<b>1 337 801 311</b>	<b>(724 747 648)</b>	<b>613 053 663</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Impairment reversal	Total
Land and Buildings	17 975 191	-	-	37 243 175	(2 016 289)	-	-	53 202 077
Furniture and fixtures	616 510	571 419	(17 017)	-	(181 979)	-	-	988 933
Motor vehicles	17 480 922	8 350 297	(1 182 679)	-	(3 137 486)	-	-	21 511 054
Office equipment	280 310	27 097	(14 531)	-	(73 594)	-	-	219 282
Computer equipment	3 216 002	2 405 513	(167 209)	-	(860 467)	-	-	4 593 839
Infrastructure and community assets	368 312 921	-	-	60 734 022	(39 954 855)	-	11 992 407	401 084 495
Plant and equipment	14 366 564	394 891	(2 386 216)	-	(2 458 242)	-	-	9 916 997
Landfill site	11 333 939	-	-	-	(2 599 999)	-	-	8 733 940
Other equipment	818 044	571 925	(135 240)	-	(218 243)	-	-	1 036 486
WIP	178 653 260	103 602 328	-	(97 977 197)	-	(18 148 749)	-	166 129 642
	<b>613 053 663</b>	<b>115 923 470</b>	<b>(3 902 892)</b>	<b>-</b>	<b>(51 501 154)</b>	<b>(18 148 749)</b>	<b>11 992 407</b>	<b>667 416 745</b>

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

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land and Buildings	19 764 329	-	-	-	(1 789 138)	-	17 975 191
Furniture and fixtures	772 908	41 070	-	-	(197 468)	-	616 510
Motor vehicles	15 493 668	4 937 969	-	-	(2 950 715)	-	17 480 922
Office equipment	228 410	129 875	-	-	(77 975)	-	280 310
Computer equipment	1 832 852	1 946 572	(20 130)	-	(543 292)	-	3 216 002
Infrastructure and community assets	394 663 969	-	-	25 566 263	(34 833 400)	(17 083 911)	368 312 921
Plant and equipment	17 481 056	1 324 664	-	91 629	(4 530 785)	-	14 366 564
Landfill site	13 879 906	-	-	-	(2 545 967)	-	11 333 939
Other equipment	950 830	85 563	(16 911)	-	(201 438)	-	818 044
WIP	144 559 910	59 751 242	-	(25 657 892)	-	-	178 653 260
	<b>609 627 838</b>	<b>68 216 955</b>	<b>(37 041)</b>	<b>-</b>	<b>(47 670 178)</b>	<b>(17 083 911)</b>	<b>613 053 663</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Property, plant and equipment (continued)</b>		
<b>Carrying values of Construction Projects that are taking significant longer to complete (Longer than the initial planned date)</b>		
<b>BUILDINGS</b>		
MBH/PSP/015/2014-15: Mbhashe Infrastructure Offices	-	37 289 773
<b>COMMUNITY ASSETS</b>		
MBH/PSP/0015/2014/15: Construction of Ward 25 Sports Field	44 410 754	35 285 362
MBH/PSP/0015/2014/15: Construction of Ward 01 Sports Field	8 170 032	5 288 141
MBH/PSP/0015/2014/15: Construction of Ward 13 Sports Field	21 106 748	8 534 571
MBH/COM/0028/2015-16: Fencing of Dutywa and Willowvale Landfill Sites	742 500	742 500
MBH/PSP/0005/2017-18 & MBH/MIG/0032/2020-21: Construction of Ngumbela Sports Facility	-	14 054 126
	<b>74 430 034</b>	<b>63 904 700</b>
<b>INFRASTRUCTURE</b>		
MBH/PSP/0005/2017-18: Construction of Lower Falakahla to Singeni Access Road	4 287 326	2 264 543
MBH/MIG/GR/0012/2015-16: Construction of Xhora Mouth to Ndalatha Bridge	14 300 788	14 300 788
MBH/PSP/0015/2014/15: Construction of Vinindwa to Mazizini Bridge	3 682 079	3 682 079
MBH/COM/0027/2015-16: Upgrade of Elliotdale Landfill Site	3 847 962	3 847 962
R/EC/3392/08/09: Construction of Msikithi Access Road	7 902 630	1 726 950
MBH/PSP/0005/2017-18: Mpume to Gate Access Road	-	2 214 052
MBH/MIG/022/2012-13: Construction of Vinindwa to Mazizini Access Road	5 000 580	5 000 580
MBH/PSP/0005/2017-18: Upgrading of Govern Mbeki Internal Streets	5 122 104	5 122 104
MBH/PSP/0005/2017-18: Phelandaba Access Road	-	5 576 543
MBH/PSP/0005/2017-18: Matolweni Access Road	-	3 868 893
MBH/PSP/0005/2017-18: Sibiyane Access Road	1 553 680	890 769
MBH/PSP/0005/2017-18: Construction of Langeni to Riverview Access Road	4 834 148	461 606
	<b>50 531 297</b>	<b>48 956 869</b>

The delay on the completion of the above projects was caused by mainly the impact of Covid 19 and the occurrence of heavy rains have also contributed to the delay.

Upgrade of Govan Mbeki Internal Street - the project was put on hold due to Community dissatisfaction about the product that is being used, the project will resume once municipality put aside monies for paving or surfacing on the roads.

MBH/PSP/0015/2014/15: Construction of Ward 25 Sports Field - the initial contractor was terminated, municipality award remaining work to SMMEs to finalise the project, the project is expected to be completed by the end of September 2023.

MBH/PSP/0015/2014/15: Construction of Vinindwa to Mazizini Bridge - the project is budgeted for under Disaster funding and is expected to be completed by the end of Q1 of 2023/2024 financial year.

MBH/MIG/GR/0012/2015-16: Construction of Xhora Mouth to Ndalatha Bridge - the project has been since washed away by heavy rains, the required work has been costed and is waiting for availability of funds

MBH/PSP/0005/2017-18 & MBH/MIG/0032/2020-21: Construction of Ngumbela Sports Facility - this project is multi-year and is constructed in phases, Phase 1 and Phase 2 are completed, in 2023/2024 Phase 3 (Fencing) will be completed as well as Phase 4.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 4. Property, plant and equipment (continued)

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

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

Buildings	-	39 701 215
Infrastructure assets	55 366 907	58 617 028
Community assets	76 239 901	63 033 560
INEP Projects	24 397 446	17 301 479
	<b>156 004 254</b>	<b>178 653 282</b>

The above breakdown excludes retention values.

#### Change in estimates

After assessing the useful lives of Non - current Assets during the year , the municipality has realised that some events on the ground necessitates the change of estimated useful lives and residual values of some of the assets.

The Municipality has assessed useful lives of 8547 Non current Assets in the current financial year, the impact in the current financial year was an increase in depreciation by an amount of R4 593 797.

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.

### 5. Intangible assets

Computer software

	2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying
Computer software	2 671 663	(2 251 312)	420 351

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	508 799	104 041	(11 469)	(181 020)	420 351

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	692 127	(183 328)	508 799

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 6. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
<b>Heritage assets which fair values cannot be reliably measured: (Para .94)</b>						
Mayoral Chain and Gown	2	-	2	2	-	2
Historical monuments	9	-	9	9	-	9
<b>Total</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>11</b>	<b>-</b>	<b>11</b>

#### Reconciliation of heritage assets 2023

##### Heritage assets which fair values cannot be reliably measured: (Para .94)

Mayoral Chain and Gown  
Historical monuments

	Opening balance	Total
	2	2
	9	9
	<b>11</b>	<b>11</b>

#### Reconciliation of heritage assets 2022

##### Heritage assets which fair values cannot be reliably measured: (Para .94)

Mayoral Chain and Gown  
Historical monuments

	Opening balance	Total
	2	2
	9	9
	<b>11</b>	<b>11</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand

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### 6. Heritage assets (continued)

#### Heritage assets which fair values cannot be reliably measured

##### Graves, Caves and Memorial Sites

The Municipality's heritage assets consists of graves, grave sites, traditional dwelling and caves. Their fair value cannot be reliably measured. Fair value cannot be determined reliably due to nature of the assets. The assets have been allocated a nominal value of 9 for record keeping.

Following is the list of heritage assets:

. Graves (Gcaleka's Grave, King Hintsa's Grave and King Sarhili's Grave)

Memorial sites (Nqadu Great Place, Fort Bowker and Fort Malan Memorial) . Caves (Sinqumeni Caves, Ngqamakhwe Rock Art and Ludiza Cave) . Mhlakaza's House

Nongqawuse's House.

##### Mayoral Chain and Gown

The other heritage assets is the Mayoral Chain and Gown, value to a total amount of R2

### 7. Operating lease liability

#### Operating leases - as lessee (expense)

Minimum lease payments due

-Within one year

877 554.37 260 069.80

-In second to fifth year

1 316 331.56

At the Statement of Financial Position date, where the municipality is a lessee under operating leases, it will have an operating lease liability.

Operating lease payments represent rentals payable by the municipality for rental of its office equipment. No contingent rental is payable.

The municipality is party to one lease commitment, which is a lease of a photocopiers.

The total period for the lease is 36 months which technically started on 01 January 2023. There is no escalation, and the municipality does not have right to retain or purchase the machines after the end of the lease term.. This means that after the lease term machines will be returned back to Xerox. The municipality may not sublease these machines to another entity in order to make profit or surplus.

1 316 331.56

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023                      2022

### 8. Employee benefit obligations

#### Defined benefit plan

The municipality has an unfunded defined benefit plan that relates to long service awards. Benefits in the form of additional leave days and cash rewards accrue to employees based on the number of years of experience.

An actuarial valuation was performed using generally accepted actuarial principles

The reporting municipality and those charged with the governance of the municipality are responsible for determining the assumption used in valuations of this nature and should give evidence of their approval of the assumptions.

The disclosures shown below assumes that actuarial gain and losses are recognised immediately as required in terms of GRAP 25..

#### Defined benefit obligation

Opening balance	5 956 000	5 950 000
Benefits payment	(269 000)	(980 000)
Net expense recognised in the statement of financial performance	1 253 000	986 000
	<b>6 940 000</b>	<b>5 956 000</b>

#### Amount recognised in surplus and deficit

Current service cost	799 000	778 000
Current interest cost	650 000	517 000
Actuarial (gains) losses	(196 000)	(309 000)
	<b>1 253 000</b>	<b>986 000</b>

#### Amount recognised in statement of financial position

Current Employee Benefit Obligation	770 000	269 000
Non - Current Employee Benefit Obligation	6 170 000	5 687 000
	<b>6 940 000</b>	<b>5 956 000</b>

#### Reconciliation of net statement of financial position amount

Opening balance	5 956 000	5 950 000
Expected return	1 253 000	986 000
Expected benefit payments	(269 000)	(980 000)
	<b>6 940 000</b>	<b>5 956 000</b>

#### Key assumptions

Discount rates used	11.32 %	11.16 %
General earnings inflation rate (long - term)	6.57 %	7.33 %

GRAP 25 stipulates that the choice of discount rate should be derived from government bond yields consistent with the estimated term of the employee benefits liabilities. However, where there is no deep market in government bonds with sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 11.32% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability - weighted index - linked yield is 4.97%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2023. The duration of the liability was estimated to be 8.75 years.

The results of the valuation are sensitive to the assumptions chosen.



# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>8. Employee benefit obligations (continued)</b>		
<b>Sensitivities</b>		
1% increase in discount rate	6 565 000	5 591 000
Decreases in defined benefit obligation Percentage	5.0 %	6.0 %
	-	-
1% decrease in discount rate	7 358 000	6 365 000
Increases in defined benefit obligation Percentage	6.0 %	7.0 %
	-	-
1% increase in salary inflation	7 343 000	6 349 000
Increases in defined benefit obligation Percentage	6.0 %	7.0 %

### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The municipality makes contributions to the following plans:

- South African Municipal Workers Union National Provident Fund
- Eastern Cape Municipal Pension Fund
- Eastern Cape Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:

- HOSMED
- Key health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

These contributions have been expensed.

### 9. Receivables from exchange transactions

Prepayments	367 301	451 801
Staff Debtors	203 555	186 356
	<b>570 856</b>	<b>638 157</b>

Staff debtors are made of rental income for municipal buildings rented by officials of the municipality which are not yet received from these tenants as at 30 June 2023. In addition to the prepayment made to Target Line for guns, there is another prepayment that occurred in the 2021/2022 financial year, its for the bullet proof (bought from a seperate supplier) not yet received as at 30 June 2023.

### 10. Receivables from non-exchange transactions

Receivables from non-exchange transactions	244 264	237 544
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### Receivables from non-exchange transactions

Balance as at 30 June 2023	Opening balance	Movement	Amount written off	Closing balance
SARS debtor (PAYE)	221 198	6 720	-	227 918
Recoverable contribution to CRF Fund	16 346	-	-	16 346

The amount of R227 918 relates to unallocated payments due to the municipality as reflected in the SARS PAYE Statement of Account.

Contribution to CRF Fund was erroneously paid by the municipality on behalf of a Councillor

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>11. VAT receivable</b>		
VAT	11 957 069	4 868 503
VAT is accounted for on accrual basis, the filing of VAT to SARS is on payment basis.		
VAT is received and paid as required per the Value Added Tax Act No.89 of 1991 (VAT Act).		
VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.		
VAT is submitted and paid on a monthly basis.		
<b><u>Statutory receivables past due but not impaired</u></b>		
No VAT receivable - Statutory receivables are currently assessed as being past due as conditions necessary for their declaration/ payment/ receipt has not taken place.		
<b><u>Factors the municipality has considered in assessing statutory receivables past due but not impaired.</u></b>		
Factors the municipality has considered in assessing statutory receivables past due but not impaired.		
VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts.		
<b><u>Statutory receivables impaired</u></b>		
As at 30 June 2023, VAT receivable - statutory receivables were not required to be impaired.		
<b>12. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	55 942 521	42 547 278
Refuse	9 294 427	8 140 386
	<b>65 236 948</b>	<b>50 687 664</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors impairment	(39 559 408)	(36 837 192)
<b>Net balance</b>		
Rates	55 942 521	42 547 278
Refuse	9 294 427	8 140 386
Provision for debt impairment	(39 559 408)	(36 837 192)
	<b>25 677 540</b>	<b>13 850 472</b>
<b>Included in above is receivables from exchange transactions</b>		
Refuse	9 294 427	8 140 386
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	55 942 521	42 547 278
<b>Gross balance</b>	<b>65 236 948</b>	<b>50 687 664</b>
<b>Rates</b>		
Current (0 -30 days)	407 525	397 549
31 - 60 days	53 854	729 539
61 - 90 days	(35 198)	804 584
91 - 181+ days	55 516 340	40 615 606
	<b>55 942 521</b>	<b>42 547 278</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Consumer debtors (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	266 027	287 130
31 - 60 days	272 498	314 304
61 - 90 days	284 832	308 741
91 - 181+ days	8 471 070	7 230 211
	<b>9 294 427</b>	<b>8 140 386</b>
General and specific impairment	(39 559 408)	(36 837 192)
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	395 224	707 203
31 - 60 days	224 515	406 673
61 - 90 days	329 495	423 081
91 - 181+ days	24 699 962	21 820 525
	25 649 196	23 357 482
Less: Allowance for impairment	(25 386 550)	(22 393 055)
	<b>262 646</b>	<b>964 427</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	(11 119)	(898 177)
31 - 60 days	(118 626)	441 412
61 - 90 days	(334 693)	423 136
91 - 181+ days	14 783 927	13 847 598
	14 319 489	13 813 969
Less: Allowance for impairment	(14 172 858)	(13 813 969)
	<b>146 631</b>	<b>-</b>
<b>National and provincial government</b>		
Current (0 -30 days)	289 447	875 653
31 - 60 days	220 463	195 758
61 - 90 days	254 831	267 108
91 - 181+ days	24 503 521	12 177 693
	<b>25 268 262</b>	<b>13 516 212</b>
<b>Total</b>		
Current (0 -30 days)	673 552	684 679
31 - 60 days	326 352	1 043 843
61 - 90 days	249 633	1 113 325
91 - 181+ days	63 987 411	47 845 817
	65 236 948	50 687 664
Less: Allowance for impairment	(39 559 408)	(36 837 192)
	<b>25 677 540</b>	<b>13 850 472</b>
<b>Less: Allowance for impairment</b>		
Impairment provision	(39 559 408)	(36 837 192)

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Consumer debtors (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(36 837 191)	(28 628 639)
Contributions to allowance	(2 722 217)	(8 208 553)
	<b>(39 559 408)</b>	<b>(36 837 192)</b>
<b>13. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	35 202	34 333
Main bank account	300 569 157	186 744 584
Short-term deposits	32 715 142	61 789 692
	<b>333 319 501</b>	<b>248 568 609</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

The municipality had the following bank and investment accounts:

Account number / description (Continued)	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
First National Bank Limited- Call Account - Account number 62562355373	114 894	109 125	106 663	114 894	109 125	106 663
First National Bank Limited - Call Account - Account number 62562352410	8 902	8 595	12 470	8 901	8 595	12 470
First National Bank Limited - Call Account - Account number 62562829188	-	-	222 672	-	-	222 672
First National Bank Limited - Call Account - Account number 62562827364	-	-	41 217	-	-	41 217
First National Bank Limited - Call Account - Account number 62562354002	-	-	99 419	-	-	99 419
First National Bank Limited - Cheque account - Account number 62231175953	300 361 740	186 065 455	144 104 264	300 569 157	194 757 074	152 587 381
First National Bank - Call Account - Account Number 62857917010	-	-	355 884	-	-	355 884
First National Bank Limited - Call Account - Account Number 62015966099	-	-	4 004	-	-	4 005
First National Bank Limited - Call Account - Account Number 62231177769	-	-	15 285 222	-	-	15 285 222
First National Bank Limited - Money Market Account - Account Number 62231195323	-	-	94 403	-	-	94 403
First National Bank - Call Account - Account Number 62232870487	-	-	246 567	-	-	246 567
First National Bank - 7 Day Interest Plus - Account Number 74321424942	21 378 937	40 289 328	1 755 952	21 378 937	40 289 328	1 755 951
First National Bank - Call Account - Account Number 74813155287	11 212 410	21 382 645	10 652 340	11 212 410	21 382 645	10 652 340
Cash on hand	-	-	-	35 202	34 333	5 497
<b>Total</b>	<b>333 076 883</b>	<b>247 855 148</b>	<b>172 981 077</b>	<b>333 319 501</b>	<b>256 581 100</b>	<b>181 469 691</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023                      2022

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

OTP Grant	657 166	-
MIG	-	22 932 860
Disaster Relief Grant	8 273 142	-
Library Grant	403 597	1 281 376
INEP	12 434 869	-
	<b>21 768 774</b>	<b>24 214 236</b>

#### Movement during the year

Balance at the beginning of the year	24 214 236	3 683 147
Additions during the year	134 510 137	74 826 975
Income recognition during the year	(136 955 599)	(52 658 466)
Unapproved rollovers	-	(1 637 420)
	<b>21 768 774</b>	<b>24 214 236</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.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 15. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	28 814 285	3 241 607	32 055 892

#### Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	26 841 162	1 973 123	28 814 285

#### Environmental rehabilitation provision

The Waste Act, through the DWAF minimum requirements for landfilling, sets out the regulatory requirements for properly close and maintain all active and inactive landfill sites. Under Environmental Law, there is a requirement of closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage. Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and on-going environmental monitoring, site inspection and maintenance.

The reported liability is based on estimates and assumptions with respect to events extending over the lifespan of the site using the best information available as at 30 June 2023..

The liability reported herein has been recognised based on estimates of future expenses, long term inflation rates and discount rates..

#### Dutywa, Willowvale and Elliotdale landfill sites

Based on the recent report done by the Environmental Expert, the expected useful life of the three landfill sites is 9 years respectively.

The most critical assumptions used in arriving to the figures that are disclosed for the provision of rehabilitation of the three sites were as follows:

A service provider would be used for the work to be done , not municipal personnel. It should be noted that part of the work done or to be done with regard to rehabilitation can be or is done by municipal personnel (Capping layers). In that case work to be done is accounted for using other GRAP Standards and necessary influencing the provision. For example an entity can have some of the necessary machinery used during rehabilitation such as dozers and trucks as it is the case with MLM. This then influence the cost price for rehabilitation work to be done since municipal personnel would be used. The average rate of inflation in South Africa over the last 10 years has been +/- 5.4% and that is the rate that has been used in provision figures that have been calculated and adjusted for retrospectively up to 30 June 2022.

The accounting for depreciation has been done on straight line basis..

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>16. Payables from exchange transactions</b>		
Trade payables	8 267 410	7 268 853
Debtors with credit balances	1 401 955	1 637 044
Accrued leave pay	11 153 045	10 406 934
Accrued bonus (13th Cheque)	5 844 090	5 517 689
Agency fees (Licensing Authority)	742 851	300 880
Contract retentions	10 125 388	4 597 615
Payroll control accounts	-	28 514
	<b>37 534 739</b>	<b>29 757 529</b>
<b>17. Revenue</b>		
Service charges	3 490 927	2 638 039
Rental of facilities and equipment	3 692 802	2 001 021
Interest received (trading)	600 412	3 936 617
Other income	950 660	1 514 002
Interest received - investment	26 197 502	11 615 255
Property rates	19 990 931	16 241 570
Licences and permits	2 863 539	2 184 101
Government grants & subsidies	431 878 599	329 775 209
Fines and Penalties	2 046 439	1 416 415
	<b>491 711 811</b>	<b>371 322 229</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	3 490 927	2 638 039
Rental of facilities and equipment	3 692 802	2 001 021
Interest received (trading)	600 412	3 936 617
Other income (Refer to note 19)	950 660	1 514 002
Interest earned - investments	26 197 502	11 615 255
	<b>34 932 303</b>	<b>21 704 934</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	19 990 931	16 241 570
Licence and permits	2 863 539	2 184 101
<b>Transfer revenue</b>		
Government grants & subsidies	431 878 599	329 775 209
Fines and penalties	2 046 439	1 416 415
	<b>456 779 508</b>	<b>349 617 295</b>
<b>18. Service charges</b>		
Refuse removal	3 490 927	2 638 039
<b>19. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	3 429 266	1 868 253
Rental of Halls	109 426	125 422
Rentals of Billboards	154 110	7 346
	<b>3 692 802</b>	<b>2 001 021</b>



# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>20. Fines, Penalties and Forfeits</b>		
Law Enforcement Fines	2 046 439	1 416 415
<b>21. Agent Disclosure in Principal-Agent Relation</b>		
Amount received from License Fees	9 099 999	9 758 147
Amount Paid over to Department of Transport Commission received by Municipality	(6 702 353) (1 735 812)	(7 603 218) (1 854 048)
	<b>661 834</b>	<b>300 881</b>
<p>The municipality has an arrangement with the Department of Transport to collect license fees on their behalf.</p> <p>In determining that whether the municipality is an agent in this arrangement , All the provision of paragraph 25 of GRAP 109 have to be met.</p> <p>unless there are other legislative requirements that govern terms and conditions of the transaction. In that paragraph 25(a) is not considered. It is of noting that paragraph 25(c) is not met in this arrangement, that is, the municipality is not exposed to variability of results of the transaction.</p> <p>It is then worth noting that the municipality is receiving a commission fee of 19% in this arrangement and 81% is paid over to Registering Authority (Department of Transport).</p>		
<b>22. Licence and permits</b>		
Licence and permits	2 863 539	2 184 101
<b>23. Other income</b>		
Administrative Fees	718 534	671 951
Building Plans	223 803	437 479
Burial and cemetery	3 467	3 050
Sundry income	4 856	401 522
	<b>950 660</b>	<b>1 514 002</b>
<b>24. Interest received - external investments</b>		
<b>Interest revenue</b>		
Interest on bank accounts and investment balances	26 197 502	11 615 255

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Property rates</b>		
<b>Rates charged</b>		
Assessment rates	19 990 931	16 241 570
<b>Valuations</b>		
Residential	299 462 500	285 643 000
Agriculture	89 905 300	50 900 000
Business	379 540 592	355 698 592
Government	1 563 247 400	1 114 221 000
Industrial	10 098 000	10 098 000
Multi - purpose centres	23 708 000	23 708 000
Public benefirt organisations	35 176 000	35 176 000
Public service infrastructure	4 578 000	1 277 000
Vacant land	81 301 000	81 123 000
	<b>2 487 016 792</b>	<b>1 957 844 592</b>

The Applicable general rates for current financial period and its comparative year is as follows:

A general rate of 0.00712 (2022: 0.00712) is applied to residential property valuations to determine assessment rates.

A general rate of R 0.00946 (2022: R 0.00946) is applied to business property valuations to determine assessment rates.

A general rate of R 0.01064 (2022: R 0.01064) is applied to government property valuations to determine assessment rate

A general rate of R 0.00827 (2022: R 0.00827) is applied to Vacant Sites valuations to determine assessment rates

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	294 923 000	270 297 000
Energy Efficiency Grant	4 500 000	-
Disaster Relief Grant	13 626 858	-
Integrated Electrification Programme	5 965 131	838 186
Finance Management Grant	1 720 000	1 720 000
TETA SETA	379 625	384 245
OTP Grant	14 464 117	6 819 743
Municipal Infrastructure Grant	91 390 860	44 434 140
LG SETA Grant	33 229	238 350
Library subsidies	1 377 779	421 545
Extended Public Works Programme	3 498 000	4 622 000
	<b>431 878 599</b>	<b>329 775 209</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received and realised into revenue:

Conditional grants realised into revenue	136 955 599	52 658 466
Unconditional grants received	294 923 000	277 116 743
	<b>431 878 599</b>	<b>329 775 209</b>

### Equitable Share

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

### OTP Grant

Current-year receipts	15 121 283	6 819 744
Conditions met - transferred to revenue	(14 464 117)	(6 819 744)
	<b>657 166</b>	<b>-</b>

This is a grant received from the Office of The Premier (OTP). The purpose of it is to revitalise small towns. It is a conditional Grant as per the Gazzete that was issued during 2022/2023 Financial year..

### Energy Efficiency Grant

Current-year receipts	4 500 000	-
Conditions met - transferred to revenue	(4 500 000)	-
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	22 932 860	799 345
Current-year receipts	68 458 000	67 367 000
Conditions met - transferred to revenue	(91 390 860)	(44 434 140)
Unapproved roll-over	-	(799 345)
	<b>-</b>	<b>22 932 860</b>

Conditions still to be met - remain liabilities (see note 14).

### Finance Management Grant

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Government grants and subsidies (continued)</b>		
Current-year receipts	1 720 000	1 720 000
Conditions met - transferred to revenue	(1 720 000)	(1 720 000)
	-	-
<b>Disaster Relief Grant</b>		
Current-year receipts	21 900 000	-
Conditions met - transferred to revenue	(13 626 858)	-
	<b>8 273 142</b>	-
Conditions still to be met - remain liabilities (see note 14).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Library Grant</b>		
Balance unspent at beginning of year	1 281 376	1 202 921
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(1 377 779)	(421 545)
	<b>403 597</b>	<b>1 281 376</b>
Conditions still to be met - remain liabilities (see note 14).		
This Grant is for the cost of running the Library services which are under Community services department.		
<b>EPWP</b>		
Current-year receipts	3 498 000	4 622 000
Conditions met - transferred to revenue	(3 498 000)	(4 622 000)
	-	-
<b>TETA SETA GRANT</b>		
Balance unspent at beginning of year	-	4 620
Current-year receipts	379 625	379 625
Conditions met - transferred to revenue	(379 625)	(384 245)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
This Grant from TETA SETA is for assisting permanent employees in furthering their studies..		
<b>Integrated Electrification Programme Grant</b>		
Balance unspent at beginning of year	-	1 676 261
Current-year receipts	18 400 000	-
Conditions met - transferred to revenue	(5 965 131)	(838 186)
Unapproved roll-over	-	(838 075)
	<b>12 434 869</b>	-
Conditions still to be met - remain liabilities (see note 14).		

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Employee related costs</b>		
Bargaining council contributions	36 876	33 588
Basic	72 388 004	73 031 776
Bonus (13th cheque)	5 866 668	5 337 809
Casual employees	10 738 744	10 807 954
Cellphone Allowance	5 440 127	4 299 100
Leave related costs	1 304 697	450 521
Long-service awards	1 085 480	442 207
Medical aid - company contributions	6 867 536	6 622 154
Overtime payments	2 006 882	1 356 261
Performance & Structured bonus	882 472	1 255 743
Post-employment benefits	11 752 555	13 114 302
Residential allowance	2 793 920	2 873 142
Stand by Allowances	267 852	331 820
Travel, motor car, accommodation, subsistence and other allowances	3 922 176	3 792 611
Unemployment Insurance Fund	718 461	693 432
	<b>126 072 450</b>	<b>124 442 420</b>

### Remuneration of Municipal Manager

Annual remuneration	1 110 239	1 207 636
Backpay	63 613	106 913
Bonus (Structured)	36 000	44 480
Performance bonus	121 550	167 771
Contributions to UIF, medical and pension funds	20 840	21 383
Travel, motor car, accommodation, subsistence and other allowance	384 906	417 372
Leave payout	169 697	-
	<b>1 906 845</b>	<b>1 965 555</b>

Mr M. Nako was appointed as Municipal Manager from December 2017 to December 2022. Mr Nako was re-appointed as Municipal Manager.

### Remuneration of Chief Finance Officer

Annual remuneration	799 303	838 801
Backpay	45 663	64 938
Bonus (Structured)	60 000	70 269
Performance bonus	99 716	100 359
Travel, motor car, accommodation, subsistence and other allowance	305 275	308 019
Contributions to UIF, medical and pension funds	12 982	16 556
	<b>1 322 939</b>	<b>1 398 942</b>

Mr N Nokwe was appointed as Chief Finance Officer from 01 September 2020. He was deceased towards the end of the current financial year, his last day of employment was 30 April 2023.

Mr Jam Jam was appointed as the Acting CFO from 10 May 2023 up to 31 July 2023.

### Remuneration of Senior Manager - Community Services

Annual remuneration	979 280	944 187
Backpay	47 969	80 620
Performance bonus	117 846	151 814
Travel, motor car, accommodation, subsistence and other allowance	361 371	319 216
Contributions to UIF, medical and pension funds	17 772	18 020
	<b>1 524 238</b>	<b>1 513 857</b>

Ms NP Mlungu was appointed as director from July 2018

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
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### 27. Employee related costs (continued)

#### Remuneration of Senior Manager Corporate Services

Annual remuneration	812 171	781 776
Performance bonus	137 110	156 560
Backpay	45 663	76 745
Bonus (Structured)	36 000	36 000
Travel, motorcar, accomodation, subsistance and other allowances	423 761	386 089
Contributions to UIF, medical and pension funds	17 177	17 292
	<b>1 471 882</b>	<b>1 454 462</b>

Ms Mahlathi-Nkuhlu was appointed as Senior Manager from April 2020

#### Remuneration of Senior Manager Infrastructure Services

Annual remuneration	905 759	871 150
Backpay	47 307	79 507
Bonus (Structured)	60 000	60 000
Travel, motor car, accommodation, subsistence and other allowances	343 298	315 593
Contributions to UIF, Medical Aid and Pension Fund	16 415	17 074
Performance bonus	-	74 859
	<b>1 372 779</b>	<b>1 418 183</b>

Mr S.Z.I Msipha was appointed as Senior Manager from May 2019

#### Remuneration of Senior Manager Operations

Annual remuneration	923 378	888 285
Backpay	47 969	80 620
Bonus (Structured)	55 901	74 411
Performance bonus	117 846	151 814
Travel, motor car, accomodation, subsistence and other allowances	361 800	331 703
Contributions to UIF, Medical and Pension Funds	17 772	18 205
	<b>1 524 666</b>	<b>1 545 038</b>

Mrs T Bacela was appointed as Senior Manager Operations from July 2018

#### Remuneration of Senior Manager Planning and Development

Annual remuneration	905 759	871 150
Backpay	47 307	79 507
Performance bonus	116 219	87 335
Bonus (Structured)	60 000	60 000
Travel, motor car, accommodation, subsistence and other allowance	335 691	316 769
Contributions to UIF, medical and pension funds	17 578	23 225
	<b>1 482 554</b>	<b>1 437 986</b>

Mr A Mashaba was appointed as Senior Manager from May 2019.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>28. Remuneration of Councillors</b>		
Mayor	985 274	832 889
Speaker	788 288	668 544
Executive Committee Members	3 333 716	2 829 869
Chief WHIP	738 746	495 471
Council remuneration	16 569 350	12 942 620
Councillors' allowance	1 028 465	2 209 042
	<b>23 443 839</b>	<b>19 978 435</b>
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	51 576 602	47 853 508
<b>30. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	6 156 342	17 083 912
The main classes of assets affected by impairment losses are:		
Infrastructure and Community Assets, mainly roads and bridges.		
<b>31. Finance costs</b>		
Interest paid on trade and other payables	9 057	82 326
Change in landfill site provision	3 241 607	1 973 123
	<b>3 250 664</b>	<b>2 055 449</b>
<b>32. Debt impairment</b>		
Contributions to debt impairment provision - consumer debtors	2 722 217	8 208 553

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>33. Administrative and other expenditure</b>		
Accounting and Professional fees	3 552 693	3 658 002
Advertising	1 783 704	853 662
Audit committee fees	333 255	961 317
Auditors remuneration	5 243 350	3 820 924
Bank charges	729 746	564 844
Catering	2 687 812	2 211 399
Consumables	22 322	24 328
Cleaning	348 038	426 448
Conferences and seminars	1 408 433	342 699
Electricity	1 707 092	1 775 542
Fuel and oil	11 337 867	7 758 630
Hiring charges	1 453 001	1 017 008
Insurance	2 478 305	2 154 098
Indigent subsidies	1 365 986	710 815
IT Expenses	2 872 815	3 196 709
Lease rentals on operating lease	1 558 079	1 610 578
Legal costs	1 559 232	1 586 529
Library expenses	340 968	427 261
Motor vehicle expenses	311 712	726 970
Other expenses	838 990	813 328
Postage and courier	-	625
Printing and stationery	682 042	957 221
Project maintenance costs	12 956 457	10 089 685
Protective clothing	1 495 337	2 069 613
Promotions and Branding	226 398	305 520
Refuse	464 747	1 246 411
Repairs and maintenance	47 058 257	23 801 229
Safety Plan	1 003 836	520 400
Security	1 865 345	4 288 868
Skills development	1 185 829	918 711
Special programme	952 467	933 372
Subscription and membership fees	3 331 485	1 531 614
Telephone and fax	595 459	643 338
Tourism development	72 006	38 000
Traditional leaders	164 521	297 871
Travel - local	6 881 992	5 511 153
Training and development	2 502 374	1 714 068
Ward Committees	5 278 490	2 388 261
Water	1 426 196	2 059 998
	<b>130 076 638</b>	<b>93 957 049</b>



# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>34. Cash generated from operations</b>		
Surplus	148 323 216	57 734 716
<b>Adjustments for:</b>		
Depreciation and amortisation	51 576 602	47 853 508
Gain on sale of assets and liabilities	89 843	8 187
Impairment deficit	6 156 342	17 083 912
Debt impairment	2 722 217	8 208 553
Movements in retirement benefit assets and liabilities	984 000	6 000
Movements in provisions	3 241 607	1 973 123
<b>Changes in working capital:</b>		
Receivables from exchange transactions	67 301	(253 118)
Consumer debtors	(14 549 285)	(10 655 240)
Other receivables from non-exchange transactions	(6 720)	(235 141)
Payables from exchange transactions	7 777 215	(624 143)
VAT	(7 088 566)	1 618 397
Unspent conditional grant and receipts	(2 445 462)	20 531 089
Other non cash movements due to error adjusting journal	-	(8 012 484)
Uncleared suspenses	105 576	-
	<b>196 953 886</b>	<b>135 237 359</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 35. Financial instruments disclosure

#### Categories of financial instruments

##### 2023

#### Financial assets

	<b>At amortised cost</b>	<b>Total</b>
Trade and other receivables from exchange transactions	570 856	570 856
Receivables from non - exchange transactions	244 264	244 264
Consumer debtors	25 677 540	25 677 540
Cash and cash equivalents	333 319 501	333 319 501
	<b>359 812 161</b>	<b>359 812 161</b>

#### Financial liabilities

	<b>At amortised cost</b>	<b>Total</b>
Contract retentions	10 125 388	10 125 388
Provisions	39 474 763	39 474 763
Trade payables	8 267 410	8 267 410
Unspent conditional grant	13 495 632	13 495 632
Debtors with credit balances	1 401 955	1 401 955
Agency fees (Licensing Authority)	742 851	742 851
	<b>73 507 999</b>	<b>73 507 999</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 35. Financial instruments disclosure (continued)

2022

#### Financial assets

	<b>At amortised cost</b>	<b>Total</b>
Trade and other receivables from exchange transactions	638 157	638 157
Receivables from non - exchange transactions	237 544	237 544
Consumer debtors	13 850 472	13 850 472
Cash and cash equivalents	248 568 609	248 568 609
	<b>263 294 782</b>	<b>263 294 782</b>

#### Financial liabilities

	<b>At amortised cost</b>	<b>Total</b>
Contract retentions	4 597 615	4 597 615
Provisions	37 848 086	37 848 086
Trade payables	7 268 848	7 268 848
Unspent conditional grant	1 281 376	1 281 376
Debtors with credit balances	1 637 044	1 637 044
Agency fees (Licensing Authority)	300 880	300 880
	<b>52 933 849</b>	<b>52 933 849</b>

### 36. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Land and buildings	887 158	1 421 816
• Infrastructure	85 718 721	43 267 664
• Community Assets	41 999 304	18 992 147
	<b>128 605 183</b>	<b>63 681 627</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>37. Contingencies</b>			
<b>Contingent liabilities</b>			
<b>The municipality is currently party to the following Court Cases:</b>			
	Nature of Contingent Liability	2023	2022
Umhlaba Consulting Group vs Mbhashe LM	Breach of contract	-	172 196
Changing tides 1153 vs Mbhashe LM	Breach of contract	2 290 415	2 290 415
Ligwa Moringa Co. vs Mbhashe LM	Breach of contract	-	650 000
L. Mrasi vs Mbhashe LM	Damages claim arising from alleged unlawful detention.	1 200 000	1 200 000
Mziwonke Manxiwa vs Mbhashe Local Municipality	Damages claim arising from alleged unlawful demolition of a house.	762 525	762 525
V.Madotyeni vs Mbhashe LM	Assault	988 000	988 000
S.Sondli vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	488 488	488 488
V.Nosilela vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	905 492	905 492
S.Manxiwa vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	1 659 043	1 659 043
Z.Majebe vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	864 861	864 861
M.M. Nguqu vs Mbhashe LM	Unlawful search & Seizure	-	200 000
Centre Point Developers vs Mbhashe LM	Breach of contract	18 000 000	18 000 000
M. Mlonyeni vs Mbhashe LM	Unlawful arrest & prosecution	3 000 000	3 000 000
B. Mbem vs Mbhashe LM	Assault & Unlawful arrest	400 000	400 000
M. Silekwa vs Mbhashe LM	Assault & Unlawful arrest	400 000	400 000
T. Zimela vs Mbhashe LM	Assault & unlawful arrest	400 000	400 000
A. Mqikela vs Mbhashe LM	Assault & unlawful arrest	400 000	400 000
G. Sondlo vs Mbhashe LM	Assault & Unlawful arrest	750 000	750 000
Embo Media vs Mbhashe LM	Breach of contract	220 000	220 000
S. Dinca vs Mbhashe LM	Assault	-	200 000
N & S Bacela vs Mbhashe Local Municipality	Demolition of property	-	10 000
N.E Rulashe vs Mbhashe LM	Damages, loss of profit	296 000	296 000
Balintulo vs Mbhashe Local Municipality	Breach of contract	3 112 651	3 112 651

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>37. Contingencies (continued)</b>			
Luyanda Tshona vs Mbashe Local Municipality	Unlawful arrest	700 000	700 000
Nkamela Mphuthumi vs Mbashe Local Municipality	Unlawful arrest	800 000	800 000
C. Siwundla vs Mbashe Local Municipality	Illegal demolition	284 750	284 750
S. Danti vs Mbashe Local Municipality	Damages Claim	400 000	400 000
P. Sinqola vs Mbashe Local Municipality	Damages from MVA	16 061	16 061
M Ngqeleni vs Mbashe Local Municipality	Damages from MVA	28 422	28 422
N. Jele vs Mbashe Local Municipality	Damages from MVA	6 026	6 026
N. Mbana vs Mbashe Local Municipality	Pothole	8 780 000	1 700 000
Ziphozihle Gift Mvunelo vs Mbashe Local Municipality	Damages Unlawful deduction of salary	21 878	-
Tonise Attorneys vs Mbashe Local Municipality	Non payment of invoice	180 553	-
All Green Consultants vs Mbashe Local Municipality	Breach of Contract	578 158	578 158
Golden Security vs Mbashe Local Municipality	Damages for Breach of Contract	10 750 158	3 583 486
Salusiwe Nomoyi vs Mbashe Local Municipality		400 000	400 000
Bongani Masika vs Mbashe Local Municipality	MVA	-	31 320
Gay Gegson Ratau Khaile vs Mbashe Local Municipality	Discrimination	1 174 801	1 174 801
		<b>60 258 282</b>	<b>47 072 695</b>

Shack demolition

MLM// MMM Mbuli

A detailed register of litigation matters is maintained and available for inspection at the Municipality's registered office.

### Contingent assets

The following are cases where the Municipality is a claimant:

The municipality is currently party to the following Court Cases:	Nature of the Contingent Asset	2023	2022
Fraudulent payment (Telkom) reported to SAPS	Fraudulent payment	18 484	18 484
Mbashe Local Municipality vs Medichex	Fraudulent deductions	-	1 207 469
Mbashe LM vs Various Ratepayers	Contravention of by-laws	1 650 000	1 650 000
Mbashe LM vs Various Tenants	Forensic investigation into land ownership	-	1 100 000
Mbashe LM vs M. Mbambo	Illegal demolition - Case finalised in favour of Mbashe LM	98 227	98 227
Mbashe LM vs S. Gobeni	Illegal demolition	10 979	10 979
Mbashe LM vs Loyiso Consulting	Undelivered Hawker Stalls	13 000 000	-
		<b>14 777 690</b>	<b>4 085 159</b>

The following are Litigations the Municipality is the claimant, for which no estimate is available:

Mbashe LM vs Landisile Mithi and Others

Mbashe LM vs Hostel owners

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 38. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

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

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager and supply chain officials.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public.

### Related party balances

#### Assessment Rates - Owing/(Owed to) by related parties

C.Genyane	2 184	364
M Sibingibingi	-	2 207
L Matiti	-	24 729
Jafta MS	114 496	209 737
I.N Quvile	460	49 314

#### Balances of amounts received from related parties for sale of land

M Peter	63 600	63 600
Sinazo Dyasi	82 400	82 400
M Mbomvu	20 000	20 000
M Mcotsho	40 000	40 000
N N Ndlodaka	59 000	59 000
B Majavu	78 600	78 600
M Noyila	15 000	15 000
T Tshika	95 200	95 200

In the prior years the municipality sold land to the community. Included in deposit received are the above amounts from councillors and employees of the municipality.

The land has not been transferred to the buyers, the municipality is still busy with the process of transferring the properties to the relevant buyers.

### Related party transactions

During the year the Municipality rendered services to various Councillors residing within its jurisdiction. These services include rates and refuse charges.

Please refer to Note 25 for a detail of remuneration of Councillors.

During the year the Municipality actively monitored the amounts outstanding by Councillors and sent communications to remind all Councillors to ensure that all accounts are paid to date. And the Municipality did not have any write off of the

Below is a list of Sale of land Purchase prices and balance outstanding as at 30 June 2023 that relates to Related parties as disclosed above.

#### Sale of land Purchase prices and balance outstanding as at 30 June 2023

	Purchase price	Payments received	Balance outstanding
Thembinkosi Tshika (ERF: 1133, ERF: 1132, ERF: 1131)	95 200	(95 200)	-
Mninawa Peter (ERF: 469D)	68 800	(63 600)	5 200
Babalwa Majavu (ERF: 477)	68 800	(78 600)	(9 800)
M Mcotsho	52 800	(40 000)	12 800
Sinazo Dyasi (ERF 497)	74 500	(82 400)	(7 900)
	<b>360 100</b>	<b>(359 800)</b>	<b>300</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 38. Related parties (continued)

#### Key management information

Position	Name	Description
Municipal Manager	Mr M Nako	Employed in terms of Section 54(a) of MSA
Acting Chief Financial Officer	Mr V. Jam Jam	Employed in terms of Section 56 of MSA
Senior Manager Infrastructure Services	Mr SZI Msipha	Employed in terms of Section 56 of MSA
Senior Manager Corporate Services	Mrs N Mahlathi Nkuhlu	Employed in terms of Section 56 of MSA
Senior Manager Community Services	Mrs NP Mlungu	Employed in terms of Section 56 of MSA
Senior Manager Operations	Mrs T Bacela	Employed in terms of Section 56 of MSA
Senior Manager Planning and Development	Mr A Mashaba	Employed in terms of Section 56 of MSA

#### Remuneration of key management and Council

#### Councillors and Mayoral committee members paid during 2022/2023 financial year

#### 2023

Name	Solidarity fund	Basic salary	Backpay	Travel, accomodation, subsistence and other reimbursive claims	Structured housing allowance	Structured travel allowance	SDL, Group life or funeral cover	Total
Mayor - Cllr S. Janda	-	415 434	26 851	-	469 098	-	10 016	921 399
Speaker - Cllr B. Majavu	-	707 627	21 549	924	-	-	8 230	738 330
Chief WHIP - L. Mantshiyose	-	497 551	19 927	-	-	165 850	7 472	690 800
Cllr N Ganda (MPAC Chairperson)	-	650 072	19 340	-	-	-	6 694	676 106
Cllr C. Genyane (Womens` s Caucus Chairperson)	-	234 642	11 152	-	-	78 214	4 334	328 342
Cllr N. Mgedesi (Member of Mayoral Committee)	-	663 401	13 470	2 611	-	-	8 223	687 705
Cllr N. Apleni (Member of Mayoral Committee)	-	362 369	7 729	3 273	-	-	4 947	378 318
Cllr F. Ndaule (Member of Mayoral Committee)	-	370 098	7 761	725	-	-	5 233	383 817
Cllr M.K Makapela (Member of Mayoral Committee)	-	497 551	16 966	6 011	-	165 850	7 445	693 823
Cllr N.N Ngomthi (Member of Mayoral Committee)	-	370 098	11 363	417	-	-	5 269	387 147

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 38. Related parties (continued)

Cllr N Gxamntwana (Member of Mayoral Committee)	-	663 401	13 470	1 668	-	-	7 739	686 278
Cllr I.N Quvile	-	279 922	6 006	2 010	-	-	4 690	337 028
Cllr M. Saki	-	279 922	6 006	-	-	-	4 314	290 242
Cllr Z. Gobinduku	-	279 922	6 006	-	-	-	4 314	290 242
Cllr S. Futshane	-	279 922	6 006	-	-	-	4 109	290 037
Cllr D.T Tsengwa	-	187 069	18 500	-	-	-	3 086	223 455
Cllr T Nodliwa	-	209 941	6 006	-	-	69 980	4 174	290 101
Cllr B Gaven	-	279 922	6 006	-	-	-	4 138	290 066
Cllr A. Mpatuse	-	209 941	6 006	-	-	69 980	3 969	289 896
Cllr K Sigwayi	-	279 922	6 006	417	-	-	4 109	290 454
Cllr E Fipaza	-	279 922	6 006	-	-	-	4 314	290 242
Cllr N Ngolothi	-	279 922	6 006	-	-	-	4 314	290 242
Cllr M.V Muru	-	279 922	6 006	-	-	-	4 109	290 037
Cllr S. Toyana	-	279 922	6 006	-	-	-	4 109	290 037
Cllr L Mpunzi	-	279 922	6 006	417	-	-	4 109	290 454
Cllr S Mdabuka	-	279 922	6 006	-	-	-	4 314	290 242
Cllr N Stafana	-	279 922	6 006	-	-	-	4 314	290 242
Cllr N.N Ntshontsho	-	279 922	6 006	417	-	-	4 109	290 454
Cllr L Mahobe	-	209 941	8 854	-	-	69 980	4 202	292 977
Cllr P Methu	-	279 922	6 006	-	-	-	4 314	290 242
Cllr S.T Sitwayi	-	209 941	8 854	417	-	69 980	4 021	293 213
Cllr N. Kopolo	-	279 922	6 006	-	-	-	4 109	290 037
Cllr S Ndinisa	-	209 941	8 854	-	-	69 980	4 202	292 977
Cllr L Khumelwana	-	279 922	6 006	-	-	-	4 109	290 037
Cllr B Sithela	-	221 463	6 006	-	-	58 459	3 992	289 920
Cllr N Magatya	-	209 941	8 854	-	-	69 980	4 202	292 977
Cllr W Genyane	-	279 922	6 006	-	-	-	4 109	290 037
Cllr T Nokele	-	279 922	6 006	-	-	-	4 314	290 242
Cllr P Msaro	-	279 922	6 006	417	-	-	4 314	290 659
Cllr T.M Nxusani	-	279 922	6 006	-	-	-	4 314	290 242
Cllr P.P Zuma	-	209 941	6 006	-	-	69 980	3 969	289 896
Cllr S Labhatala	-	209 941	6 006	417	-	69 980	4 174	290 518
Cllr N Nkomonye	-	209 941	9 732	-	-	69 980	4 211	293 864
Cllr X.M Tyodana	-	326 299	13 842	-	-	-	4 640	344 781
Cllr P.P Kondile	-	209 941	8 854	-	-	69 980	3 998	292 773
Cllr N. Mkhedamo	-	279 922	9 732	417	-	-	4 116	294 187
Cllr Miss YG Mhlathi	-	209 941	8 854	-	-	69 980	3 998	292 773



## MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 38. Related parties (continued)

Cllr Mrs N Tyelingane	-	209 941	8 854	-	-	69 980	4 202	292 977
Cllr M Sibingibingi	-	64 305	6 750	-	-	5 846	2 323	90 324
Cllr Miss F Mbiko	-	209 941	8 854	-	-	69 980	4 646	337 821
Cllr M Tetyana	-	209 941	8 854	-	-	69 980	4 202	292 977
Cllr B Dumezweni	-	279 922	6 006	-	-	-	4 314	290 242
Cllr MH Gwesha	-	279 922	6 006	-	-	-	4 314	290 242
Cllr Z Magazi	-	279 922	6 006	-	-	-	4 314	290 242
Cllr NN Sidlova	-	279 922	6 006	-	-	-	4 074	290 002
Cllr L Madaka	-	279 922	6 006	417	-	-	4 314	290 659
Cllr A Matshobeni	-	279 922	6 006	-	-	-	4 314	290 242
Cllr U Mboneli	-	209 941	6 006	-	-	69 980	4 174	290 101
Cllr N Mongezi	-	279 922	6 006	-	-	-	4 160	290 088
Cllr MR Ndikinda	-	116 918	3 700	-	-	-	2 314	137 732
Cllr MJ Jafta	-	279 922	6 006	-	-	-	4 314	290 242
Cllr M Takani	-	279 922	8 854	-	-	-	4 138	292 914
Cllr N Mahlati	-	209 941	8 854	-	-	69 980	4 202	292 977
	-	-	-	-	-	-	-	-

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 38. Related parties (continued)

#### Remuneration of Senior Managers

2023

	Basic salary	Self structured bonus	Performance Bonus	Contributions to UIF, medical and pension fund	Travel, motor car, accommodation, subsistence and other allowance	Leave pay	Backpay	Total
<b>Position</b>								
Municipal Manager	1 110 239	36 000	121 550	20 840	384 906	169 697	63 613	1 906 845
Chief Financial Officer	799 303	60 000	99 716	12 982	305 275	-	45 663	1 322 939
Senior Manager Community Services	979 280	-	117 846	17 772	361 371	-	47 969	1 524 238
Senior Manager Corporate Services	812 171	36 000	137 110	17 177	423 761	-	45 663	1 471 882
Senior Manager Infrastructure Services	905 759	60 000	-	16 415	343 298	-	47 307	1 372 779
Senior Manager Operations	923 378	55 901	117 846	17 772	361 800	-	47 969	1 524 666
Senior Manager Planning and Development	905 759	60 000	116 219	17 578	335 691	-	47 307	1 482 554
	<b>6 435 889</b>	<b>307 901</b>	<b>710 287</b>	<b>120 536</b>	<b>2 516 102</b>	<b>169 697</b>	<b>345 491</b>	<b>10 605 903</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 38. Related parties (continued)

2022

<b>Position</b>	<b>Basic salary</b>	<b>Self structured bonus</b>	<b>Performance Bonus</b>	<b>Contributions to UIF, medical and pension fund</b>	<b>Travel, motor car, accommodation, subsistence and other allowance</b>	<b>Backpay</b>	<b>Total</b>
Municipal Manager	1 207 636	44 480	167 771	21 383	417 372	106 913	1 965 555
Chief Financial Officer	838 801	70 269	100 359	16 556	308 019	64 938	1 398 942
Senior Manager Community Services	944 187	-	151 814	18 020	319 216	80 620	1 513 857
Senior Manager Corporate Services	781 776	36 000	156 560	17 292	386 089	76 745	1 454 462
Senior Manager Infrastructure Services	871 150	60 000	74 859	17 074	315 593	79 507	1 418 183
Senior Manager Operations	888 285	74 411	151 814	18 205	331 703	80 620	1 545 038
Senior Manager Planning and Development	871 150	60 000	87 335	23 225	316 769	79 507	1 437 986
	<b>6 402 985</b>	<b>345 160</b>	<b>890 512</b>	<b>131 755</b>	<b>2 394 761</b>	<b>568 850</b>	<b>10 734 023</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 39. Prior period errors

1. During the current year Audit, it was noted that the Municipality did not include some appointments when they calculated Commitments for the financial year of 2021/2022. And secondly it was also noted that the awards were used inclusive of VAT for some of the contracts

2. During the Audit it was realised that Landfill Site Rehabilitation provision has been calculated incorrectly by the Expert, inflation rate was used for discounting the future value of the provision, therefore the opening balance amount had to be corrected.

3. During the Audit it was noted that there are transactions that make Bank Reconciliation as at 30 June 2023 not to Reconcile with Bank Statement closing balance of 30 June 2023, and in the Bank Recon there was a long list of item that needed to be reconciled, those transactions that were found to be capturing errors had to be cleared/reversed then reconciled against the reversals in order to clear them off the Bank Reconciliation list of unreconciled items.

The correction of the error(s) results in the effects of adjustments/disclosures which are as follows:

#### Statement of financial position

Landfill Site asset (PPE) (decreased by)	-	(9 033 801)
Provisions (Rehabilitation of Landfill Site) (decreased by)	-	9 033 801
Cash and cash equivalents (decreased by)	-	(8 012 490)
Payables from exchange transactions (increased by)	-	(872 131)
Accumulated Surplus (decreased by)	-	(8 884 621)

#### Commitments

Previously reported balance	-	82 490 121
Adjustments made	-	(18 808 494)
<b>Restated opening balance</b>	<b>-</b>	<b>63 681 627</b>

Cash flow statement was adjusted down ward after taking into account the effects of adjustment journals that affected Cash and Cash Equivalent and payables in the Balance Sheet.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 40. Risk management

#### Financial risk management

The Municipality is exposed to the following risks:

- market risk (including interest rate risk);
- credit risk; and
- liquidity risk

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The municipality does not enter into or trade in financial instruments for speculative purposes.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and cash flow requirements.

The municipality manages liquidity risk by maintaining adequate reserves and banking facilities. The Finance Department monitors the cash flow requirements on a regular basis.

The Municipality's investment portfolio consists of short term deposits and current accounts with a notice period of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

#### Interest rate risk

Market risk is the risk that changes in market prices, such as interest rates will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk consists primarily of interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality does not enter into long term financing arrangements thereby minimising the interest rate cash flow risk exposures on long-term financing.

The exposure to interest rate risk is limited as the municipality's investment portfolio is entirely cash based. The Municipality's primary focus is not to generate interest income but rather to preserve the capital value of the funds. There has been no change since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

#### Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the entity's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such, the municipality is not able to select only creditworthy counterparts.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables and cash and cash equivalents.

Trade receivables comprise of a large number of consumers, dispersed across different industries and geographical areas. Trade receivables are presented net of an allowance for impairment.

The existing trade receivable portfolio has historically been significantly impaired as a result of a number of contributing factors, including an inaccurate and unreliable customer database. The municipality has started the process of cleansing its trade receivable portfolio to ensure completeness of its trade receivables. All policies affecting trade receivables have been reviewed and updated to assist the municipality in the cleansing process. Refer note 15 for more detailed information on the composition of the trade receivables portfolio.

Except for trade receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

<b>Cash and cash equivalents (including investments) are held with the following counter parties:</b>	<b>2023</b>	<b>2022</b>
First National Bank	333 076 884	247 855 148

# MBHASHE LOCAL MUNICIPALITY (EC 121)

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### 41. Unauthorised expenditure

Unauthorised expenditure relates to expenditure incurred which is in excess of the budgeted amount on the individual votes. No unauthorised expenditure that have been identified during the year.

### 42. Fruitless and wasteful expenditure

Opening balance	10 995 041	419 827
Fruitless and wasteful expenditure - current year	9 057	82 326
Fruitless and wasteful expenditure relating to prior year - identified during 2021/2022 Audit	-	10 492 888
	<b>11 004 098</b>	<b>10 995 041</b>

#### Details / incidents of fruitless and wasteful expenditure

Paid for but not delivered Hawker Stalls - Identified by AGSA	-	10 492 888
Interest levied by Workmen's Compensation on late payment of COIDA prior year assessments	-	78 542
Interest on overdue accounts	9 057	3 784
	<b>9 057</b>	<b>10 575 214</b>

No fruitless and wasteful expenditure was recovered during the year, And no fruitless and wasteful that has been written off by Council during the year.

The increase in the previous year is due to the amount prepaid for undelivered Hawker Stalls in the previous years starting from 2016 to 2018. The issue at stake is the uncertainty on whether the service provider will still deliver or repay the amount that was paid for unaccounted Hawker Stalls. The municipality has started the legal route in order to recover either the Hawker Stalls or the amount paid..

### 43. Irregular expenditure

Opening balance	-	21 120 100
Add: Irregular Expenditure - current year movement	12 445 731	6 042 688
Add: Irregular identified by AGSA during the Annual Audit	350 724	-
Less: Irregular expenditure - written off by council	(12 445 731)	(27 162 788)
	<b>350 724</b>	<b>-</b>

The recurring Irregular expenditure movement for 2022/2023 (R12 445 731) and movement of 2021/2022 ((R6 042 688) plus opening balance of 2021/2022) were written off as stated in the Council resolution of 2020/2021.

#### Details of irregular expenditure – current year

BAC composition - Non-compliance with SCM	12 445 731
Identified during the annual audit (Non compliance with PPR 8(2) )	350 724
	<b>12 796 455</b>

#### Analysis of Irregular Expenditure Balance - current year

Recurring from prior years	12 445 731
Identified during the annual audit (Non compliance with PPR 8(2) )	350 724
	<b>12 796 455</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

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

#### Contributions to organised local government - SALGA Fees

Opening balance	1 626 184	1 534 093
Current year subscription / fee	(1 626 184)	(1 534 093)
	-	-

#### Contract awarded to close family members of person in the service of the state

1. During the previous financial year awards amounting to R456 227,52 were made to FOR THE COMMUNITY TRADING ENTERPRISE. The owner/director of Community trading Enterprise Mr.V. Razyana is a spouse of Mrs X.O Willie who works at the Mbhashe Local Municipality as Cllr from 2016-2021. No awards were made in the current financial year.

2. During the current financial year awards amounting to R1 588 348.58 were made to MKOKO TRANSPORT. The owner/director of Mkoko Transport Mr. S. Mkoko is a spouse of Mrs N. Mkoko who works at the Mbhashe Local Municipality as Record officer. During the previous financial year the awards amounted to R1 092 363,17 .

3. During the previous financial year awards amounting to R27 830 were made to NATHISITH'ZIZIPO MULTI TRADERS. The owner/director of Nathisithi Ziziphomulti traders Mrs. N. Mbasa is a spouse of Mr T. Mbasa who works at the Mbhashe Local Municipality as Driver Supervisor. No awards were made to Nathisithi Zizipho Multi Traders in the current financial year.

4. During the current financial year awards amounting to R294 017,86 were made to SMS ICT CHOICE. The owner/director of ICT Choice Mr. S. Maqula is a spouse of Mrs N. Maqula who works at the Department of Human Settlements. During the previous financial year awards amounted to R1 649 150.76

5. During the current financial year awards amounting to R236 623.82 were made to UKWENZA AYIKOKWETHU TRADING ENTERPRISE. The owner/director of Ukwenza Ayikokwethu Enterprise Mrs N. Msipha is a spouse of Mr Z. Msipha who works at the Mbhashe Local Municipality as Senior Manager Infrastructure. During the previous financial year awards amounted to R1 047 717.91

#### Audit fees

Current year subscription / fee	6 029 852	4 458 908
Amount paid - current year	(6 029 852)	(4 458 908)
	-	-

#### PAYE and UIF

Current year subscription / fee	20 046 708	21 848 707
Amount paid - current year	(20 046 708)	(21 848 707)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	29 565 037	28 393 470
Amount paid - current year	(29 565 037)	(28 393 470)
	-	-

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr MS Jafta	4 501	109 995	114 496
Cllr I.N Quvile	(1 271)	1 731	460
Cllr C. Genyane	459	1 725	2 184
	<b>3 689</b>	<b>113 451</b>	<b>117 140</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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

#### 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 Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned. Refer to note 45

#### Incident

Other exceptional cases(Impractical)	403 058	374 251
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### 45. Deviation from supply chain management regulations

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

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



# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 46. Segment information

#### General information

##### Identification of segments

The Mbhashe Local Municipality reportable segments have been identified in accordance with GRAP 18. The segments of Mbhashe Local Municipality have been identified as those activities of the municipality that generate economic benefits or service potential 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.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making strategic decisions including the allocation of resources after also considering the economic and basic needs of communities as translated into the IDP. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

##### Aggregated segments

The Mbhashe Local Municipality divided into three units which are Dutywa, Willowvale and Elliotdale. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments between the three units are sufficiently similar to warrant aggregation.

##### Types of goods and/or services by segment

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

##### Reportable segment

Property rates

Refuse removal

Property rentals

Traffic Police and Law Enforcement

Licensing

##### Goods and/or services

Levies charged for owning registered property within Mbhashe Jurisdiction

Collecting waste, and providing waste management services to communities with Mbhashe local governance jurisdiction

Renting out municipal properties to earn income

Maintenance of law and order, and enforcing Municipal Bylaws

Offering license services

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 46. Segment information (continued)

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

2023

	Property rates	Refuse removal	Property rentals	Traffic Police	licensing	Total
<b>Revenue</b>						
Revenue from non-exchange transactions	19 990 931	-	-	2 046 439	2 863 539	24 900 909
Revenue from exchange transactions	-	3 490 927	3 692 802	-	-	7 183 729
<b>Total segment revenue</b>	<b>19 990 931</b>	<b>3 490 927</b>	<b>3 692 802</b>	<b>2 046 439</b>	<b>2 863 539</b>	<b>32 084 638</b>
Interest revenue						26 797 914
Other unallocated revenue 1						431 878 599
Other unallocated revenue 2						950 660
<b>Total revenue reconciling items</b>						<b>459 627 173</b>
<b>Municipality's revenue</b>						<b>491 711 811</b>
<b>Expenditure</b>						
Salaries and wages	2 770 773	20 156 646	-	2 606 166	1 090 942	26 624 527
General expenses	269 108	1 528 496	163 063	1 034 940	94 266	3 089 873
Debt impairment	2 722 217	-	-	-	-	2 722 217
<b>Total segment expenditure</b>	<b>5 762 098</b>	<b>21 685 142</b>	<b>163 063</b>	<b>3 641 106</b>	<b>1 185 208</b>	<b>32 436 617</b>
<b>Total segmental surplus/(deficit)</b>						<b>(351 979)</b>
Total revenue reconciling items						459 627 173
Interest expense						(3 250 664)
Unallocated expenses						(302 754 992)
Loss on disposal of assets						(89 843)
Impairment loss						(6 156 342)
<b>Municipality's surplus (deficit) for the period</b>						<b>148 638 282</b>
<b>Assets</b>						
Segment assets	25 677 540	9 368 751	33 511 900	1 089 895	3 993	69 652 079

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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	Property rates	Refuse removal	Property rentals	Traffic Police	licensing	Total
<b>46. Segment information (continued)</b>						
Unallocated assets						1 003 466 158
<b>Total assets as per Statement of financial Position</b>						<b>1 073 118 237</b>
<b>Liabilities</b>						
Debtors with credit balances and Agency fees	1 401 955	-	-	-	742 851	2 144 806
Unallocated liabilities						96 154 599
<b>Total liabilities as per Statement of financial Position</b>						<b>98 299 405</b>
						<b>Total</b>
<b>Other information</b>						
Non current assets additions						116 027 511
Cash flows from operating activities						196 953 886
Cash flows from investing activities						(112 202 994)
<b>2022</b>						
	<b>Property rates</b>	<b>Refuse removal</b>	<b>Property rentals</b>	<b>Traffic Police</b>	<b>Licensing</b>	<b>Total</b>
<b>Revenue</b>						
Revenue from non-exchange transactions	16 241 570	-	-	1 416 415	2 184 101	19 842 086
Revenue from exchange transactions	-	2 638 039	2 001 021	-	-	4 639 060
<b>Total segment revenue</b>	<b>16 241 570</b>	<b>2 638 039</b>	<b>2 001 021</b>	<b>1 416 415</b>	<b>2 184 101</b>	<b>24 481 146</b>
Interest revenue						15 551 872
Other unallocated revenue 1						329 775 209
Other unallocated revenue 2						1 514 002
<b>Total revenue reconciling items</b>						<b>346 841 083</b>
<b>Entity's revenue</b>						<b>371 322 229</b>

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 46. Segment information (continued)

#### Expenditure

Salaries and wages	2 969 636	19 286 863	-	2 240 824	996 128	25 493 451
Depreciation and amortisation	-	3 202 840	-	216 310	2 189	3 421 339
General expenses	134 010	1 788 210	625 105	820 856	140 595	3 508 776
Debt impairment	8 208 553	-	-	-	-	8 208 553

**Total segment expenditure** **11 312 199** **24 277 913** **625 105** **3 277 990** **1 138 912** **40 632 119**

**Total segmental surplus/(deficit)** **(16 150 973)**

Total revenue reconciling items						330 690 110
Interest expense						(2 055 449)
Unallocated expenses						(253 807 847)
Loss on disposal of assets						(8 187)
Impairment loss						(17 083 912)

**Entity's surplus (deficit) for the period** **57 734 715**

#### Assets

Segment assets	13 850 472	25 295 291	33 511 900	1 215 074	6 995	73 879 732
Unallocated assets						841 357 926

**Total assets as per Statement of financial Position** **915 237 658**

#### Liabilities

Debtors with credit balances	1 637 044	-	-	-	300 880	1 937 924
Unallocated liabilities						86 804 121

**Total liabilities as per Statement of financial Position** **88 742 045**

#### Other information

Non current assets additions 68 216 956

#### Non-cash items excluding depreciation and amortisation

Cash flows from operating activities (103 854 965)

Cash flows from investing activities (68 188 102)

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 47. Budget differences

#### Material differences between budget and actual amounts

- 46.1 Budget is based on anticipated amount to be collected, while actual is based on current year billed amount.
- 46.2 We collected more than what we anticipated, we have improved on rental collection strategies.
- 46.3 This relates to interest raised on outstanding debtors as per the municipality's Credit Control and Debt Collection Policy. We don't budget for this kind of interest as we can't budget for not to be paid by customers/consumers.
- 46.4 The reason for a significant negative variance is that we budget for VAT refunds in this item, these are then reallocated to VAT account so that a correct closing balance of the VAT receivable can be disclosed..
- 46.5 Our Budget was based on the Actual interest earned from July 2022 to January 2023, the negative variance is as a result of us spending conditional grants that were moving slowly in the 3rd Quarter of the year when we increased anticipated interest from invested monies..
- 46.6 Budget is based on anticipated amount to be collected, while actual is based on current year billed amount.
- 46.7 Favourable variance is due to the fact that more people managed to renew their licenses than what we anticipated.
- 46.8 The unfavourable variance is as a result of unspent conditional grants (INEP and DRMG) which were received towards the end of the financial year
- 46.9 The favourable variance in terms of revenue is due to the fact that we had more than anticipated people contravening our By-Laws and traffic rules and paid for their offenses.
- 46.10 The contributing factors to the favourable variance is the reduction on Casual wages and the cancellation of Discovery life.
- 46.11 The contributing factors to the favourable variance is the fact that the Councillors are still at early stages of their term, therefore their remuneration are still within reach.
- 46.12 The reason for the favourable variance is the fact that some assets are fully depreciated. And some were disposed off.
- 46.13 The municipality does not budget for interest that is paid on overdue accounts as we can't budget to fail.
- 46.14 The municipality under provided on debt impairment because we had anticipated that more customers will pay their long overdue accounts once the debt collector engages them.
- 46.15 The reason for the favourable variance as far as cost containment measures are concerned is the fact that some user departments applied cost containment measures which then assisted the municipality to save money.
- 46.16 The actual amount includes prepayment for guns and bullet proof jackets that were delivered and rental due from municipal staff.
- 46.17 Actual amount relates to the credit amount from SARS for the EMP 201, and one amount that was erroneously contributed to the pension of a Councillor.
- 46.18 The municipality budgeted for VAT refunds under other income on the SOFP and the actual amount relates to the VAT receivable at year-end
- 46.19 Actual amount has taken impairment into consideration for debtors. The budget amount does not take into account the effect of debt impairment provision.
- 46.20 The budgeted amount was based on the balance from previous financial year plus current year anticipated revenues, the budget amount does not take into account effects of anticipated payments..
- 46.21 The budget amount is based on the previous year audited carrying amount, the actual amount is also taking into effect current year depreciation, and additions in the current year were much lesser than the previous financial year, majority of projects were not completed.
- 46.22 The budget amount included previous year audited cost amount while the actual amount is carrying amount for the current year, therefore variance is made of accumulated depreciation and current year depreciation which is budgeted for under Income Statement.
- 46.23 At year-end the transactions relating to June 2023 were processed, however because on the bank side they were only paid in July 2023 we had to raise them as part of our accrual list. The variance is caused by the fact that the budget amount does not take into account the withdrawal vote of the budget trade payables. The contributor to the current year balance is Accrued 13th Cheques and Accrued leave pay.

# MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 47. Budget differences (continued)

46.24 On the budget these are provided for under the personnel costs.

46.25 The contributing factors to the current year balance is unspent INEP, Library Grant and DRMG, Budget amount does not take into account the withdrawal vote of the conditional grants liability accounts.

46.26 The variance is the change in the provision as a result of change in discount factor of the Landfill site rehabilitation provision.