



MBHASHE LOCAL MUNICIPALITY (EC 121)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

* See Note 39

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The 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.

Mayoral Committee

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)
Cllr Ludwe Mantshiyose
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
Cllr Nokanyo Magatya

Chief WHIP

MBHASHE LOCAL MUNICIPALITY (EC 121)

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General Information

	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 Gwesha 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
MFMA Section 79 Chairpersons	Cllr Nosipho Ganda (MPAC Chair) Cllr M. Sibingibingi (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
Attorneys	Noah and Sons Burmeister Attorneys MSZ Attorneys

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General Information

Municipal website

www.mbhashemun.gov.za

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Annual Financial Statements for the year ended 30 June 2024

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Abbreviations

EPWP	Extended Public Works Programme
DWAF	Department of Water Affairs and Forestry
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Plan
PPE	Property, Plant and Equipment
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 2024

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period 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 2025 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality is 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 83, which have been prepared on the going concern basis, were approved by the Council on 28 August 2024 and were signed on its behalf by:

Mr M. Nako
Municipal Manager

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The Accounting officer submits his report for the year ended 30 June 2024.

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 2024, the municipality had accumulated surplus of 1 087 523 155 Rands and that the Municipality's total assets exceed its liabilities by 1 087 523 155 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 contracts 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 2024.

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.

Mr M. Nako
Municipal Manager

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Receivables from exchange transactions	9&12	1 733 482	9 865 283
Receivables from non-exchange transactions	10&12	22 824 055	18 532 070
VAT receivable	11	753 050	11 062 299
Cash and cash equivalents	13	431 954 550	333 319 501
		457 265 137	372 779 153
Non-Current Assets			
Investment property	3	33 511 900	33 511 900
Property, plant and equipment	4	683 192 446	645 978 137
Intangible assets	5	333 807	420 351
Heritage assets	6	11	11
		717 038 164	679 910 399
Non-Current Assets		717 038 164	679 910 399
Current Assets		457 265 137	372 779 153
Total Assets		1 174 303 301	1 052 689 552
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	34 927 908	37 534 738
Employee benefit obligation	8	1 067 000	770 000
Unspent conditional grants and receipts	14	19 965 196	21 768 774
		55 960 104	60 073 512
Non-Current Liabilities			
Employee benefit obligation	8	6 438 000	6 170 000
Provisions	15	24 382 042	21 779 404
		30 820 042	27 949 404
Non-Current Liabilities		30 820 042	27 949 404
Current Liabilities		55 960 104	60 073 512
Total Liabilities		86 780 146	88 022 916
Assets		1 174 303 301	1 052 689 552
Liabilities		(86 780 146)	(88 022 916)
Net Assets		1 087 523 155	964 666 636
Accumulated surplus		1 087 523 155	964 666 636
Total Net Assets		1 087 523 155	964 666 636

* See Note 40 & 39

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Service charges	18	3 730 340	3 490 927
Construction contracts	26	14 090 339	5 070 361
Rental of facilities and equipment	19	3 188 573	3 692 802
Interest income (trading)	17	5 123 180	3 373 321
Other income	23	1 310 054	950 660
Interest earned	24	40 207 257	26 197 502
Revenue from non-exchange transactions			
Property rates	25	20 429 729	19 982 333
Licence and permits	2122	2 542 902	2 863 539
Grants and subsidies	26	434 662 283	425 913 468
Fines and penalties	20	1 615 121	2 046 439
Total revenue		526 899 778	493 581 352
Expenditure			
Employee related costs	27	(135 668 746)	(127 937 795)
Remuneration of Councillors	28	(23 227 383)	(23 443 839)
Depreciation and amortisation	29	(51 687 783)	(51 576 602)
Finance costs	31	(1 438 823)	(3 250 664)
Debt Impairment	32	(20 896 464)	(2 722 217)
Administrative and other expenditure	33	(157 081 204)	(146 069 425)
Total expenditure		(390 000 403)	(355 000 542)
		-	-
Total revenue		526 899 778	493 581 352
Total expenditure		(390 000 403)	(355 000 542)
Operating surplus		136 899 375	138 580 810
Profit/(Loss) on disposal of assets		(90 481)	(89 843)
Impairment (loss)/Reversal	30	(4 936 633)	(6 156 342)
		(5 027 114)	(6 246 185)
Operating surplus/deficit		(5 027 114)	(6 246 185)
Surplus before taxation		131 872 261	132 334 625
Taxation		-	-
Surplus for the year		131 872 261	132 334 625

* See Note 40 & 39

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Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance as previously reported	826 495 616	826 495 616
Prior year adjustments	5 836 395	5 836 395
Balance at 01 July 2022 restated	832 332 011	832 332 011
Changes in net assets		
Surplus/(Deficit) for the year	132 334 625	132 334 625
Total changes	132 334 625	132 334 625
Restated Opening balance	964 666 636	964 666 636
Other prior year adjustments	(9 015 742)	(9 015 742)
Total Net changes	955 650 894	955 650 894
Changes in net assets		
Surplus/(Deficit) for the year	131 872 261	131 872 261
Total changes	131 872 261	131 872 261
Balance at 30 June 2024	1 087 523 155	1 087 523 155

* See Note 40 & 39

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		18 072 732	5 596 735
Grants		446 949 044	429 433 137
Interest income		40 207 257	26 197 502
Other receipts		5 468 077	5 860 638
		<u>510 697 110</u>	<u>467 088 012</u>
Payments			
Employee costs		(159 043 895)	(147 459 777)
Suppliers		(158 975 268)	(150 800 569)
Finance costs		(20 984)	(9 057)
		<u>(318 040 147)</u>	<u>(298 269 403)</u>
Total receipts		510 697 110	467 088 012
Total payments		(318 040 147)	(298 269 403)
Net cash flows from operating activities	34	192 656 963	168 818 609
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(94 021 914)	(87 788 194)
Purchase of other intangible assets	5	-	(104 041)
Proceeds from sale of other asset		-	3 824 518
Net cash flows from investing activities		(94 021 914)	(84 067 717)
Net increase/(decrease) in cash and cash equivalents		98 635 049	84 750 892
Cash and cash equivalents at the beginning of the year		333 319 501	248 568 609
Cash and cash equivalents at the end of the year	13	431 954 550	333 319 501

* See Note 40 & 39

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	500 000	-	500 000	3 730 340	3 230 340	49.1
Construction contracts	-	-	-	14 090 339	14 090 339	
Rental of facilities and plant equipment	1 770 000	500 000	2 270 000	3 188 573	918 573	49.2
Interest received (trading)	-	-	-	5 123 180	5 123 180	49.3
Other income	16 070 000	10 000 000	26 070 000	1 310 054	(24 759 946)	49.4
Interest received - investment	15 000 000	15 000 000	30 000 000	40 207 257	10 207 257	49.5
Total revenue from exchange transactions	33 340 000	25 500 000	58 840 000	67 649 743	8 809 743	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	8 000 000	-	8 000 000	20 429 729	12 429 729	49.6
Licenses and permits	1 100 000	1 000 000	2 100 000	2 542 902	442 902	49.7
Transfer revenue						
Government grants & subsidies	328 088 350	31 837 608	359 925 958	434 662 283	74 736 325	49.8
Fines, Penalties and Forfeits	650 000	500 000	1 150 000	1 615 121	465 121	49.9
Total revenue from non-exchange transactions	337 838 350	33 337 608	371 175 958	459 250 035	88 074 077	
'Total revenue from exchange transactions'	33 340 000	25 500 000	58 840 000	67 649 743	8 809 743	
'Total revenue from non-exchange transactions'	337 838 350	33 337 608	371 175 958	459 250 035	88 074 077	
Total revenue	371 178 350	58 837 608	430 015 958	526 899 778	96 883 820	
Expenditure						
Employee related costs	(140 867 440)	29 310	(140 838 130)	(135 668 746)	5 169 384	49.10
Remuneration of councillors	(27 749 802)	-	(27 749 802)	(23 227 383)	4 522 419	49.11
Depreciation and amortisation	(55 000 000)	-	(55 000 000)	(51 687 783)	3 312 217	49.12
Impairment loss/ Reversal of impairments	-	-	-	(4 936 633)	(4 936 633)	49.13
Finance costs	-	-	-	(1 438 823)	(1 438 823)	49.13
Debt impairment	(2 000 000)	-	(2 000 000)	(20 896 464)	(18 896 464)	49.14
General Expenses	(130 161 104)	(23 839 025)	(154 000 129)	(157 081 204)	(3 081 075)	49.15
Total expenditure	(355 778 346)	(23 809 715)	(379 588 061)	(394 937 036)	(15 348 975)	
	371 178 350	58 837 608	430 015 958	526 899 778	96 883 820	
	(355 778 346)	(23 809 715)	(379 588 061)	(394 937 036)	(15 348 975)	
Operating surplus	15 400 004	35 027 893	50 427 897	131 962 742	81 534 845	
Loss on disposal of assets and liabilities	-	-	-	(90 481)	(90 481)	
	15 400 004	35 027 893	50 427 897	131 962 742	81 534 845	
	-	-	-	(90 481)	(90 481)	
Surplus	15 400 004	35 027 893	50 427 897	131 872 261	81 444 364	

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

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						
Deficit	15 400 004	35 027 893	50 427 897	131 872 261	81 444 364	
	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	15 400 004	35 027 893	50 427 897	131 872 261	81 444 364	

Statement of Financial Position

Assets

Current Assets

Receivables from exchange transactions	133 000	660 000	793 000	13 992 793	13 199 793	49.16
Receivables from non-exchange transactions	-	-	-	22 824 055	22 824 055	49.17
VAT receivable	32 076 685	5 105 618	37 182 303	4 134 349	(33 047 954)	49.18
Cash and cash equivalents	29 133 271	41 095 589	70 228 860	432 832 880	362 604 020	49.20
	61 342 956	46 861 207	108 204 163	473 784 077	365 579 914	

Non-Current Assets

Investment property	-	-	-	33 511 900	33 511 900	
Property, plant and equipment	49 532 740	20 393 405	69 926 145	683 192 446	613 266 301	49.21
Intangible assets	86 957	13 043	100 000	333 807	233 807	49.22
Heritage assets	-	-	-	11	11	
	49 619 697	20 406 448	70 026 145	717 038 164	647 012 019	

Non-Current Assets	61 342 956	46 861 207	108 204 163	473 784 077	365 579 914	
Current Assets	49 619 697	20 406 448	70 026 145	717 038 164	647 012 019	
Total Assets	110 962 653	67 267 655	178 230 308	1 190 822 241	1 012 591 933	

Liabilities

Current Liabilities

Payables from exchange transactions	-	43 010 760	43 010 760	34 927 910	(8 082 850)	49.23
Employee benefit obligation	-	-	-	1 067 000	1 067 000	49.24
Unspent conditional grants and receipts	-	(3 605 000)	(3 605 000)	19 965 196	23 570 196	49.25
	-	39 405 760	39 405 760	55 960 106	16 554 346	

Non-Current Liabilities

Employee benefit obligation	-	-	-	6 438 000	6 438 000	49.24
Provisions	-	-	-	24 382 042	24 382 042	49.26
	-	-	-	30 820 042	30 820 042	
	-	39 405 760	39 405 760	55 960 106	16 554 346	
	-	-	-	30 820 042	30 820 042	
	-	-	-	-	-	
Total Liabilities	-	39 405 760	39 405 760	86 780 148	47 374 388	

Assets	110 962 653	67 267 655	178 230 308	1 190 822 241	1 012 591 933	
Liabilities	-	(39 405 760)	(39 405 760)	(86 780 148)	(47 374 388)	
Net Assets	110 962 653	27 861 895	138 824 548	1 104 042 093	965 217 545	

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

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						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	110 962 653	27 861 895	138 824 548	1 104 042 093	965 217 545	

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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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.

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 2024

Accounting Policies

1.3 Judgements, assumptions and estimates

The preparation of Annual 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.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

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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.

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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:

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.

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Accounting Policies

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.

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Accounting Policies

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 accrual basis and presented by economic classification linked to performance outcome objectives.

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

The 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.

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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.

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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).

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Accounting Policies

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

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Accounting Policies

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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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.

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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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Accounting Policies

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.

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Accounting Policies

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.

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Accounting Policies

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.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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 Segment information

A segment is an activity of an entity:

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

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

1.28 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.

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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 2024 or later periods:

- GRAP 103, Heritage assets (Effective date not yet determined)
- GRAP 104, Financial instruments (1 April 2025)
- iGRAP 21, The effect of Past Decision on Materiality (Effective date not yet determined).
- GRAP 1, Presentation of Financial Statement (Effective date not yet determined).
- GRAP 25 as amended, Employee benefitst (Effective date not yet determined).

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3. Investment property

	2024			2023		
	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 - 2024

	Opening balance	Total
Investment property	33 511 900	33 511 900

Reconciliation of investment property - 2023

	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.

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4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	87 334 462	(37 220 613)	50 113 849	87 334 462	(34 132 385)	53 202 077
Plant and Machinery	44 491 139	(35 616 463)	8 874 676	43 686 159	(33 769 162)	9 916 997
Furniture and fixtures	6 951 206	(3 209 797)	3 741 409	6 561 241	(2 561 015)	4 000 226
Motor vehicles	57 540 380	(31 097 565)	26 442 815	48 559 304	(27 048 250)	21 511 054
Office equipment	1 269 270	115 901	1 385 171	1 240 011	(877 329)	362 682
Computer equipment	9 903 518	(4 906 501)	4 997 017	8 390 368	(3 752 457)	4 637 911
Infrastructure and community assets	1 073 713 966	(668 486 967)	405 226 999	1 030 614 928	(628 738 562)	401 876 366
Landfill site	21 517 808	(13 495 410)	8 022 398	21 517 808	(12 783 868)	8 733 940
Other equipment	5 872 017	(1 689 285)	4 182 732	2 525 431	(1 373 959)	1 151 472
WIP	170 205 380	-	170 205 380	140 585 412	-	140 585 412
Total	1 478 799 146	(795 606 700)	683 192 446	1 391 015 124	(745 036 987)	645 978 137

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land and Buildings	53 202 077	-	-	-	(3 088 228)	-	-	50 113 849
Furniture and fixtures	4 000 226	390 620	-	-	(664 517)	-	15 080	3 741 409
Motor vehicles	21 511 054	8 981 076	-	-	(4 074 667)	-	25 352	26 442 815
Office equipment	362 682	1 118 967	-	-	(109 643)	-	13 165	1 385 171
Computer equipment	4 637 911	1 660 100	(142 170)	-	(1 160 298)	-	1 474	4 997 017
Infrastructure and community assets	401 876 366	-	-	43 099 037	(39 713 500)	(34 904)	-	405 226 999
Plant and equipment	9 916 997	804 980	-	-	(1 850 057)	-	2 756	8 874 676
Landfill site	8 733 940	-	-	-	(711 542)	-	-	8 022 398
Other equipment	1 151 467	3 346 586	-	-	(315 531)	-	210	4 182 732
WIP	140 585 412	77 719 585	-	(43 099 037)	-	(5 000 580)	-	170 205 380
	645 978 132	94 021 914	(142 170)	-	(51 687 983)	(5 035 484)	58 037	683 192 446

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Reclassificati on	Depreciation	Impairment reversal	Total
Land and Buildings	17 975 191	-	-	37 243 175	-	(2 016 289)	-	53 202 077
Furniture and fixtures	3 628 459	570 764	(17 018)	-	-	(181 979)	-	4 000 226
Motor vehicles	17 480 922	8 350 297	(1 182 679)	-	-	(3 137 486)	-	21 511 054
Office equipment	423 710	27 097	(14 531)	-	-	(73 594)	-	362 682
Computer equipment	3 260 268	2 405 513	(167 209)	-	-	(860 661)	-	4 637 911
Infrastructure and community assets	369 104 792	-	-	60 734 022	-	(39 954 855)	11 992 407	401 876 366
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	933 029	571 925	(135 240)	-	-	(218 243)	-	1 151 471
WIP	185 907 707	75 467 707	-	(97 977 197)	(22 812 805)	-	-	140 585 412
	624 414 581	87 788 194	(3 902 893)	-	(22 812 805)	(51 501 348)	11 992 407	645 978 136

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4. Property, plant and equipment (continued)

Carrying values of Construction Projects that are taking significant longer to complete (Longer than the initial planned date)

COMMUNITY ASSETS

MBH/PSP/0015/2014/15: Construction of Ward 25 Sports Field	45 992 653	44 410 754
MBH/PSP/0015/2014/15: Construction of Ward 01 Sports Field	19 725 485	8 170 032
MBH/PSP/0015/2014/15: Construction of Ward 13 Sports Field	-	21 106 748
MBH/COM/0028/2015-16: Fencing of Dutywa and Willowvale Landfill Sites	742 500	742 500
	66 460 638	74 430 034

INFRASTRUCTURE

MBH/PSP/0005/2017-18: Construction of Lower Falakahla to Singeni Access Road	-	4 287 326
MBH/MIG/GR/0012/2015-16: Construction of Xhora Mouth to Ndalatha Bridge	-	14 300 788
MBH/PSP/0015/2014/15: Construction of Vinindwa to Mazizini Bridge	4 136 941	3 682 079
MBH/COM/0027/2015-16: Upgrade of Elliotdale Landfill Site	-	3 847 962
R/EC/3392/08/09: Construction of Msikithi Access Road	14 968 080	7 902 630
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 Mbheki Internal Streets	5 122 104	5 122 104
MBH/PSP/0005/2017-18: Sibiyane Access Road	3 607 983	1 553 680
MBH/PSP/0005/2017-18: Construction of Langeni to Riverview Access Road	9 958 863	4 834 148
	42 794 551	50 531 297

Langeni to Riverview Access Road - The project delays are due to amendments that have been effected on the original route in an attempt for re-alignment..

Msikithi Access Road - The project delays were caused by an extension of scope while the project was being executed

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 July 2024.

Sibiyane Access Road - The project delays are due to environmental restrictions that require the project to be implemented during the summer season to protect a certain species of vultures that are close to extinction which are habitants of the area.

Vinindwa Access Road - This project is implemented using the municipal plant and the machine breakdowns in municipal fleet and slow turnaround times to repair are contributing to the delays.

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 2024/2025 Phase 3 (Fencing) will be completed as well as Phase 4.

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

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

Retention withheld	11 177 591	-
Infrastructure assets	85 923 928	55 366 907
Community assets	73 103 861	76 239 901
INEP Projects	-	24 397 446
	170 205 380	156 004 254

The above breakdown excludes retention values.

Change in estimates

After assessing the useful lives of Non - current Assets during the previous financial year , the municipality has realised that some events on the ground necessitated 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 previous financial year, the impact in the previous financial year was an increase in depreciation by an amount of R4 593 797.

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4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	53 199 063	47 193 003
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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.

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5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 897 168	(2 563 361)	333 807	2 671 663	(2 251 312)	420 351

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5. Intangible assets (continued)

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	420 351	(86 544)	333 807

Reconciliation of intangible assets - 2023

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

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6. Heritage assets

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

Mayoral Chain and Gown
Historical monuments

Total

2024			2023		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
2	-	2	2	-	2
9	-	9	9	-	9
11	-	11	11	-	11

Reconciliation of heritage assets 2024

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

Mayoral Chain and Gown
Historical monuments

Opening balance	Total
2	2
9	9
11	11

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
11	11

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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 (Singumeni 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 commitments

Operating leases - as lessee (expense)

Minimum lease payments due

-Within one year

877 554.37 877 554.37

-In second to fifth year

438 777.19 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

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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	6 940 000	5 956 000
Benefits payment	(770 000)	(269 000)
Net expense recognised in the statement of financial performance	1 335 000	1 253 000
	7 505 000	6 940 000

Amount recognised in surplus and deficit

Current service cost	841 000	799 000
Current interest cost	743 000	650 000
Actuarial (gains) losses	(249 000)	(196 000)
	1 335 000	1 253 000

Amount recognised in statement of financial position

Current Employee Benefit Obligation	1 067 000	770 000
Non - Current Employee Benefit Obligation	6 438 000	6 170 000
	7 505 000	6 940 000

Reconciliation of net statement of financial position amount

Opening balance	6 940 000	5 956 000
Expected return	1 335 000	1 253 000
Expected benefit payments	(770 000)	(269 000)
	7 505 000	6 940 000

Key assumptions

Discount rates used	11.13 %	11.32 %
General earnings inflation rate (long - term)	6.28 %	6.57 %

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 11.13% 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 5.09%. 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 28 June 2024. The duration of the liability was estimated to be 8.5 years.

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

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8. Employee benefit obligations (continued)

Sensitivities

1% increase in discount rate	7 122 000	6 565 000
Decreases in defined benefit obligation Percentage	5.0 %	5.0 %
	-	-
1% decrease in discount rate	7 931 000	7 358 000
Increases in defined benefit obligation Percentage	6.0 %	6.0 %
	-	-
1% increase in salary inflation	7 914 000	7 343 000
Increases in defined benefit obligation Percentage	5.0 %	6.0 %

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	367 301
Staff Debtors	226 569	203 555
Consumer debtors - Refuse	1 139 612	9 294 427
	1 733 482	9 865 283

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 2024. 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 2024.

10. Receivables from non-exchange transactions

SARS Debtor & Other receivables	459 524	244 264
Consumer debtors - Rates	70 561 091	57 847 214
Consumer debtors - Impairment provision	(48 196 560)	(39 559 408)
	22 824 055	18 532 070

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10. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions

Balance as at 30 June 2024	Opening balance	Movement	Amount written off	Closing balance
SARS debtor (PAYE)	227 918	12 731	-	240 649
Recoverable contribution to CRF Fund	16 346	(16 346)	-	-
Salary owed by resigned employee	-	56 463	-	56 463
Fuel spent on non Municipal vehicle	-	162 412	-	162 412
	244 264	215 260	-	459 524

The amount of R240 649 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, this year it has been received back.

During the current year Audit it was noted that a former employee was erroneously paid salary for three months, the Municipality is in the process of recovering the monies from the said former employee.

Secondly it was also noted that fuel card for the Municipality was used to refuel a vehicle that does not belong to the Municipality the total cost/expense was R162 412 as shown above, this amount is also raised as Fruitless and Wasteful Expenditure.

11. VAT receivable

Detail	2024	2023
Input VAT	10 399 208	17 662 422
Output VAT	(9 646 159)	(6 600 123)
	753 049	11 062 299
VAT	753 050	11 062 299

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.

Statutory receivables past due but not impaired

No VAT receivable - Statutory receivables are currently assessed as being past due as conditions necessary for their declaration/ payment/ receipt has not taken place.

Factors the municipality has considered in assessing statutory receivables past due but not impaired.

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.

Statutory receivables impaired

As at 30 June 2024, VAT receivable - statutory receivables were not required to be impaired.

12. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	70 561 091	57 847 214
Consumer debtors - Refuse	13 398 923	9 294 427
	83 960 014	67 141 641

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12. Consumer debtors disclosure (continued)		
Less: Allowance for impairment		
Consumer debtors - Refuse	(12 259 311)	-
Consumer debtors - Property rates	(48 196 560)	(39 559 408)
	(60 455 871)	(39 559 408)
Net balance		
Consumer debtors - Rates	70 561 091	57 847 214
Consumer debtors - Refuse	1 139 612	9 294 427
Allowance for Impairment loss	(48 196 560)	(39 559 408)
	23 504 143	27 582 233
Statutory receivables included in consumer debtors above are as follows:		
Property rates	70 004 095	57 846 559
Financial asset receivables included in consumer debtors above	-	-
Total consumer debtors	23 504 143	27 582 233
Rates		
Current (0 -30 days)	380 922	407 525
31 - 60 days	1 314 228	53 854
61 - 90 days	1 349 585	(35 198)
91 - 181+ days	67 516 356	57 421 033
	70 561 091	57 847 214
Refuse		
Current (0 -30 days)	263 059	266 027
31 - 60 days	328 003	272 498
61 - 90 days	318 266	284 832
91 - 181+ days	12 167 343	8 471 070
	13 398 923	9 294 427

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	324 212	395 224
31 - 60 days	510 494	224 515
61 - 90 days	546 569	329 495
91 - 181+ days	29 759 373	24 699 692
	31 140 648	25 648 926
Less: Allowance for impairment	(30 518 486)	(25 386 550)
	622 162	262 376
Industrial/ commercial		
Current (0 -30 days)	308 776	(11 119)
31 - 60 days	378 156	(118 626)
61 - 90 days	370 459	(334 693)
91 - 181+ days	19 367 618	14 783 927
	20 425 009	14 319 489
Less: Allowance for impairment	(20 016 935)	(14 172 858)
	408 074	146 631
National and provincial government		
Current (0 -30 days)	246 889	289 447
31 - 60 days	421 852	220 463
61 - 90 days	419 765	254 831
91 - 181+ days	19 801 890	24 503 521
	20 890 396	25 268 262
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	27 465	35 202
Main bank account	370 477 438	300 569 157
Short-term deposits	61 449 647	32 715 142
	431 954 550	333 319 501

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank Limited- Call Account - Account number 62562355373	35 074	114 894	109 125	35 074	114 894	109 125
First National Bank Limited - Call Account - Account number 62562352410	143 685	8 902	8 595	143 685	8 901	8 595
First National Bank Limited - Cheque account - Account number 62231175953	368 298 815	300 361 740	186 065 455	370 477 438	300 569 157	194 757 074
First National Bank - 7 Day Interest Plus - Account Number 74321424942	26 404 224	21 378 937	40 289 328	26 404 223	21 378 937	40 289 328
First National Bank - Call Account - Account Number 74813155287	34 866 664	11 212 410	21 382 645	34 866 664	11 212 410	21 382 645
Cash on hand	-	-	-	27 465	35 202	34 333
Total	429 748 462	333 076 883	247 855 148	431 954 549	333 319 501	256 581 100

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

OTP Grant	1 714 809	657 166
Disaster Relief Grant	18 250 387	8 273 142
Library Grant	-	403 597
INEP	-	12 434 869
	19 965 196	21 768 774

Movement during the year

Balance at the beginning of the year	21 768 774	24 214 236
Additions during the year	138 701 575	134 510 137
Income recognition during the year	(140 505 153)	(136 955 599)
	19 965 196	21 768 774

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 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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15. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	21 779 404	2 602 638	24 382 042

Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	28 814 285	(7 034 881)	21 779 404

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 2024.

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

Discount Rate Assumption.

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site. The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long-term discount rate on 30 June 2024 was 11.94% p.a. The consumer price inflation of 6.51% p.a. was obtained from the differential between the averages of the Nominal Bond and the Real Bond (Zero Yield Curves)..

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2024.

The Dutywa landfill site was licensed was extended for 2 years in 2015 due to an inadequate buffer zone between the landfill and the residential area. The site is still receiving waste, it is technically closed (pending rehabilitation) and has no remaining site life.

Dutywa landfill site with license number HO/A20/LO17/12 was issued for closure and rehabilitation. There is a transfer station has been built and operational, about five minutes away east of the landfill site.

Elliotdale Landfill Site, assuming an annual waste generation growth of 2.5% the remaining site life of this landfill is approximately 21 years* as illustrated in Table 4 of the Report..

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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16. Payables from exchange transactions

Trade payables	5 628 267	8 267 409
Debtors with credit balances	2 801 038	1 401 955
Accrued leave pay	10 491 785	11 153 045
Accrued bonus (13th Cheque)	5 792 584	5 844 090
Agency fees (Licensing Authority)	233 192	742 851
Contract retentions	11 177 591	10 125 388
Payroll control accounts	(1 196 549)	-
	34 927 908	37 534 738

17. Revenue

Service charges	3 730 340	3 490 927
Construction contracts	14 090 339	5 070 361
Rental of facilities and equipment	3 188 573	3 692 802
Interest income (trading)	5 123 180	3 373 321
Other income	1 310 054	950 660
Interest received - investment	40 207 257	26 197 502
Property rates	20 429 729	19 982 333
Licences and permits	2 542 902	2 863 539
Government grants & subsidies	434 662 283	425 913 468
Fines and Penalties	1 615 121	2 046 439
	526 899 778	493 581 352

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

Service charges	3 730 340	3 490 927
Construction contracts	14 090 339	5 070 361
Rental of facilities and equipment	3 188 573	3 692 802
Interest received (trading)	5 123 180	3 373 321
Other income (Refer to note 19)	1 310 054	950 660
Interest earned - investments	40 207 257	26 197 502
	67 649 743	42 775 573

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

Taxation revenue

Property rates	20 429 729	19 982 333
Licence and permits	2 542 902	2 863 539

Transfer revenue

Government grants & subsidies	434 662 283	425 913 468
Fines and penalties	1 615 121	2 046 439

459 250 035 450 805 779

18. Service charges

Refuse removal	3 730 340	3 490 927
----------------	-----------	-----------

19. Rental of facilities and equipment

Premises

Premises	2 943 453	3 429 266
Rental of Halls	153 053	109 426
Rental of Billboards	92 067	154 110

3 188 573 3 692 802

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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20. Fines, Penalties and Forfeits

Law Enforcement Fines	1 615 121	2 046 439
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21. Agent Disclosure in Principal-Agent Relation

Amount received from License Fees	10 248 624	9 099 999
Amount Paid over to Department of Transport	(8 101 956)	(6 702 353)
Commission received by Municipality	(1 913 486)	(1 654 795)
	233 182	742 851

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.

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).

22. Licence and permits

Licence and permits	2 542 902	2 863 539
---------------------	-----------	-----------

23. Other income

Administrative Fees	499 612	718 534
Building Plans	634 974	223 803
Burial and cemetery	3 633	3 467
Sundry income	171 835	4 856
	1 310 054	950 660

24. Interest earned - external investments

Interest revenue

Interest on bank accounts and investment balances	40 207 257	26 197 502
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Municipality invest monies on short term investments during the financial year and earn interest. -.

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
25. Property rates		
Rates charged		
Assessment rates	20 429 729	19 982 333
Valuations		
Residential	298 144 000	299 462 500
Agriculture	110 194 300	89 905 300
Business	390 628 592	379 540 592
Government	1 558 425 400	1 563 247 400
Industrial	10 098 000	10 098 000
Multi - purpose centres	21 868 000	23 708 000
Public benefirt organisations	35 176 000	35 176 000
Public service infrastructure	4 578 000	4 578 000
Vacant land	85 446 000	81 301 000
	2 514 558 292	2 487 016 792

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

A general rate of 0.00755 (2023: 0.00712) is applied to residential property valuations to determine assessment rates.
A general rate of R 0.01002 (2023: R 0.00946) is applied to business property valuations to determine assessment rates.
A general rate of R 0.01128 (2023: R 0.01064) is applied to government property valuations to determine assessment rate
A general rate of R 0.00877 (2023: 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 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Government grants and subsidies		
Operating grants		
Equitable share	310 734 000	294 923 000
Energy Efficiency Grant	5 000 000	4 500 000
Disaster Relief Grant	22 226 754	13 626 858
Integrated Electrification Programme	-	-
Finance Management Grant	1 770 000	1 720 000
TETA SETA	-	379 625
OTP Grant	21 442 764	14 464 117
Municipal Infrastructure Grant	66 706 000	91 390 860
LG SETA Grant	270 168	33 229
Library subsidies	903 597	1 377 779
Extended Public Works Programme	1 750 000	3 498 000
Waste Recycling Solutions Subsidy	3 859 000	-
	434 662 283	425 913 468

Conditional and Unconditional

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

Conditional grants realised into revenue	123 928 283	136 955 599
Unconditional grants received	310 734 000	294 923 000
	434 662 283	431 878 599

Equitable Share

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

OTP Grant

Balance unspent at beginning of year	657 166	-
Current-year receipts	22 500 407	15 121 283
Conditions met - transferred to revenue	(21 442 764)	(14 464 117)
	1 714 809	657 166

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

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	5 000 000	4 500 000
Conditions met - transferred to revenue	(5 000 000)	(4 500 000)
	-	-

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	22 932 860
Current-year receipts	66 706 000	68 458 000
Conditions met - transferred to revenue	(66 706 000)	(91 390 860)
	-	-

Finance Management Grant

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Government grants and subsidies (continued)		
Current-year receipts	1 770 000	1 720 000
Conditions met - transferred to revenue	(1 770 000)	(1 720 000)
	-	-
Disaster Relief Grant		
Balance unspent at beginning of year	8 273 142	-
Current-year receipts	32 203 999	21 900 000
Conditions met - transferred to revenue	(22 226 754)	(13 626 858)
	18 250 387	8 273 142
Conditions still to be met - remain liabilities (see note 14).		
Library Grant		
Balance unspent at beginning of year	403 597	1 281 376
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(903 597)	(1 377 779)
	-	403 597
This Grant is for the cost of running the Library services which are under Community services department.		
EPWP		
Current-year receipts	1 750 000	3 498 000
Conditions met - transferred to revenue	(1 750 000)	(3 498 000)
	-	-
TETA SETA GRANT		
Current-year receipts	-	379 625
Conditions met - transferred to revenue	-	(379 625)
	-	-
This Grant from TETA SETA is for assisting permanent employees in furthering their studies..		
Integrated Electrification Programme Grant		
Balance unspent at beginning of year	12 434 869	-
Current-year receipts	4 142 000	18 400 000
Conditions met - transferred to revenue	(14 090 339)	(5 070 361)
Vat portion	(2 486 530)	(894 770)
	-	12 434 869
Waste Recycling Solutions Grant		
Current-year receipts	3 859 000	-
Conditions met - transferred to revenue	(3 859 000)	-
	-	-
LG SETA Grant		
Current-year receipts	270 168	33 229
Conditions met - transferred to revenue	(270 168)	(33 229)

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Government grants and subsidies (continued)	-	-

Monies received from LG SETA are used to subsidise training costs for employees and Councillors as well as Ward Committees.

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
27. Employee related costs		
Bargaining council contributions	35 078	36 876
Basic	76 520 279	72 388 004
Bonus (13th cheque)	5 718 050	5 866 668
Casual employees	16 539 134	12 604 089
Cellphone Allowance	5 443 617	5 440 127
Leave related costs	748 814	1 304 697
Long-service awards	860 406	1 085 480
Medical aid - company contributions	7 452 922	6 867 536
Overtime payments	3 257 287	2 006 882
Performance & Structured bonus	234 767	882 472
Post-employment benefits	12 267 777	11 752 555
Residential allowance	2 774 856	2 793 920
Stand by Allowances	555 060	267 852
Travel, motor car, accommodation, subsistence and other allowances	2 537 877	3 922 176
Unemployment Insurance Fund	722 822	718 461
	135 668 746	127 937 795

Remuneration of Municipal Manager

Annual remuneration	1 046 284	1 110 239
Backpay	52 550	63 613
Bonus (Structured)	44 480	36 000
Performance bonus	-	121 550
Contributions to UIF, medical and pension funds	17 345	20 840
Travel, motor car, accommodation, subsistence and other allowance	360 656	384 906
Leave payout	-	169 697
Once off	20 340	-
	1 541 655	1 906 845

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	871 266	799 303
Backpay	2 876	45 663
Bonus (Structured)	70 996	60 000
Performance bonus	-	99 716
Travel, motor car, accommodation, subsistence and other allowance	157 089	305 275
Contributions to UIF, medical and pension funds	15 556	12 982
Leave pay	144 405	-
	1 262 188	1 322 939

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. Mr Jam Jam was appointed as the current CFO from 01 August 2023.

Remuneration of Senior Manager - Community Services

Annual remuneration	812 516	979 280
Backpay	42 158	47 969
Performance bonus	-	117 846
Travel, motor car, accommodation, subsistence and other allowance	273 765	361 371
Contributions to UIF, medical and pension funds	16 270	17 772
Leave pay	142 843	-
Once off	20 340	-

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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27. Employee related costs (continued)

Medical Aid Refund	11 774	-
	1 319 666	1 524 238

Ms NP Mlungu was re - appointed as director from July 2023.

Remuneration of Senior Manager Corporate Services

Annual remuneration	835 835	812 171
Performance bonus	-	137 110
Backpay	43 626	45 663
Bonus (Structured)	36 000	36 000
Travel, motorcar, accomodation, subsistance and other allowances	431 273	423 761
Contributions to UIF, medical and pension funds	16 317	17 177
Once off	20 340	-
	1 383 391	1 471 882

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

Remuneration of Senior Manager Infrastructure Services

Annual remuneration	854 572	905 759
Backpay	45 196	47 307
Bonus (Structured)	60 000	60 000
Travel, motor car, accommodation, subsistence and other allowances	328 748	343 298
Contributions to UIF, Medical Aid and Pension Fund	15 807	16 415
Once off	20 340	-
	1 324 663	1 372 779

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

Remuneration of Senior Manager Operations

Annual remuneration	795 016	923 378
Backpay	42 158	47 969
Bonus (Structured)	23 292	55 901
Performance bonus	-	117 846
Travel, motor car, accomodation, subsistence and other allowances	299 207	361 800
Contributions to UIF, Medical and Pension Funds	16 161	17 772
Medical aid refund	13 246	-
Leave pay	142 843	-
Once off	20 340	-
	1 352 263	1 524 666

Mrs T Bacela was appointed as Senior Manager Operations from July 2018 up to 30 June 2023, Mrs M Mphahlwa was appointed as new Senior Manager Operations.

Remuneration of Senior Manager Planning and Development

Annual remuneration	776 443	905 759
Backpay	45 196	47 307
Performance bonus	-	116 219
Bonus (Structured)	-	60 000
Travel, motor car, accommodation, subsistence and other allowance	307 221	335 691
Contributions to UIF, medical and pension funds	13 717	17 578
Once off	20 340	-
	1 162 917	1 482 554

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
27. Employee related costs (continued)		
Mr A Mashaba was appointed as Senior Manager from May 2019.		
28. Remuneration of Councillors		
Mayor	967 810	985 274
Speaker	776 063	788 288
Executive Committee Members	4 771 284	3 333 716
Chief WHIP	743 850	738 746
Council remuneration	15 478 592	16 569 350
Councillors' allowance	489 784	1 028 465
	23 227 383	23 443 839
29. Depreciation and amortisation		
Property, plant and equipment	51 687 783	51 576 602
30. Impairment of assets		
Impairments		
Property, plant and equipment	4 936 633	6 156 342
	4 936 633	6 156 342
	-	-
The main classes of assets affected by impairment losses are:		
Movable Assets.		
31. Finance costs		
Interest paid on trade and other payables	20 984	9 057
Change in landfill site provision	1 417 839	3 241 607
	1 438 823	3 250 664
32. Debt impairment		
Contributions to debt impairment provision - consumer debtors	20 896 464	2 722 217

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
33. Administrative and other expenditure		
Accounting and Professional fees	3 678 121	3 552 693
Advertising	2 207 918	1 783 704
Audit committee fees	366 550	333 255
Auditors remuneration	6 199 700	5 243 350
Bank charges	654 131	729 746
Catering	3 104 508	2 687 812
Consumables	23 296	22 322
Cleaning	456 146	348 038
Conferences and seminars	320 993	1 408 433
Electricity	2 874 851	1 707 092
Fuel and oil	5 994 170	11 337 867
Hiring charges	1 883 607	1 453 001
Insurance	2 670 630	2 478 305
Indigent subsidies	654 737	1 365 986
IT Expenses	4 905 021	2 872 815
Lease rentals on operating lease	1 144 619	1 558 079
Legal costs	3 417 276	1 559 232
Library expenses	704 717	340 968
Motor vehicle expenses	987 815	311 712
Other expenses	656 339	838 990
Printing and stationery	989 253	682 042
Project maintenance costs	13 089 620	12 956 457
Protective clothing	1 915 976	1 495 337
Promotions and Branding	1 254 523	226 398
Refuse	1 725 577	464 747
Repairs and maintenance	53 199 063	47 193 003
Rural Electrification Programme	14 090 339	9 796 948
Safety Plan	986 600	1 003 836
Skills development	307 323	1 185 829
Special programme	1 423 190	952 467
Subscription and membership fees	2 332 306	3 331 485
Telephone and fax	497 701	595 459
Tourism development	306 000	72 006
Traditional leaders	173 526	164 521
Travel - local	11 906 189	6 881 992
Training and development	2 683 766	2 502 374
Ward Committees	5 396 060	5 278 490
Water	1 899 047	1 426 196
	157 081 204	138 142 987

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
34. Cash generated from operations		
Surplus	131 872 261	132 334 625
Adjustments for:		
Depreciation and amortisation	51 687 783	51 576 602
Gain on sale of assets and liabilities	90 481	89 843
Impairment deficit	4 936 633	6 156 342
Debt impairment	20 896 464	2 722 217
Movements in retirement benefit assets and liabilities	565 000	984 000
Movements in provisions	2 602 638	(7 034 881)
Changes in working capital:		
Receivables from exchange transactions	8 131 801	(1 086 740)
Consumer debtors	(20 896 464)	(2 722 217)
Other receivables from non-exchange transactions	(4 291 985)	(12 584 440)
Payables from exchange transactions	(2 606 829)	7 777 215
VAT	10 309 249	(6 193 796)
Unspent conditional grant and receipts	(1 803 578)	(2 445 462)
Other non cash movements due to error adjusting journal	(8 836 491)	(754 699)
	192 656 963	168 818 609

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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35. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 733 482	1 733 482
Receivables from non - exchange transactions	459 524	459 524
Cash and cash equivalents	431 954 550	431 954 550
	434 147 556	434 147 556

Financial liabilities

	At amortised cost	Total
Contract retentions	11 177 591	11 177 591
Trade payables	5 628 267	5 628 267
Unspent conditional grant	1 714 809	1 714 809
Debtors with credit balances	2 801 038	2 801 038
Agency fees (Licensing Authority)	233 192	233 192
	21 554 897	21 554 897

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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35. Financial instruments disclosure (continued)

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	9 865 283	9 865 283
Receivables from non - exchange transactions	237 544	237 544
Cash and cash equivalents	333 319 501	333 319 501
	343 422 328	343 422 328

Financial liabilities

	At amortised cost	Total
Contract retentions	10 125 388	10 125 388
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
	34 033 236	34 033 236

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Land and buildings	-	887 158
• Infrastructure	57 847 109	85 718 721
• Community Assets	22 120 629	41 999 304
	79 967 738	128 605 183

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
37. Contingencies			
Contingent liabilities			
The municipality is currently party to the following Court Cases:	Nature of Contingent Liability	2024	2023
Changing tides 1153 vs Mbhashe LM	Breach of contract	2 290 415	2 290 415
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
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
V.Nosilela vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	-	905 492
S.Manxiwa vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	-	1 659 043
Z.Majebe vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	-	864 861
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
N.E Rulashe vs Mbhashe LM	Damages, loss of profit	-	296 000
Balintulo vs Mbhashe Local Municipality	Breach of contract	3 112 651	3 112 651
Luyanda Tshona vs Mbhashe Local Municipality	Unlawful arrest	700 000	700 000
Nkamela Mphuthumi vs Mbhashe Local Municipality	Unlawful arrest	800 000	800 000
C.Siwundla vs Mbhashe Local Municipality	Illegal demolition	-	284 750
S. Danti vs Mbhashe Local Municipality	Damages Claim	400 000	400 000
P. Singola vs Mbhashe Local Municipality	Damages from MVA	-	16 061
M Ngqeleni vs Mbhashe Local Municipality	Damages from MVA	-	28 422

MBHASHE LOCAL MUNICIPALITY (EC 121)

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37. Contingencies (continued)		
N. Jele vs Mbashe Local Municipality	Damages from MVA	- 6 026
N. Mbana vs Mbashe Local Municipality	Pothole Damages	8 780 000 8 780 000
B. Vutulta vs Mbashe Local Municipality	Damages Claim for unlawful removal of containers	350 000 -
Ziphozihle Gift Mvunelo vs Mbashe Local Municipality	Unlawful deduction of salary	- 21 878
Tonise Attorneys vs Mbashe Local Municipality	Non payment of invoice	180 553 180 553
All Green Consultants vs Mbashe Local Municipality	Breach of Contract	- 578 158
Golden Security vs Mbashe Local Municipality	Damages for Breach of Contract	10 750 158 10 750 158
Salusiwe Nomoyi vs Mbashe Local Municipality		- 400 000
E. Maramncwa vs Mbashe Local Municipality	MVA	30 162 -
Gay Gegson Ratau Khaile vs Mbashe Local Municipality	Discrimination	1 174 801 1 174 801
C. Gcolotela vs Mbashe Local Municipality	Assault	450 000 -
	54 776 740	60 258 282

The following are litigations against the Municipality for which no estimate is available:

1. HAWKS vs Mbashe Local Municipality vs Mbashe Local Municipality (Alleged fraud on Discovery Life Cover)
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	2024	2023
Fraudulent payment (Telkom) reported to SAPS	Fraudulent payment	18 484	18 484
Mbhashe LM vs Various Ratepayers	Contravention of by-laws	1 650 000	1 650 000
Mbhashe LM vs M. Mbambo	Illegal demolition - Case finalised in favour of Mbhashe LM	98 227	98 227
Mbhashe LM vs S. Gobeni	Illegal demolition	10 979	10 979
Mbhashe LM vs Loyiso Consulting	Undelivered Hawker Stalls	13 016 713	13 000 000
		14 794 403	14 777 690

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

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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

Cllr C.Genyane	4 122	2 184
Cllr I.N Quvile	-	460
Cllr MS Jaffa	(2 233)	114 496
Sinazo Dyasi	1 049	-

Balances of amounts received from related parties for sale of land

Sinazo Dyasi	82 400	82 400
B Majavu	78 600	78 600
M Noyila	15 000	15 000

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/owed as at 30 June 2024 and 30 June 2023 respectively that relates to Related parties as disclosed above.

Sale of land Purchase prices and balance outstanding as at 30 June 2024

	Purchase price	Payments received	Balance outstanding
Babalwa Majavu (ERF: 477)	68 800	(78 600)	(9 800)
Sinazo Dyasi (ERF 497)	74 500	(82 400)	(7 900)
	196 100	(201 000)	(4 900)

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

	Purchase price	Payments received	Total
Babalwa Majavu (ERF: 477)	68 800	(78 600)	(9 800)
Sinazo Dyasi (ERF 497)	74 500	(82 400)	(7 900)
	143 300	(161 000)	(17 700)

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38. Related parties (continued)

Key management information

Position	Name	Description
Municipal Manager	Mr M Nako	Employed in terms of Section 54(a) of MSA
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 MP Mpahlwa	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 2023/2024 financial year

2024

Name	Cellphone allowance paid as part of monthly salary	Basic salary	Backpay	Travel, accommodation, subsistence and other reimbursable claims	Structured housing allowance	Structured travel allowance	SDL, Group life or funeral cover	Total
Mayor - Cllr S. Janda	-	428 318	45 373	-	483 644	-	10 475	967 810
Speaker - Cllr B. Majavu	-	729 568	36 949	943	-	-	8 603	776 063
Chief WHIP - L. Mantshiyose	-	524 200	34 843	5 885	-	170 992	7 929	743 849
Cllr N Ganda (MPAC Chairperson)	-	670 226	34 209	-	-	-	7 044	711 479
Cllr C. Genyane (Womens's Caucus Chairperson)	-	216 449	16 584	-	-	72 150	4 158	309 341
Cllr M Sibingibingi (Ethics and Members Interest Chairperson)	46 130	216 449	6 633	-	-	72 150	4 724	346 086
Cllr N. Mgedesi (Member of Mayoral Committee)	-	683 970	34 843	-	-	-	8 643	727 456
Cllr N. Apleni (Member of Mayoral Committee)	-	286 183	20 877	-	-	95 394	5 018	407 472
Cllr F. Ndaule (Member of Mayoral Committee)	-	381 569	20 877	-	-	-	5 479	407 925

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38. Related parties (continued)

Cllr M.K Makapela (Member of Mayoral Committee)	-	512 977	34 843	-	-	170 992	7 816	726 628
Cllr N.N Ngomthi (Member of Mayoral Committee)	-	381 569	20 877	-	-	-	5 479	407 925
Cllr N Gxamntwana (Member of Mayoral Committee)	-	683 970	34 843	-	-	-	8 158	726 971
Cllr Z. Gobinduku	-	288 599	16 584	-	-	-	4 506	309 689
Cllr S. Futshane	-	222 295	16 584	-	-	66 304	4 169	309 352
Cllr D.T Tsengwa	46 130	288 599	13 267	-	-	-	4 724	352 720
Cllr T Nodliwa	11 745	216 449	16 584	-	-	72 150	4 479	321 407
Cllr B Gaven	11 745	288 599	16 584	-	-	-	4 296	321 224
Cllr A. Mpatuse	-	216 449	16 584	-	-	72 150	4 275	309 458
Cllr K Sigwayi	-	288 599	16 584	-	-	-	4 302	309 485
Cllr E Fipaza	11 745	288 599	16 584	-	-	-	4 624	321 552
Cllr N Ngolothi	-	258 259	16 584	-	-	30 340	4 446	309 629
Cllr M.V Muru	11 745	258 259	16 584	-	-	30 340	4 359	321 287
Cllr S. Toyana	-	288 599	16 584	-	-	-	4 302	309 485
Cllr L Mpunzi	11 745	228 141	16 584	-	-	60 458	4 298	321 226
Cllr S Mdabuka	-	222 295	16 584	-	-	66 304	4 181	309 364
Cllr N Stafana	-	288 599	16 584	-	-	-	4 506	309 689
Cllr N.N Ntshontsho	-	288 599	16 584	-	-	-	4 302	309 485
Cllr L Mahobe	-	216 449	16 584	-	-	72 150	4 362	309 545
Cllr P Methu	-	288 599	16 584	-	-	-	4 506	309 689
Cllr S.T Sitwayi	-	216 449	16 584	-	-	72 150	4 181	309 364
Cllr N. Kopolo	-	288 599	16 584	-	-	-	4 302	309 485
Cllr S Ndinisa	-	216 449	16 584	-	-	72 150	4 362	309 545
Cllr L Khumelwana	-	288 599	16 584	-	-	-	4 302	309 485
Cllr B Sithela	11 745	216 449	16 584	-	-	72 150	4 275	321 203
Cllr N Magatya	-	216 449	16 584	-	-	72 150	4 362	309 545
Cllr W Genyane	-	288 599	16 584	-	-	-	4 302	309 485
Cllr T Nokele	-	288 599	16 584	-	-	-	4 506	309 689
Cllr P Msaro	-	288 599	16 584	-	-	-	4 506	309 689
Cllr T.M Nxusani	-	222 295	16 584	-	-	66 304	4 374	309 557
Cllr P.P Zuma	-	216 449	16 584	-	-	72 150	4 158	309 341
Cllr S Labhatala	-	216 449	16 584	-	-	72 150	4 362	309 545
Cllr N Nkomonye	-	216 449	16 584	-	-	72 150	4 362	309 545
Cllr X.M Tyodana	-	370 368	20 360	417	-	-	5 151	396 296
Cllr P.P Kondile	-	216 449	16 584	-	-	72 150	4 158	309 341
Cllr N. Mkhedamo	-	288 599	16 584	-	-	-	4 236	309 419
Cllr Miss YG Mhlathi	-	216 449	16 584	-	-	72 150	4 158	309 341

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38. Related parties (continued)

Cllr Mrs N Tyelingane	-	216 449	16 584	-	-	72 150	4 362	309 545
Cllr Miss F Mbiko	46 130	216 449	16 584	-	-	72 150	4 823	356 136
Cllr M Tetyana	-	216 449	16 584	-	-	72 150	4 362	309 545
Cllr B Dumezweni	-	288 599	16 584	-	-	-	4 506	309 689
Cllr MH Gwesha	-	288 599	16 584	-	-	-	4 506	309 689
Cllr Z Magazi	-	288 599	16 584	-	-	-	4 506	309 689
Cllr NN Sidlova	-	288 599	16 584	308	-	-	4 266	309 757
Cllr L Madaka	-	288 599	16 584	-	-	-	4 506	309 689
Cllr A Matshobeni	-	288 599	16 584	-	-	-	4 506	309 689
Cllr U Mboneli	-	216 449	16 584	6 198	-	72 150	4 362	315 743
Cllr N Mongezi	11 745	288 599	16 584	308	-	-	4 624	321 860
Cllr MR Ndikinda	46 130	270 395	8 845	-	-	18 204	4 854	348 428
Cllr MJ Jafta	-	288 599	16 584	-	-	-	4 506	309 689
Cllr M Takani	-	288 599	16 584	-	-	-	4 302	309 485
Cllr N Mahlati	-	216 449	16 584	-	-	72 150	4 362	309 545
Cllr PN Tomose	3 917	218 450	-	-	-	-	3 314	225 681
Cllr A Tyatyaza	35 247	175 973	-	-	-	42 476	3 424	257 120
	-	-	-	-	-	-	-	-

2023

Name	Basic salary	Backpay	Travel, accomodation, subsistence and other reimbursive claims	Structured housing allowance	Structured travel allowance	SDL, Group life or funeral cover	Cellphone allowance paid as part of monthly salary	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

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38. Related parties (continued)

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
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	44 400	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	14 800	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

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38. Related parties (continued)

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
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	11 100	90 324
Cllr Miss F Mbiko	209 941	8 854	-	-	69 980	4 646	44 400	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 Gweshu	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	14 800	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
	18 384 936	539 438	20 975	469 098	1 593 899	289 824	129 500	21 427 670

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38. Related parties (continued)

Remuneration of Senior Managers

2024

	Basic salary	Self structured bonus	Medical Aid Refund	Contributions to UIF, medical and pension fund	Travel, motor car, accommodation, subsistence and other allowance	Leave pay	Backpay	Once off earnings	Total
Position									
Municipal Manager	1 046 284	44 480	-	17 345	360 656	-	52 550	20 340	1 541 655
Chief Financial Officer	871 266	70 996	-	15 556	157 089	144 405	2 876	-	1 262 188
Senior Manager Community Services	812 516	-	11 774	16 270	273 765	142 843	42 158	20 340	1 319 666
Senior Manager Corporate Services	835 835	36 000	-	16 317	431 273	-	43 626	20 340	1 383 391
Senior Manager Infrastructure Services	854 572	60 000	-	15 807	328 748	-	45 196	20 340	1 324 663
Senior Manager Operations	795 016	23 292	13 246	16 161	299 207	142 843	42 158	20 340	1 352 263
Senior Manager Planning and Development	776 443	-	-	13 717	307 221	-	45 196	20 340	1 162 917
	5 991 932	234 768	25 020	111 173	2 157 959	430 091	273 760	122 040	9 346 743

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38. Related parties (continued)

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
Position								
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
	6 435 889	307 901	710 287	120 536	2 516 102	169 697	345 491	10 605 903

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39. Prior period errors

1. During the current year Audit, the Municipality reclassified INEP Expenditure for the prior year and the current year from work in progress (Statement of Financial Position) into expenses under the Statement of Financial Performance.

2. During the current year Municipality has done 100% verification of all non current assets and noted that some assets that had been previously written off because they couldnt be verified were found , those were then brought back into books, the effects have been disclosed below including Note 40

3. During the current year the Municipality hs revisited 100% of its debtors population in trying to respond to an unresolved finding of 2022/2023, this has resulted to proposing and passing of Journals that affected opening balances and comparative amounts, the effects are shown below including Note 40.

4. During the Audit adjustment Management noted that some of the people still listed as related parties under sale of land note were no longer related parties in year 2022/2023, therefore the AFS Note had to be amended.

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

Statement of financial position

Decrease in Property, plant and equipment	-	(24 573 541)
Increase in Property rates (debtors)	-	1 904 038
Opening Accumulated Surplus or Deficit	-	(3 179 347)

Statement of financial performance

Increase in Administrative and other expenditure	-	(26 134 529)
Increase in Interest income (trading/Consumer debtors)	-	2 772 910
Decrease in Property rates	-	(8 598)

Cash flow statement

Cash flow from operating activities

Decrease - Net Cashflows from operating activities	-	(27 999 876)
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Cash flow from investing activities

Decrease - Net Cashflows from investing activities	-	27 999 875
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40. Prior-year adjustments

Presented below are those items contained in the statement of financial position and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Accumulated Surplus		826 495 616	5 836 395	832 332 011

100% review of all consumer accounts was done and corrections were made which resulted in net change in Accumulated surplus, the total net effect of the correction is R5 836 395.

2023

	Note	As previously reported	Correction of error	Restated
Computer Equipment		4 593 263	44 648	4 637 911
Infrastructure and Community Assets		401 084 495	791 871	401 876 366
Work in progress		166 129 642	(25 544 230)	140 585 412
Receivables - Property rates		55 942 521	1 904 038	57 846 559
Accumulated Surplus		973 682 378	(9 015 742)	964 666 636
VAT Receivable		11 957 069	(894 770)	11 062 299
		1 613 389 368	(32 714 185)	1 586 190 217

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Interest income (debtors)		600 412	2 772 910	-	3 373 322
Property rates		19 990 931	(8 598)	-	19 982 333
Rural electrification programme		-	-	(9 796 948)	(9 796 948)
Grants and subsidies		431 878 599	-	(5 965 131)	425 913 468
Construction contracts revenue		-	-	5 070 361	5 070 361
Deficit for the year		452 469 942	2 764 312	(10 691 718)	444 542 536

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41. 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:

Cash and cash equivalents (including investments) are held with the following counter parties:	2024	2023
First National Bank	429 748 463	333 076 884

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42. Events after the reporting date

The municipality is not aware of any matter or circumstance arising since the end of the financial period to the date of this report that could have a material effect on the financial statements.

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43. 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.

44. Fruitless and wasteful expenditure

Opening balance	11 004 098	10 995 041
Fruitless and wasteful expenditure - current year	20 984	9 057
Fruitless and wasteful expenditure - written off during the year	(511 210)	-
Expenditure that could have been avoided - Identified during the Audit	218 875	-
	10 732 747	11 004 098

Details / incidents of fruitless and wasteful expenditure

Salary paid to former employee for three months	56 463	-
Fuel and Oil to non municipal vehicle	162 412	-
Interest on overdue accounts	20 984	9 057
	239 859	9 057

No fruitless and wasteful expenditure was recovered during the year, Council has written off fruitless relating to Interest paid to Eskom, SARS penalties and interest paid to COIDA.

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..

45. Irregular expenditure

Opening balance	350 724	-
Add: Irregular Expenditure - current year movement	2 332 360	12 445 731
Add: Irregular identified by AGSA during the Annual Audit	-	350 724
Less: Irregular expenditure - written off by council	(2 332 360)	(12 445 731)
	350 724	350 724

The recurring Irregular expenditure movement for 2023/2024 (R2 332 360) and movement of 2022/2023 ((R12 445 731) were written off as stated in the Council resolution of 2020/2021.

Details of irregular expenditure – current year

BAC composition - Non-compliance with SCM	2 332 360
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Analysis of Irregular Expenditure Balance - current year

Recurring from prior years	2 332 360
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46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA Fees

Current year subscription / fee	1 675 877	1 626 184
Amount paid - current year	(1 675 877)	(1 626 184)
	-	-

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

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

1. During the 2022/2023 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 2023/2024 financial year an award of R12 988 980.76 was made to Mkoko Transport and CLP Trade JV, the BID number for this project is MBH/OTP/0010/2023-24. During the 2022/2023 financial year awards amounted to R294 017.86.

2. During the current financial year awards amounting to R5 860 707.98 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, the BID number for this project is MBH/CORP/0031/2022-23. 2nd award during this financial year was an amount of R198 620.32.

5. During the 2022/2023 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.

Audit fees

Current year subscription / fee	7 129 368	6 029 852
Amount paid - current year	(7 129 368)	(6 029 852)
	-	-

PAYE and UIF

Current year subscription / fee	23 307 188	20 046 708
Amount paid - current year	(23 307 188)	(20 046 708)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	31 429 639	29 565 037
Amount paid - current year	(31 429 639)	(29 565 037)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr C Genyane	708	3 413	4 121

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 47

Incident

Upgrading of electricity services	-	403 058
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There were no Deviations in the current financial year.

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47. 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 and includes a note to the annual financial statements.

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48. 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	Goods and/or services
Property rates	Levies charged for owning registered property within Mbhashe Jurisdiction
Refuse removal	Collecting waste, and providing waste management services to communities with Mbhashe local governance jurisdiction
Property rentals	Renting out municipal properties to earn income
Traffic Police and Law Enforcement	Maintenance of law and order, and enforcing Municipal Bylaws
Licensing	Offering license services

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48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Property rates	Refuse removal	Property rentals	Traffic Police and Law Enforcement	licensing	Total
Revenue						
Revenue from non-exchange transactions	20 429 729	-	-	1 615 121	2 542 902	24 587 752
Revenue from exchange transactions	-	3 730 340	3 188 573	-	-	6 918 913
Total segment revenue	20 429 729	3 730 340	3 188 573	1 615 121	2 542 902	31 506 665
Interest revenue						45 330 437
Other unallocated revenue 1						448 752 622
Other unallocated revenue 2						1 310 054
Total revenue reconciling items						495 393 113
Municipality's revenue						526 899 778
Expenditure						
Salaries and wages	1 390 871	12 082 695	-	1 808 314	799 247	16 081 127
Depreciation and amortisation	-	6 289 984	-	67 274	765	6 358 023
General expenses	578 713	2 518 805	28 200	493 403	126 160	3 745 281
Debt impairment	20 896 464	-	-	-	-	20 896 464
Total segment expenditure	22 866 048	20 891 484	28 200	2 368 991	926 172	47 080 895
Total segmental surplus/(deficit)						(15 574 230)
Total revenue reconciling items						495 393 113
Unallocated expenses						(364 490 871)
Municipality's surplus (deficit) for the period						115 328 011
Assets						
Segment assets	22 583 406	75 474 252	33 511 900	378 726	1 871	131 950 155
Unallocated assets						1 042 353 147

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	Property rates	Refuse removal	Property rentals	Traffic Police and Law Enforcement	licensing	Total
48. Segment information (continued)						
Total assets as per Statement of financial Position						1 174 303 302
Liabilities						
Debtors with credit balances and Agency fees	2 801 038	-	-	-	233 192	3 034 230
Unallocated liabilities						100 290 166
Total liabilities as per Statement of financial Position						103 324 396
						Total
Other information						
Non current assets additions						94 021 914
Non-cash items excluding depreciation and amortisation						
Cash flows from operating activities						192 656 963
Cash flows from investing activities						(94 021 914)
2023						
	Property rates	Refuse removal	Property rentals	Traffic Police	Licensing	Total
Revenue						
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
Total segment revenue	19 990 931	3 490 927	3 692 802	2 046 439	2 863 539	32 084 638
Interest revenue						26 797 914
Other unallocated revenue 1						431 878 599
Other unallocated revenue 2						950 660
Total revenue reconciling items						459 627 173
Entity's revenue						491 711 811

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48. Segment information (continued)

Expenditure

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

Total segment expenditure	5 762 098	21 685 142	163 063	3 641 106	1 185 208	32 436 617
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Total segmental surplus/(deficit)						(351 979)
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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)

Entity's surplus (deficit) for the period						147 375 332
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Assets

Segment assets	25 677 540	9 368 751	33 511 900	1 089 895	3 993	69 652 079
Unallocated assets						1 003 466 158

Total assets as per Statement of financial Position						1 073 118 237
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Liabilities

Debtors with credit balances and Agency fees	1 401 955	-	-	-	742 851	2 144 806
Unallocated liabilities						96 154 599

Total liabilities as per Statement of financial Position						98 299 405
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Other information

Non current assets additions						116 027 511
Non-cash items excluding depreciation and amortisation						
Cash flows from operating activities						196 953 886
Cash flows from investing activities						(112 202 994)

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49. Budget differences

Material differences between budget and actual amounts

49.1 Budget is based on anticipated amount to be collected, while actual is based on current year billed amount.

49.2 We collected more than what we anticipated, we have improved on rental collection strategies.

49.3 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.

49.4 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..

49.5 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..

49.6 Budget is based on anticipated amount to be collected, while actual is based on current year billed amount.

49.7 Favourable variance is due to the fact that more people managed to renew their licenses than what we anticipated.

49.8 The favourable variance is as a result of conditional grants (DRMG) which although it was received towards the end of the financial year, the Municipality has managed to spend reasonable amount of this Grant before the end of the financial year.

49.9 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.

49.10 The contributing factors to the favourable variance is the reduction on Casual wages and the cancellation of Discovery life.

49.11 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.

49.12 The reason for the favourable variance is the fact that some assets are fully depreciated. And some were disposed off.

49.13 The municipality does not budget for interest that is paid on overdue accounts as we can't budget to fail.

49.14 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.

49.15 The reason for the unfavourable variance as far as service delivery is concerned is that the municipality has managed to cover almost all the targets that were planned.

49.16 The actual amount includes prepayment for guns and bullet proof jackets that were delivered and rental due from municipal staff.

49.17 Actual amount relates to the credit amount from SARS for the EMP 201.

49.18 The municipality budgeted for VAT refunds under other income on the SOFP and the actual amount relates to the VAT receivable at year-end

49.19 Actual amount has taken impairment into consideration for debtors. The budget amount does not take into account the effect of debt impairment provision.

49.20 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..

49.21 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.

49.22 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.

49.23 The contributor to the current year balance is Accrued 13th Cheques and Accrued leave pay balances, the trade payables relates to invoices that were captured in June 2024 and effectively paid beginning of July 2024

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

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49. Budget differences (continued)

49.25 The Budget amount does not take into account the withdrawal vote of the conditional grants liability accounts.

49.26 The actual amount is made up of opening balance and current year movement. Rehabilitation will start in future.