



Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

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Mnquma Local Municipality

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
DORA	Division of Revenue Act
SALGA	South African Local Government Association
INEP	Integrated Electrification Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Programme
UIF	Unemployment Insurance Fund
PAYE	Pay as you earn
SARS	South African Revenue Services
MPRA	Municipal Property Rates Act
LGSETA	Local Government Sector Education and Training Authority
ASB	Accounting Standards Board
VAT	Value Added Tax
SDL	Skills Development Levy

Mnquma Local Municipality

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General Information

Legal form of entity

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act No. 117 of 1998.

Nature of business and principal activities

Mnquma Local Municipality performs the functions as set out in the Constitution of the Republic of South Africa (No. 108 of 1996).

The following is included in the scope of operation

The following principal activities of the municipality are:

- Provide democratic activities and accountable government
- Ensure sustainable service delivery to communities
- Provide social and economic development
- Provide basic services to the community

Mayoral committee

Executive Mayor

T Manxila-Nkamisa

Speaker

M Qaba

Chief Whip

S Ncetezo

Exco Councillors

N Plaatjie

Z Sobekwa

L Mgandela

S Matutu

N Layiti

T Bikitsha

Councillors

N Ntolosi

M Mkhilili

WM Ntongana

Z Bomela

Z Mnqokoyi

N Sheleni

NR Tshona

V Nkehle

N Baleka

NN Magwentshu

N Paliso

L Ngindana

L Dyantyi Deceased 25/05/2024

N Sigwadi

VJ Gazi

B Zondani

MH Tangana

P Ndabambi

N Mena

GT Ntshonga

K Gobeni

PM Mbovane

N Mbuku

T Jizana

JJT Mduli

M Ntsali

ZE Kwaza

S Maputeni

M Magobiane

LL Tetana

Z Mawisa

Mnquma Local Municipality

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General Information

	N Mtintsilana M Kabane M Xabela PN Ntamo NJ Mzongwana C Ncukana M Masekwana NLG Mgqalelo V Manxodidi N Nogaga Mpumpula N Nohesi A Soyeza TB Gidigidi Z Tyandela CN Filtane LL Maputuma MHN Dali PB Goniwe M Kalimashe N Xoki XI Pupuma T Ntyinkala X L Mjamba
Traditional leaders to participate in Mnquma Municipal Council	
	N Mtoto T Vuso
Grading of local authority	Grade 3
Executive management	
Accounting Officer	S Mahlasela
Chief Financial Officer (CFO)	M Matomane
Executive Director: Corporate Services	NV Mviko
Executive Director: Local Economic Development and Planning	M Dilika
Executive Director: Community	M Kibi
Executive Director: Strategic Management	S Benya
Executive Director: Infrastructure Development	B Nohesi
Registered office	Corner King and Umtata Street Butterworth 4960
Postal address	P.O. Box 36 Butterworth 4960

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Bankers	First National Bank
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	S Mtshengu Attorneys Incorporated Siyathemba Sokutu Attorneys Incorporated T.L. Luzipho Attorneys Incorporated Wesley Pretorius & Associates Incorporated
Preparer	The annual financial statements were internally compiled by: M Matomane
Telephone	(047) 050 1167
Email address	mmatomane@mnquma.gov.za / sekhom23@gmail.com
Jurisdiction	Mnquma Local Municipality is located in the south-eastern part of the Eastern Cape province. This Category B Municipality falls under the jurisdiction of the Amathole District Municipality and comprises an amalgamation of the the former Butterworth, Ngqamakhwe and Centane Traditional Regional Councils. Mnquma Local Municipality shares borders with 3 other local municipalities: Mbhashe, Intsika Yethu and Great Kei. It also includes a number of previously administered rural areas.

Mnquma Local Municipality

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 set 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.

The Accounting Officer has reviewed the municipality's cash flow forecast for the 01 July 2024 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 Department of Cooperative Governance and Traditional Affairs 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.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, external auditors and other oversight governance structures of Council.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 7 to 110, which have been prepared on the going concern basis, were approved by the 31 August 2024 and were signed on its behalf by:

S Mahlasela
Municipal Manager

Mnquma Local Municipality

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 Restated*
Assets			
Current Assets			
Inventories	2&53	1 642 723	1 085 613
Receivables from non-exchange transactions	3	31 828 160	30 200 266
VAT receivable	4&53	7 849 478	6 685 162
Receivables from exchange transactions	5	6 552 582	3 215 755
Cash and cash equivalents	6	187 116 519	194 239 427
		234 989 462	235 426 223
Non-Current Assets			
Investment property	7&53	49 642 603	49 524 337
Property, plant and equipment	8&53	1 679 223 315	1 905 628 823
Intangible assets	9&53	4 957 472	2 710 872
Heritage assets	10	116 752	116 752
		1 733 940 142	1 957 980 784
Total Assets		1 968 929 604	2 193 407 007
Liabilities			
Current Liabilities			
Finance lease obligation	11&53	986 409	808 336
Payables from exchange transactions	12&53	21 544 752	15 021 522
Employee benefit obligation	13&53	25 803 096	25 114 868
Unspent conditional grants and receipts	14	2 226 448	12 456 616
VAT payables	15&53	433 809	202 083
Consumer deposits	16&53	12 232	22 959
		51 006 746	53 626 384
Non-Current Liabilities			
Finance lease obligation	11&53	411 390	1 318 241
Employee benefit obligation	13&53	10 681 000	10 822 000
		11 092 390	12 140 241
Total Liabilities		62 099 136	65 766 625
Net Assets		1 906 830 468	2 127 640 382
Reserves			
Revaluation reserve	17&53	1 097 078 941	1 444 926 992
Accumulated surplus	53	809 751 528	682 713 390
Total Net Assets		1 906 830 468	2 127 640 382

* See Note 53

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	8 632 390	6 363 180
Rental of facilities	19	5 479 584	5 626 056
Interest on outstanding debtors	20	3 739 981	2 828 059
Income from agency fees	60	2 517 141	2 614 599
Licences and permits	21	2 106 444	1 559 539
Construction contracts	27	12 770 878	7 320 000
Other income	22	1 058 462	1 027 216
Interest received - investment	23	21 212 522	14 921 314
Total revenue from exchange transactions		57 517 402	42 259 963
Revenue from non-exchange transactions			
Property rates	24	67 923 022	62 310 601
Fines and penalties	25	26 522	-
Interest on outstanding debtors	20	12 947 147	11 759 107
Government grants & subsidies	26	434 262 802	405 914 524
Public contributions and donations	28	-	342 907
Traffic Fines	29	6 715 200	9 021 600
Staff recoveries	30	206 092	164 389
Forfeits	31	913 181	1 174 462
Total revenue from non-exchange transactions		522 993 966	490 687 590
Total revenue		580 511 368	532 947 553
Expenditure			
Employee related costs	32&53	(218 504 101)	(204 540 198)
Remuneration of councillors	33&53	(27 126 355)	(24 647 820)
Depreciation and amortisation	34&53	(297 087 095)	(86 017 151)
Impairment loss/ Reversal of impairments	35&53	(5 936 469)	3 449 890
Finance costs	36&53	(1 893 572)	(1 738 650)
Construction contract expenses	37	(10 956 752)	(6 591 661)
Debt Impairment	38	(36 070 636)	(36 664 571)
Revaluation losses	39&53	-	(103 962 416)
Repairs and maintenance	40	(13 478 556)	(15 661 046)
Bulk purchases	41	(3 738 135)	(4 819 642)
Loss on disposal of assets	42&53	(57 160 007)	(22 107 725)
Obsolete inventory written-off	43	(224 213)	-
General Expenses	44&53	(93 258 703)	(89 065 220)
Total expenditure		(765 434 594)	(592 366 210)
Deficit for the year from continuing operations		(184 923 226)	(59 418 657)
Actuarial gains / (losses)	13&53	2 387 887	1 999 450
Deficit for the year		(182 535 339)	(57 419 207)

* See Note 53

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	292 789 894	778 762 821	1 071 552 715
Correction of errors note 53	(3 549 838)	(94 527 033)	(98 076 871)
Balance at 01 July 2022 as restated*	289 240 056	684 235 788	973 475 844
Changes in net assets			
Derecognition of revaluation reserve on immovable assets write-off	(12 374 612)	12 374 612	-
Transfer from Revaluation Reserve to Accumulated Surplus	(43 522 204)	43 522 204	-
Revaluation gains	1 237 636 728	-	1 237 636 728
Revaluation losses	(26 052 976)	-	(26 052 976)
Net income (losses) recognised directly in net assets	1 155 686 936	55 896 816	1 211 583 752
Surplus (deficit) for the year	-	(57 419 207)	(57 419 207)
Total recognised income and expenses for the year	1 155 686 936	(1 522 391)	1 154 164 545
Total changes	1 155 686 936	(1 522 391)	1 154 164 545
Restated* Balance at 01 July 2023	1 444 926 992	682 713 392	2 127 640 384
Changes in net assets			
Derecognition of revaluation reserve on immovable assets write-off	(53 574 806)	53 574 806	-
Realisation of revaluation reserve on transfer of Property, plant and equipment to investment property	(4 721 040)	4 721 040	-
Recognition of revaluation gain on transfer of investment property to property, plant and equipment	8 304 761	-	8 304 761
Realisation of revaluation reserve to accumulated surplus on depreciation of property, plant and equipment	(251 277 632)	251 277 632	-
Realisation of revaluation reserve to accumulated surplus on impairment of property, plant and equipment	(46 579 334)	-	(46 579 334)
Net income (losses) recognised directly in net assets	(347 848 051)	309 573 478	(38 274 573)
Surplus (deficit) for the year	-	(182 535 339)	(182 535 339)
Total recognised income and expenses for the year	(347 848 051)	127 038 139	(220 809 912)
Total changes	(347 848 051)	127 038 139	(220 809 912)
Balance at 30 June 2024	1 097 078 941	809 751 531	1 906 830 472
Note(s)	17		

* See Note 53

Mnquma Local Municipality

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		6 695 684	6 183 366
Grants		436 803 511	418 435 805
Interest income		27 581 607	14 921 314
Other receipts		53 661 155	64 377 651
		<u>524 741 957</u>	<u>503 918 136</u>
Payments			
Employee costs		(242 695 340)	(229 609 938)
Suppliers		(115 330 328)	(111 278 826)
Interest paid		(203 572)	-
		<u>(358 229 240)</u>	<u>(340 888 764)</u>
Net cash flows from operating activities	49	<u>166 512 717</u>	<u>163 029 372</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(176 886 767)	(127 714 736)
Proceeds from sale of property, plant and equipment	8	6 846 337	997 635
Proceeds from disposal of financial asset		-	5 003
Proceeds from sale of investment property	7	1 850 565	-
Purchase of other intangible assets	9	(4 920 554)	(2 074 740)
Net cash flows from investing activities		<u>(173 110 419)</u>	<u>(128 786 838)</u>
Cash flows from financing activities			
Finance lease payments		(525 206)	(438 122)
Net increase/(decrease) in cash and cash equivalents		<u>(7 122 908)</u>	<u>33 804 412</u>
Cash and cash equivalents at the beginning of the year		194 239 427	160 435 015
Cash and cash equivalents at the end of the year	6	<u>187 116 519</u>	<u>194 239 427</u>

* See Note 53

Mnquma Local Municipality

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	5 232 036	-	5 232 036	8 632 390	3 400 354	F
Rental of facilities	4 985 049	-	4 985 049	5 479 584	494 535	G
Interest on outstanding debtors	3 413 720	9 000	3 422 720	3 739 981	317 261	
Income from agency fees	2 615 720	-	2 615 720	2 517 141	(98 579)	
Licences and permits	1 320 482	-	1 320 482	2 106 444	785 962	H
Construction contracts	10 700 000	2 070 878	12 770 878	12 770 878	-	
Other income	786 641	-	786 641	1 058 462	271 821	I
Interest received - investment	9 000 000	-	9 000 000	21 212 522	12 212 522	J
Total revenue from exchange transactions	38 053 648	2 079 878	40 133 526	57 517 402	17 383 876	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64 061 176	-	64 061 176	67 923 022	3 861 846	
Fines and penalties	-	5 001	5 001	26 522	21 521	K
Interest on outstanding debtors	11 866 280	(9 000)	11 857 280	12 947 147	1 089 867	
Transfer revenue						
Government grants & subsidies	436 809 250	27 436 052	464 245 302	434 262 802	(29 982 500)	
Traffic Fines	7 198 166	-	7 198 166	6 715 200	(482 966)	
Staff recoveries	-	-	-	206 092	206 092	L
Forfeits	-	-	-	913 181	913 181	M
Total revenue from non-exchange transactions	519 934 872	27 432 053	547 366 925	522 993 966	(24 372 959)	
Total revenue	557 988 520	29 511 931	587 500 451	580 511 368	(6 989 083)	
Expenditure						
Employee related costs	(229 794 000)	(2 770 000)	(232 564 000)	(218 504 101)	14 059 899	
Remuneration of councillors	(25 246 000)	(2 500 000)	(27 746 000)	(27 126 355)	619 645	
Depreciation and amortisation	(125 942 010)	(174 515 990)	(300 458 000)	(297 087 095)	3 370 905	
Impairment loss/ Reversal of impairments	-	(54 000 000)	(54 000 000)	(5 936 469)	48 063 531	
Finance costs	(1 649 001)	(250 999)	(1 900 000)	(1 893 572)	6 428	
Construction contract expenses	(10 700 000)	(256 752)	(10 956 752)	(10 956 752)	-	
Debt Impairment	(26 586 155)	(10 413 845)	(37 000 000)	(36 070 636)	929 364	
Bulk purchases	(6 000 000)	-	(6 000 000)	(3 738 135)	2 261 865	N
Repairs and maintenance	(4 417 028)	(10 286 372)	(14 703 400)	(13 478 556)	1 224 844	
Obsolete inventory written-off	-	(225 000)	(225 000)	(224 213)	787	
Loss on disposal of assets	-	(58 000 000)	(58 000 000)	(57 160 007)	839 993	
General Expenses	(93 365 711)	(25 308 505)	(118 674 216)	(93 258 703)	25 415 513	O
Operating expense	(523 699 905)	(338 527 463)	(862 227 368)	(765 434 594)	96 792 774	
Operating deficit	34 288 615	(309 015 532)	(274 726 917)	(184 923 226)	89 803 691	
Actuarial gains/losses	300 010	2 224 990	2 525 000	2 387 887	(137 113)	
Surplus (deficit) for the year	34 588 625	(306 790 542)	(272 201 917)	(182 535 339)	89 666 578	

Mnquma Local Municipality

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						
	34 588 625	(306 790 542)	(272 201 917)	(182 535 339)	89 666 578	

Mnquma Local Municipality

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 Position						
Assets						
Current Assets						
Inventories	2 778 000	-	2 778 000	1 642 723	(1 135 277)	A
Receivables from non-exchange transactions	27 617 000	-	27 617 000	31 828 160	4 211 160	B
VAT receivable	7 846 000	(412 000)	7 434 000	7 849 478	415 478	
Receivables from exchange transactions	30 651 000	(23 651 000)	7 000 000	6 552 582	(447 418)	
Cash and cash equivalents	89 226 000	24 774 000	114 000 000	187 116 519	73 116 519	C
	158 118 000	711 000	158 829 000	234 989 462	76 160 462	
Non-Current Assets						
Investment property	145 020 000	-	145 020 000	49 642 603	(95 377 397)	D
Property, plant and equipment	882 148 000	917 852 000	1 800 000 000	1 679 223 315	(120 776 685)	
Intangible assets	11 270 000	(6 070 000)	5 200 000	4 957 472	(242 528)	
Heritage assets	117 000	-	117 000	116 752	(248)	
	1 038 555 000	911 782 000	1 950 337 000	1 733 940 142	(216 396 858)	
Total Assets	1 196 673 000	912 493 000	2 109 166 000	1 968 929 604	(140 236 396)	
Liabilities						
Current Liabilities						
Finance lease obligation	-	910 000	910 000	986 409	76 409	
Payables from exchange transactions	48 629 000	(25 701 151)	22 927 849	21 544 752	(1 383 097)	
Employee benefit obligation	6 565 000	21 707 151	28 272 151	25 803 096	(2 469 055)	
Unspent conditional grants and receipts	-	-	-	2 226 448	2 226 448	E
VAT payables	-	412 000	412 000	433 809	21 809	
Consumer deposits	9 000	4 150	13 150	12 232	(918)	
	55 203 000	(2 667 850)	52 535 150	51 006 746	(1 528 404)	
Non-Current Liabilities						
Finance lease obligation	-	435 000	435 000	411 390	(23 610)	
Employee benefit obligation	11 518 000	-	11 518 000	10 681 000	(837 000)	
	11 518 000	435 000	11 953 000	11 092 390	(860 610)	
Total Liabilities	66 721 000	(2 232 850)	64 488 150	62 099 136	(2 389 014)	
Net Assets	1 129 952 000	914 725 850	2 044 677 850	1 906 830 468	(137 847 382)	
Net Assets						
Reserves						
Revaluation reserve	292 789 894	837 629 106	1 130 419 000	1 097 078 941	(33 340 059)	
Accumulated surplus	801 467 052	38 156 948	839 624 000	809 751 527	(29 872 473)	
Total Net Assets	1 094 256 946	875 786 054	1 970 043 000	1 906 830 468	(63 212 532)	

Mnquma Local Municipality

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
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Figures in Rand

Budget variance explanation

A - Variance is due to de-recognition of Land held for distribution as a result of Loss of substantive rights to property.

B - Variance is due to increase on property rates from properties previously in the name of the Municipality that were transferred to individuals and subsequently billed.

C - Variance is due to savings that were re-invested on a short-term deposit account and the interest is calculated on a daily basis.

D - Variance is due to correction of prior period error which resulted in impairment of Land earmarked for donation and invaded as well as properties were the municipality loss substantive rights.

E - Variance is due to LGSETA and DSRAC grants that were not spent in full.

F - Improvement in livelihood of indigent households has led to a reduction in the number of households eligible for indigent status. This resulted in an increase in the number of households that are able to pay for refuse services, thus boosting refuse revenue, also the municipality transferred properties to private individuals that were previously registered under the municipality's name. The owners are now responsible for paying for refuse, contributing to the overall increase in refuse revenue.

G - The increase in revenue from the rental of facilities is primarily due to an annual rental increase in some of the properties. This adjustment in rental rate has resulted in higher income from existing tenants, contributing to the overall rise in rental revenue.

H - Increase in number of applications for driver's licenses, PDP renewals and learner's license has resulted to increase in revenue.

I - The increase is a result of implementation of revenue enhancement strategy which resulted in increased revenue base.

J - Variance is due to savings that were re-invested on a short-term deposit account.

K - The increase in fines and penalties is a result of implementation of bylaws on illegal business trading.

L - Staff recovery revenue is ad-hoc revenue and cannot be budgeted for as it is not possible to determine when events of employee negligence will occur. Therefore, there will be a variance between the budgeted and actual

M - These are retentions and unclaimed deposits and forfeits. These are ad-hoc revenues thus they cannot be budgeted for as it is not possible to determine when the events that cause the forfeit will occur. Therefore, there will be a variance between the budgeted and actual figures

N - Improvement in livelihood of indigent households has led to a reduction in the number of households eligible for indigent status. This resulted in a decrease in the number of households that benefit from free basic electricity.

O - The variance is attributed to the implementation of cost containment measures and thorough market research when procuring goods and services. These strategies have helped in identifying areas where cost could be reduced without compromising operations leading to more efficient spending.

Mnquma Local Municipality

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), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards Issued and Effective

- GRAP 1 - Presentation of Financial Statements
- GRAP 2 - Cash Flow Statements
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 9 - Revenue from Exchange Transactions
- GRAP 11 - Construction Contracts
- GRAP 12 - Inventories
- GRAP 13 - Leases
- GRAP 14 - Events After the Reporting Date
- GRAP 16 - Investment Property
- GRAP 17 - Property Plant and Equipment
- GRAP 18 - Segment Reporting
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
- GRAP 20 - Related Party Disclosures
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of cash-generating assets
- GRAP 31 - Intangible Assets
- GRAP 34 - Separate Financial Statements
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 108 - Statutory Receivables
- GRAP 109 - Accounting by Principals and Agents

Interpretations - Approved and effective

- IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non-cash Assets to Owners
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 16 - Intangible Assets - Website Costs
- IGRAP 18 - Recognition and Derecognition of Land
- IGRAP 19 - Liabilities to Pay Levies
- IGRAP 20 - Accounting for Adjustments to Revenue

Mnquma Local Municipality

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Accounting Policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables

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

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables are assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios will be similar to the historical payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the debtor's impairment. On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

Cash and cash equivalent is assessed to approximate their fair value due to its short - term nature.

Impairment testing

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

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Useful lives of property, plant and equipment and other assets

The management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on industry norm and the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

The policy is also applicable to intangible assets and investment property.

Effective interest rate

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

1.4 Investment property

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

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

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

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

Subsequently, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Depreciation Method	Useful life
Property - land		indefinite
Property - buildings	Straight line	5 - 50 years

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

- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.
- Land held without determined future use.

Mnquma Local Municipality

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Accounting Policies

1.4 Investment property (continued)

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

1.5 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, 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.

Initial measurement

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 or the value of similar asset. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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.

Subsequent measurement

After initial recognition, infrastructure, community assets, Land and operational buildings are measured using the revaluation method. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value. When an asset is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Mnquma Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses an impairment of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

Subsequent to initial recognition, computers equipment, machiner equipment, furniture&. office equipment , motor vehicle & security equipment are measured using cost model .

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Buildings	Straight-line	5-30 Years
Furniture and fixtures	Straight-line	3-10 Years
Office equipment	Straight-line	5-10 Years
Infrastructure Roads and Storm Water	Straight-line	3-100 Years
Recreational facilities	Straight-line	25-30 Years
Security	Straight-line	3-7 Years
Halls	Straight-line	25-30 Years
Parks and Gardens	Straight-line	15-30 Years
Other community assets	Straight-line	25-50 Years
Transport Assets	Straight-line	4-10 Years
Bins and containers	Straight-line	10-15 Years
Other property, plant and equipment	Straight-line	3-20 Years
Computer equipment	Straight-line	5-15 Years
Plant and Machinery	Straight-line	3-20 Years
Assets under construction	Straight-line	0 Years
Land	Straight-line	0 years
Leased asset	Straight-line	3 - 5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life however lease assets are depreciated over its lease term.

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

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

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

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

Derecognition

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Initial measurement

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

Subsequent measurement

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Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation

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

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

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	2-5 Years

Derecognition:

Intangible assets are derecognised:

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

1.8 Heritage assets

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

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

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

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

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.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 10).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

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Accounting Policies

1.8 Heritage assets (continued)

Subsequent measurement

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

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.9 Financial instruments

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Mnquma Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Type of financial asset	Classification in terms of GRAP 104
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Financial instruments (continued)

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

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

Impairment and uncollectibility of financial assets

Financial assets measured at amortised cost:

The carrying amount of the asset is reduced through the use of an allowance account and the previously recognised impairment loss is reversed by adjusting the allowance account.

Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Identification

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Property rates debtors
- Fines debtors

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Mnquma Local Municipality

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Accounting Policies

1.10 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the amortised cost method. Under the amortised 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.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

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

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

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

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

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

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

Derecognition

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

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

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

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1.11 Leases

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

Municipality as lessee - Finance leases

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or incremental rate where the interest rate is not implicit.

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

Municipality as lessee - operating leases

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost replacement cost.

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

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

The cost of inventories is assigned using the weighted average cost formula..

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

1.13 Impairment of cash-generating assets

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

Mnquma Local Municipality

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

Accounting Policies

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach, the selection depends on the availability of data and nature of the impairment.

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

Defined benefit plans

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

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

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

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

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

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

The entity determines the present value of defined benefit obligations on an annual basis such that the amounts recognised in the annual financial statements fairly present at the reporting date by an independent actuaries.

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

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

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

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

Staff leave

Liability for annual leave are recognised as they accrue to employees. The Liability is based on the total amount of leave days due to employees at year end and is calculated based on the basic salary of the employee.

Accumulated leave is carried forward and can be used in future periods if the current periods entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employees employment term.

Staff bonuse

Liability for staff bonus are recognised as they accrue to employee. The liability is based on the total amount of leave days due to employees at year end and is calculated based on the total basic salary of employee.

Accumulated leave is vesting.

Performance Bonuses

A provision, in respect of the liability relating to anticipated costs of performance bonuses payable to section 57 employees, is recognised as it accrues to section 57 employee. the performance bonus provision is based on the employment contract stipulations as well as previous performance bonus payment trend.

Employee overtime/ standby allowance accrual.

The cost of short term employee benefits is recognised in the period in which the service is rendered. Liability are the recognised as they accrue to employees.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Long-service employee benefits

The municipality has an obligation to provide Long-service Employee Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the entity instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

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

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

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

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.
- Payments made by the municipality are set-off against the liability

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Accounting Policies

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

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

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

1.17 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.

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Accounting Policies

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Interest income from investments debtors is recognised when received by or accrued to the municipality.

Mnquma Local Municipality

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Accounting Policies

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Mnquma Local Municipality

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

Taxes

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

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

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when issued and meet the recognition criteria for revenue.

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

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

Where settlement discount or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discount or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

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

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated income and it is recognised as interest earned in the Statement of Financial Performance.

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Accounting Policies

1.20 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses will be recognized when these are incurred and measured at cost excluding VAT.

1.21 Borrowing costs

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

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

1.22 Accounting by principals and agents

Identification

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

? It does not have the power to determine the significant terms and conditions of the transaction.

? It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.

? It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

Accounting Policies

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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

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

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

Mnquma Local Municipality

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Accounting Policies

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.

Measurement

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

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

1.28 Budget information

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

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

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

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

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

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

1.29 Related parties

In terms of GRAP 20 for related party disclosure, a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Mnquma Local Municipality

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Accounting Policies

Significant influence is the power to participate in the financial and operating policy decisions of the municipality, but is not control over those policies.

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

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

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

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

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

1.30 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however the municipality is registered with South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with section 15(2) of the Value-Added Tax No 89 of 1991.

The Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.31 Materiality

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

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

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
2. Inventories		
Consumable stores	1 642 723	1 085 613
Consumable stores		
In the current year an amount of R 4 754 238 (2023: R 3 317 629) was expensed with respect to consumable stores consumed. Refer to note 44.		
Inventories are measured at the lower of cost or net replacement cost.		
No inventory was pledged as security.		
Inventory held for distribution		
Prior year Inventory held for distribution were adjusted, refer to note 53 . This adjustment relates to pieces of land where the municipality is the legal owner according to deeds office records. The municipality has assessed that it does not have a control over the land due to loss of substantive rights in terms of IGRAP 18 paragraph 6, these properties were therefor derecognised.		
3. Receivables from non-exchange transactions		
Traffic fines	35 961 410	31 588 710
Property rates	153 652 091	136 399 506
Other receivables	279 395	334 775
	189 892 896	168 322 991
Less: Allowance for impairment		
Traffic fines	(30 323 711)	(26 850 404)
Property rates	(127 741 025)	(111 272 321)
Other receivables	-	-
	(158 064 736)	(138 122 725)
Net balance		
Traffic fines	5 637 699	4 738 306
Property rates	25 911 066	25 127 185
Other receivables	279 395	334 775
	31 828 160	30 200 266
Reconciliation of allowance for impairment		
Balance at the beginning of the year	138 122 725	114 757 666
Contributions to allowance	23 724 414	25 116 917
Fines reduction	(542 380)	(444 900)
Bad debts written-off	(3 240 023)	(1 306 958)
	158 064 736	138 122 725

Mnquma Local Municipality

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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3. Receivables from non-exchange transactions (continued)

Property rates

Current 0 - 30 days	3 523 139	2 757 057
31 - 60 days	2 866 371	2 708 922
61 - 90 days	2 762 981	2 442 363
91 - 120 days	2 717 343	2 799 192
121 - 150 days	2 717 371	2 302 928
> 150 days	139 064 886	123 389 044
	153 652 091	136 399 506

Property rates by customer group - 2024

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	913 943	580 091	2 029 105	3 523 139
31 - 60 days	458 035	476 880	1 931 456	2 866 371
61 - 90 days	419 978	475 671	1 867 332	2 762 981
91 - 120 days	435 596	471 697	1 810 050	2 717 343
121 - 150 days	419 505	469 757	1 828 109	2 717 371
> 150 days	22 182 445	18 776 837	98 105 604	139 064 886
	24 829 502	21 250 933	107 571 656	153 652 091

Property rates by customer group - 2023

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	477 432	236 381	2 043 244	2 757 057
31 - 60 days	438 331	258 043	2 012 548	2 708 922
61 - 90 days	372 985	224 474	1 844 904	2 442 363
91 - 120 days	751 067	220 147	1 827 978	2 799 192
121 - 150 days	314 233	209 678	1 779 017	2 302 928
> 150 days	21 074 833	16 235 260	86 078 951	123 389 044
	23 428 881	17 383 983	95 586 642	136 399 506

Traffic fines

Current 0 - 30 days	453 800	614 500
31 - 60 days	474 800	781 100
61 - 90 days	553 900	807 700
91 - 120 days	500 500	465 400
121 - 150 days	270 100	636 200
> 150 days	33 708 310	28 283 810
	35 961 410	31 588 710

Other receivables

Current 0 - 30 days	500	-
61 - 90 days	-	9 814
> 150 days	278 895	324 961
	279 395	334 775

Other receivables are made up of staff debt from non-exchange transactions owing to the municipality.

Mnquma Local Municipality

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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3. Receivables from non-exchange transactions (continued)

Property Rates- Municipal Property Rates Act (MPR Act) section 2 states that a local municipality may levy a rate on property in it's area.

Traffic Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

Determination of transaction amount

Rates - Rates are amounts determined in terms of section 11 of the Municipal Property Rates Act and the approved policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Rates - interest is raised on past due balance at the prime interest rate.

Fines - No interest or other charges are raised on outstanding fines.

Receivables impaired but not past due

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired.

Fines - Provision for impairment of traffic fine debtors is calculated based on the payment history of traffic fines in aggregate as the municipality does not have sufficient information to calculate the payment history per debtor as with property rates and services.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

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

Property rates

Current 0 - 30 days (not due)	1 214 870	604 734
31 - 60 days (past due)	657 283	533 297
61 - 90 days (past due)	602 869	436 980
91 - 120 days (past due)	611 305	807 419
121 - 150 days (past due)	591 704	364 209
> 150 days (past due)	22 233 035	22 380 546
	25 911 066	25 127 185

Traffic fines

Current 0 - 30 days (not due)	71 143	92 175
31 - 60 days (past due)	74 435	117 165
61 - 90 days (past due)	86 835	121 155
91 - 120 days (past due)	78 464	69 810
121 - 150 days (past due)	42 344	95 430
> 150 days (past due)	5 284 479	4 242 571
	5 637 700	4 738 306

Other receivables

Current 0 - 30 days	500	-
61 - 90 days	-	9 814
> 150 days	278 895	324 961
	279 395	334 775

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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3. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

The ageing of these receivables is as follows:

Property rates

Current 0 - 30 days (not due)	2 308 269	2 152 323
31 - 60 days (past due)	2 209 089	2 175 625
61 - 90 days (past due)	2 160 112	2 005 383
91 - 120 days (past due)	2 106 038	1 991 773
121 - 150 days (past due)	2 125 667	1 938 720
> 150 days (past due)	116 831 850	101 008 497
	127 741 025	111 272 321

Traffic fines

Current 0 - 30 days (not due)	382 657	522 325
31 - 60 days (past due)	400 365	663 935
61 - 90 days (past due)	467 065	686 546
91 - 120 days (past due)	422 036	395 590
121 - 150 days (past due)	227 756	540 770
> 150 days (past due)	28 423 831	24 041 238
	30 323 710	26 850 404

4. VAT receivable

VAT control	5 257 310	4 881 664
VAT input accrual	2 592 168	1 803 498
	7 849 478	6 685 162

VAT is received and paid as required by 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.

VAT control is a statutory receivable in context of GRAP 108. Statutory receivable arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 54 for statutory receivables.

VAT receivables past due but not impaired

By the reporting date there were no statutory VAT that are past due.

Factors the municipality has considered in assessing VAT 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 and SARS has been refunding the municipality in the previous periods.

VAT receivables impaired

No impairment on VAT receivables, balance expected to be fully recoverable.,

Mnquma Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from exchange transactions		
Gross balances		
Refuse	42 436 494	34 427 861
Rentals	9 995 310	5 256 481
Other receivables	3 294 920	1 708 435
	55 726 724	41 392 777
Less: Allowance for impairment		
Refuse	(39 295 101)	(33 020 388)
Rentals	(9 879 041)	(5 156 634)
Other receivables	-	-
	(49 174 142)	(38 177 022)
Net balance		
Refuse	3 141 393	1 407 473
Housing rental	116 269	99 847
Other receivables	3 294 920	1 708 435
	6 552 582	3 215 755
Reconciliation of allowance for impairment		
Balance at the beginning of the year	38 177 022	27 731 679
Contributions to allowance	12 243 208	12 070 877
Bad debts written-off	(1 246 088)	(1 625 534)
	49 174 142	38 177 022
Refuse		
Current (0 -30 days)	1 393 479	1 197 191
31 - 60 days	1 018 210	973 552
61 - 90 days	1 069 621	787 146
91 - 120 days	959 639	776 586
121 - 150 days	950 099	764 370
> 150 days	37 045 446	29 929 015
	42 436 494	34 427 860
Rentals		
Current (0 -30 days)	425 850	480 943
31 - 60 days	440 388	415 730
61 - 90 days	463 851	408 477
91 - 120 days	429 616	402 494
121 - 365 days	1 050 758	399 724
> 150 days	7 184 847	3 149 113
	9 995 310	5 256 481

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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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5. Receivables from exchange transactions (continued)

Other receivables

Current (0 -30 days)	452 026	91 370
31 - 60 days	12 042	7 805
121 - 150 days	2 830 852	1 609 260
	3 294 920	1 708 435

Rental Aging per customer group - 2024

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	-	5 068	420 782	425 850
31 - 60 days	-	5 060	435 328	440 388
61 - 90 days	-	5 142	458 709	463 851
91 - 120 days	-	4 874	424 741	429 615
121 - 150 days	-	4 355	1 046 404	1 050 759
> 150 days	-	534 490	6 650 357	7 184 847
	-	558 989	9 436 321	9 995 310

Refuse Aging per customer group - 2024

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	561 635	92 449	739 395	1 393 479
31 - 60 days	214 055	82 083	722 072	1 018 210
61 - 90 days	228 655	104 413	736 553	1 069 621
91 - 120 days	178 373	74 875	706 390	959 638
121 - 150 days	174 874	73 353	701 872	950 099
> 150 days	1 597 991	2 142 399	33 305 056	37 045 446
	2 955 583	2 569 572	36 911 338	42 436 493

Rental Aging per customer group - 2023

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	-	70 394	410 549	480 943
31 - 60 days	-	14 595	401 135	415 730
61 - 90 days	-	14 341	394 136	408 477
91 - 120 days	-	14 224	388 270	402 494
121 - 150 days	-	13 469	386 255	399 724
> 150 days	-	373 915	2 775 198	3 149 113
	-	500 938	4 755 543	5 256 481

Refuse Aging per customer group - 2023

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	143 973	157 123	896 096	1 197 192
31 - 60 days	83 690	58 543	831 319	973 552
61 - 90 days	66 279	53 090	667 777	787 146
91 - 120 days	65 871	50 328	660 387	776 586
121 - 150 days	69 226	48 530	646 613	764 369
> 150 days	967 415	1 566 913	27 394 688	29 929 016
	1 396 454	1 934 527	31 096 880	34 427 861

Mnquma Local Municipality

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5. Receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

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

Aging by debt type - 2024	Current 0 - 30 days (not due)	31 - 60 days (past due)	61 - 90 days (past due)	91 - 120 days (past due)	121 - 150 days (past due)	> 150 days (past due)
Refuse	601 355	230 138	239 764	187 328	182 996	1 699 811
Rentals	11 054	7 012	6 448	5 671	5 395	80 688
	612 409	237 150	246 212	192 999	188 391	1 780 499

Aging by debt type - 2023	Current 0 - 30 days (not due)	31 - 60 days (past due)	61 - 90 days (past due)	91 - 120 days (past due)	121 - 150 days (past due)	> 150 days (past due)
Refuse	175 248	97 758	77 563	74 441	74 444	908 019
Rentals	61 425	3 343	2 371	1 646	1 370	29 692
	236 673	101 101	79 934	76 087	75 814	937 711

Consumer debtors impaired

The ageing of these debtors is as follows:

Aging by debt type - 2024	Current 0 - 30 days (not due)	31 - 60 days (past due)	61 - 90 days (past due)	91 - 120 days (past due)	121 - 150 days (past due)	> 150 days (past due)
Refuse	792 124	788 072	829 857	772 310	767 103	35 345 636
Rentals	414 796	433 376	457 403	423 943	1 045 363	7 104 160
	1 206 920	1 221 448	1 287 260	1 196 253	1 812 466	42 449 796

Aging by debt type - 2023	Current 0 - 30 days (not due)	31 - 60 days (past due)	61 - 90 days (past due)	91 - 120 days (past due)	121 - 150 days (past due)	> 150 days (past due)
Refuse	1 021 943	875 794	709 583	702 146	689 926	29 020 996
Rentals	419 519	412 387	406 106	400 848	398 354	3 119 421
	1 441 462	1 288 181	1 115 689	1 102 994	1 088 280	32 140 417

Other receivables are made-up of over/ under banking, prepaid expenses and proceeds owed from disposal of property, plant and equipment.

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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	12 691 130	3 322 662
Short-term deposits	174 425 389	190 916 765
	187 116 519	194 239 427

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB - Cheque Primary Bank Account: 62237497872	12 691 142	3 257 389	1 362 661	12 691 130	3 322 662	1 456 288
FNB - MIG Call Acc: 62240253542	17 305	3 808 600	45 895	17 305	3 808 600	45 895
FNB - FMG: 62240252768	6 800	6 896	1 562	6 800	6 896	1 562
FNB - Call Account: 62240252198	51 650	5 875 523	18 563 667	51 650	5 875 523	18 563 667
FNB - INEP: 62326177559	1 000	1 000	6 727	1 000	1 000	6 727
FNB - EPWP: 62345680195	1 000	1 017	1 635	1 000	1 017	1 635
FNB - LG SETA: 62380069437	170 731	671 481	790 075	170 731	671 481	790 075
FNB - Salaries Account: 74737909900	1 168 211	2 736 158	1 874 456	1 168 213	2 736 159	1 874 456
FNB - eNatis: 62772809904	113 570	369 937	527 449	113 570	369 937	527 449
FNB - DSRAC: 62823144233	2 058 752	1 921 278	1 443 511	2 058 752	1 921 278	1 443 511
FNB - Short-term Investment: 62823142774	170 793 269	173 015 759	130 707 738	170 793 269	173 015 759	130 707 738
FNB - DEDEAT: 62910424944	30 330	2 509 115	5 016 012	30 330	2 509 115	5 016 012
FNB - Disaster Grant : 63092717182	12 769	-	-	12 769	-	-
Total	187 116 529	194 174 153	160 341 388	187 116 519	194 239 427	160 435 015

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements and earn interest at the respective short-term deposit rate.

The Management of the municipality is of the opinion that the carrying value of the short term deposit, approximate to their fair values due to their short term nature.

No cash and cash equivalents were pledged as security for liabilities.

No restrictions were placed on the use of cash and cash equivalent.

Mnquma Local Municipality

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7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	107 160 542	(69 502 421)	37 658 121	109 503 849	(69 502 421)	40 001 428
Buildings	79 895 003	(67 910 521)	11 984 482	71 292 615	(61 769 706)	9 522 909
Total	187 055 545	(137 412 942)	49 642 603	180 796 464	(131 272 127)	49 524 337

Reconciliation of investment property - 2024

	Opening balance	Disposals	Transfers to /from Investment property	Impairments	Depreciation	Total
Land	40 001 428	(2 057 121)	(286 186)	-	-	37 658 121
Buildings	9 522 909	(7 482)	8 991 675	(4 786 173)	(1 736 447)	11 984 482
	49 524 337	(2 064 603)	8 705 489	(4 786 173)	(1 736 447)	49 642 603

The amounts recognised in surplus or deficit

Rental revenue from investment property	5 434 065	5 581 111
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Expenditure incurred to repairs and maintain investment property

Repairs and maintenance arising from investment property that generated rental revenue during the period	2 182	-
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Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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7. Investment property (continued)

Reconciliation of investment property - 2023

	Opening balance	Disposals	Reclassificati on	Transfer out	Depreciation	Total
Land	41 073 908	(321 480)	-	(751 000)	-	40 001 428
Buildings	11 573 869	-	1 193	(539 467)	(1 512 686)	9 522 909
	52 647 777	(321 480)	1 193	(1 290 467)	(1 512 686)	49 524 337

All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

No investment property is in the process of being constructed or developed.

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.

The municipality has land and buildings, including vacant land that is classified as investment property.

The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Land that is sitting as investment properties is not depreciated, only the buildings component of the investment properties is depreciated.

There are pieces of land where the municipality is the legal owner according to deeds office records. The municipality has assessed that it does not have a control over the land due to loss of substantive rights in terms of IGRAP 18 paragraph 6. these properties were therefore derecognised.

There are no Capital commitments.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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8. 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	91 806 087	-	91 806 087	85 148 009	-	85 148 009
Buildings	53 731 297	(24 133 791)	29 597 506	65 610 759	(34 903 584)	30 707 175
Plant and machinery	53 601 210	(15 742 240)	37 858 970	48 420 673	(16 597 005)	31 823 668
Furniture and fixtures	8 864 450	(4 542 572)	4 321 878	9 128 265	(4 843 322)	4 284 943
Motor vehicles	19 480 981	(6 024 802)	13 456 179	19 596 873	(5 240 489)	14 356 384
Computer equipment	11 917 471	(5 943 304)	5 974 167	10 374 948	(4 079 786)	6 295 162
Infrastructure	3 221 387 451	(1 864 273 288)	1 357 114 163	3 236 749 377	(1 631 806 161)	1 604 943 216
Community assets	127 571 690	(48 358 718)	79 212 972	152 082 640	(48 551 625)	103 531 015
Other property, plant and equipment	162 410	(154 853)	7 557	162 410	(146 050)	16 360
Work in progress Community	63 188 630	(3 314 794)	59 873 836	27 837 685	(3 314 794)	24 522 891
Total	3 651 711 677	(1 972 488 362)	1 679 223 315	3 655 111 639	(1 749 482 816)	1 905 628 823

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers to and from investment property	Disposals	Transfer movable assets	Transfers	Revaluatio ns	Lease contract adjustment	Transfers (expenses/Do nations)	Depreciation	Impairment loss	Total
Land	85 148 009	-	286 185	-	-	-	6 371 893	-	-	-	-	91 806 087
Buildings	30 707 175	247 770	455 271	(7 011 654)	-	6 480 291	1 932 869	-	-	(3 211 894)	(2 322)	29 597 506
Plant and machinery	31 823 668	15 811 324	-	(5 903 813)	-	-	-	-	-	(3 837 154)	(35 055)	37 858 970
Furniture and fixtures	4 284 943	653 785	-	(136 914)	188 000	-	-	-	-	(524 019)	(143 917)	4 321 878
Motor vehicles	14 356 384	2 506 254	-	(1 317 447)	-	-	-	-	-	(2 089 012)	-	13 456 179
Computer equipment	6 295 162	1 767 274	-	(68 964)	-	-	-	(12 670)	-	(1 978 354)	(28 281)	5 974 167
Infrastructure	1 604 943 216	64 500	-	(48 368 770)	-	113 971 334	-	-	-	(268 947 778)	(44 548 339)	1 357 114 163
Community assets	103 531 015	354 950	(9 446 944)	(1 436 770)	-	1 262 118	-	-	-	(12 084 386)	(2 967 011)	79 212 972
Other property, plant and equipment	16 360	-	-	-	-	-	-	-	-	(4 096)	(4 707)	7 557
Work in progress	24 522 891	158 458 976	-	-	(188 000)	(121 713 743)	-	-	(1 206 288)	-	-	59 873 836
	1 905 628 823	179 864 833	(8 705 488)	(64 244 332)	-	-	8 304 762	(12 670)	(1 206 288)	(292 676 693)	(47 729 632)	1 679 223 315

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers from investme nt proper ty	Transfers	Revaluation losses	Revaluation gains	Reclass	Depreciation	Impairment loss	Impairment reversal	Total
Land	50 394 300	-	(115 000)	-	-	(4 739 168)	38 856 877	751 000	-	-	-	85 148 009
Buildings	20 151 162	-	-	539 468	6 739 472	(7 725 455)	12 524 538	4 518	(1 526 864)	-	335	30 707 175
Plant and machinery	32 438 659	3 432 380	(1 060 674)	-	-	-	-	-	(2 980 780)	(5 915)	-	31 823 668
Furniture and fixtures	1 467 347	2 952 963	(19 160)	-	160 691	-	-	-	(262 429)	(14 469)	-	4 284 943
Motor vehicles	11 634 595	4 787 470	(211 829)	-	-	-	-	-	(1 853 851)	-	-	14 356 384
Computer equipment	5 722 800	2 552 750	(146 325)	-	-	-	-	-	(1 830 083)	(3 980)	-	6 295 162
Infrastructure	541 851 418	-	(21 601 015)	-	86 970 209	(66 509 720)	1 127 239 754	(5 910)	(69 535 966)	-	6 534 447	1 604 943 217
Community assets	85 103 441	-	(28 842)	-	18 214 098	(51 029 519)	56 599 880	198	(5 652 616)	-	324 375	103 531 015
Other property, plant and equipment	29 862	-	(1 058)	-	-	-	-	-	(6 678)	(5 766)	-	16 360
Work in progress	23 373 758	116 548 397	-	-	(112 084 470)	-	-	-	-	(3 314 794)	-	24 522 891
	772 167 342	130 273 960	(23 183 903)	539 468		-(130 003 862)	1 235 221 049	749 806	(83 649 267)	(3 344 924)	6 859 157	1 905 628 824

Other information

No portion of property, plant and equipment has been pledged as security for liabilities.

There are no restrictions on the realisability of Property, Plant and Equipment or the remittance of revenue and proceeds of de-recognition.

There were no significant delays on projects or any construction halted in the reporting period.

Refer to Note 46 for the amount of contractual commitment for the acquisition of PPE. The amount of R188 629 410 for contracted commitments is approved and contracted.

Photocopiers & speedpoints under lease were capitalised under computer equipment with a carrying amount of R 1 186 107 as at 30 June 2024 (2023: R 1 786 286), and the corresponding finance lease liability raised in accordance with GRAP 13 on note 11. The leases are payable in monthly instalments.

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8. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Friday, 30 June 2023. Mr Franco Maartens (Worth Authority).Professional body Registrations: South African Council for the Property Valuers Profession:SACPVP, and Gerhard Zandberg Professional body Registrations: South Africa Institute for Professional Engineer, Project Management Professional (PMP).

Infrastructure, community assets, land and operational buildings are re-valued independently every 4 years.

A supplementary revaluation was performed by Mr Franco Maartens (Worth Authority).Professional body Registrations: South African Council for the Property Valuers Profession:SACPVP on 01 October 2023 due to a change in asset classification from investment property which is on the cost model to property, plant and equipment, namely land and operational buildings which were previously rented properties which are being used as a municipal offices.

The valuation was performed using the following methods:

a) Comparable Sales Approach:

This approach analysis the recent comparable sales of physically and legally similar properties in the general vicinity of the subject property. This method typically applies to single family homes and land.

b) Depreciated Replacement Cost Approach:

The Cost approach values a property based on what it would cost to build the property today, taking into consideration the depreciation by various factors. The current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

These assumptions were based on current market conditions.

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

Assets under construction

Reconciliation of Property, Plant and Equipment being Constructed or Developed 2024

	Opening Balance	Additions /Capital Expenditure 2023/24	Completed Projects (Donated Assets)	Completed Projects (Transfers)	Total WIP Balance as at 30 June 2024
Community Assets	1 009 064	7 645 706	(1 206 288)	(1 262 118)	6 186 364
Infrastructure	18 577 420	111 526 176	-	(113 971 333)	16 132 263
Operational Buildings	4 936 407	39 287 094	-	(6 668 292)	37 555 209
	24 522 891	158 458 976	(1 206 288)	(121 901 743)	59 873 836

Reconciliation of Property, Plant and Equipment being Constructed or Developed 2023

	Opening Balance	Additions /Capital Expenditure	Completed Projects (Transfers)	Impairment	Total WIP Balance as at 30 June 2023
Community Assets	10 902 846	11 642 367	(18 221 355)	(3 314 794)	1 009 064
Infrastructure	10 199 036	95 348 593	(86 970 209)	-	18 577 420
Operational Buildings	2 271 876	9 557 437	(6 892 906)	-	4 936 407
	23 373 758	116 548 397	(112 084 470)	(3 314 794)	24 522 891

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8. Property, plant and equipment (continued)

There are no property, plant and equipment under construction that is taking a significantly longer period of time to complete than expected.

There are no property, plant and equipment under construction that has been halted either during the current or previous reporting period.

Compensation from third parties for the Property, Plant and Equipment that were either lost/damage

The amount of compensation received from third parties

Computer Equipment	66 338	62 632
Machinery and Equipment	140 638	-
Motor Vehicles	707 096	153 090
Community Assets	-	21 250
Furniture	-	25 736
	914 072	262 708

The municipality received compensation from the insurers for the lost or written off of assets resulting from damages, this insurance income is included in the surplus or deficit.

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

Repairs and maintenance	13 476 374	15 661 046
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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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9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 379 781	(1 422 309)	4 957 472	3 789 794	(1 078 922)	2 710 872

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2 710 872	4 920 554	(2 673 954)	4 957 472

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 531 045	2 074 740	(39 715)	(855 198)	2 710 872

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9. Intangible assets (continued)

Other information

No portion of intangible assets has been pledged as security for liabilities.

A register containing information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

There are no intangible assets whose title is restricted.

There are no intangible asset that are under construction .

.Refer to Note 46 for the amount of contractual commitment for the acquisition of intangible assets.The amount of R7 363 285 for contracted commitments is approved and contracted.

The amortisation expense is included in the line item "Depreciation and amortisation" Note 34 in the statement of financial performance.

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10. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	78 959	-	78 959	78 959	-	78 959
Municipal jewellery	37 793	-	37 793	37 793	-	37 793
Total	116 752	-	116 752	116 752	-	116 752

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	78 959	78 959
Municipal jewellery	37 793	37 793
	116 752	116 752

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	78 959	78 959
Municipal jewellery	37 793	37 793
	116 752	116 752

Restrictions on heritage assets

There are no heritage assets whose title is restricted.

There are no heritage asset that are under construction.

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10. Heritage assets (continued)

Pledged as security

No portion of heritage assets has been pledged as security for liabilities.

11. Finance lease obligation

Minimum lease payments due

- within one year	1 095 807	1 015 920
- in second to fifth year inclusive	425 723	1 444 625
	1 521 530	2 460 545
less: future finance charges	(123 731)	(333 968)
Present value of minimum lease payments	1 397 799	2 126 577

Non-current liabilities	411 390	1 318 241
Current liabilities	986 409	808 336
	1 397 799	2 126 577

Photocopiers & speedpoints under lease were capitalised, and the corresponding finance lease liability raised in accordance with GRAP 13. The leases are payable on fixed monthly instalments.

No arrangements have been entered into for contingent rental payments.

There is no terms of renewal or purchases options and escalation clauses.

No restrictions imposed by lease arrangements.

12. Payables from exchange transactions

Trade payables	10 552 644	6 767 429
Advance payment- consumer debtors	582 302	731 116
Unallocated deposit	59 894	150 034
Other payables	29 337	-
Retention payable	10 320 575	7 372 943
	21 544 752	15 021 522

The average credit period on purchases is 30 days from the receipts of the statement as determined by MFMA, no interest is charged for the first 30 days from the date of receipt of the invoice thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has the financial risk policies in place to ensure that all payables are paid within the credit time frame.

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13. Employee benefit obligations

Employee benefit obligation consists of the following:

Current Liabilities

Long service awards	2 245 000	2 351 000
Provision for performance bonus	1 771 145	1 417 056
13th cheque Accrual	5 002 117	4 831 272
Provision for leave	16 258 967	16 396 958
Payroll control	525 867	118 582
	25 803 096	25 114 868

Non-Current Liabilities

Long service awards	10 681 000	10 822 000
Total	36 484 096	35 936 868

Long service awards

The Municipality has a defined benefit obligation in terms of the Long Service Awards. The defined benefit obligation is valued every year by independent qualified actuaries. The most recent valuations have been carried out by ZAQ Consultants and Actuaries.

Long service awards to eligible employees are paid for services rendered by employees on 5 years and longer, in a five-year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. the actuaries therefore did not value any assets as part of the valuation.

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13. Employee benefit obligations (continued)

Movement in the present value of the defined benefit obligation

Carrying value

Opening balance	13 173 000	13 133 000
Current service costs - Employee related costs	1 387 000	1 355 000
Actuarial interest - Finance costs	1 690 000	1 566 000
Benefit paid	(936 113)	(881 550)
Actuarial (Gains) Losses	(2 387 887)	(1 999 450)

12 926 000	13 173 000
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Non-current liabilities

10 681 000

Current liabilities

2 245 000

12 926 000	13 173 000
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The amount recognised in the statement of financial performance

Current service cost	1 387 000	1 355 000
Interest cost	1 690 000	1 566 000
Actuarial gains / (losses)	(2 387 887)	(1 999 450)

689 113	921 550
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Key assumptions used

In estimating the unfunded liability for long service awards a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

Assumptions used at the reporting date:

Discount rates used	12,28 %	12,91 %
Expected increase in salaries	7,80 %	8,98 %
Consumer Price Index	6,80 %	7,98 %
Net Discount rate	4,16 %	3,61 %

Demographic and mortality assumption:

Average Retirement Age	63 years	63 years
Normal Retirement Age	65 years	65 years
Mortality Rates	SA85-90	SA85-90

Mnquma Local Municipality

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. Employee benefit obligations (continued)

Sensitivity Analysis

Withdrawal rates

Age band	Withdrawal rates males	Withdrawal rates females
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %
60+	- %	- %

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation assumption	+20% Withdrawal rate
Total accrued liability	13 492 000	12 926 000	12 399 000
Current service costs	1 492 000	1 411 000	1 337 000
Interest costs	1 622 000	1 547 000	1 478 000

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

Normal salary inflation

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total accrued liability	12 307 000	12 926 000	13 590 000
Current service costs	1 335 000	1 411 000	1 493 000
Interest costs	1 467 000	1 547 000	1 634 000
	15 109 000	15 884 000	16 717 000

Provision for Performance bonus

Provision has been made for performance bonuses in accordance with the performance agreements of the Municipal Manager, Chief Financial Officer, Director of Corporate Services, Director of Infrastructure, Director of Community Services, Director of Local Economic Development & Planning, Director of Strategic Management, Senior Accountant and Legal Advisor using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management Regulations has reviewed the performance agreements of the Executive Management team and recommendation to the Council for final approval. The performance bonuses have been provided for as follows:

The movement consist of the following:

Opening Balance	1 417 056	1 322 778
Additions	1 641 651	1 096 093
Performance bonus paid	(1 287 562)	(1 001 815)
	1 771 145	1 417 056

13th Cheque Accrual

Annual bonuses accrue to all eligible municipal employees excluding Section 57 Managers on an annual basis, based on the employee contract. The balance as at year-end represents the portion of the bonus which has already vested as at year-end.

Mnquma Local Municipality

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. Employee benefit obligations (continued)

Opening balance	4 831 271	4 354 948
13th Cheque Accrual	4 947 521	4 831 271
13th Cheque paid	(4 776 675)	(4 354 948)
	5 002 117	4 831 271

Provision for Annual Leave

Provision for annual leave is recognised as it accrues to employees. The provision for annual leave is based on the total annual paid leave days due to an employee multiplied by the basic salary as at year-end.

The movement consist of the following:

Opening Balance	16 396 958	16 182 585
Additions	1 143 105	1 653 579
Provision for leave paid	(1 281 096)	(1 439 206)
	16 258 967	16 396 958

Payroll Control

Payrol accruals are made up of overtime, backpay, terminal emoluments and acting allowance that accrued to employees as at year-end.

Payroll Control	525 867	118 582
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14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	-	3 751 853
Disaster Grant	-	4 000 000
Department of Sports, Recreation and Culture (DSRAC)	2 031 945	1 888 383
Local Government Sector Education & Training Authority (LGSETA)	170 732	302 912
Department of Economic Development Environmental Affairs & Tourism (DEDEAT)	-	2 489 697
Small town revitalisation	23 771	23 771
	2 226 448	12 456 616

Movement during the year

Balance at the beginning of the year	12 456 616	7 255 335
Additions during the year	113 040 513	103 786 805
Income recognition during the year	(123 270 681)	(98 585 524)
	2 226 448	12 456 616

The above note represents 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.

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Figures in Rand	2024	2023
15. VAT payables		
VAT output accrual		
VAT output accrual	433 809	202 083
16. Consumer deposits		
Hall Deposits	12 232	22 959
No Gurantees are held in liue of hall deposits . No interest accrues on hall deposits.		
17. Revaluation reserve		
The revaluation reserve is not distributable, given that this is a municipality.		
Opening balance	1 444 926 992	289 240 056
Change during the year	(347 848 051)	1 155 686 936
	1 097 078 941	1 444 926 992
18. Service charges		
Refuse removal	8 632 390	6 363 180
19. Rental of facilities		
Premises		
Rentals on investment property	5 434 065	5 581 111
Hall hire	45 519	44 945
	5 479 584	5 626 056
20. Interest on outstanding debtors		
Interest on debtors from exchange transactions	3 739 981	2 828 059
Interest on debtors from non-exchange transactions	12 947 147	11 759 107
	16 687 128	14 587 166
21. Licences and permits		
Licences and permits	2 106 444	1 559 539

The Municipality derives revenue from applications for driver's and learner's licences, issuing of public driver permits, driver's and learner's licences, issue of roadworthy certificates, business and hawkers licenses.

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
22. Other income		
Building plan fees	453 529	429 397
Cemetery fees	35 883	43 124
Clearance certificate fees	107 647	56 059
Commissions received	180 489	158 335
Valuation service fees	15 478	11 240
Advertising	189 670	214 014
Application for land usage	31 583	53 349
Loading zone	-	8 524
Event and escorting	2 847	-
Municipal tractor	11 087	44 478
Enchroachment fees	28 696	8 696
Removal of restriction	1 553	-
	1 058 462	1 027 216

23. Interest received - investment

Bank	21 212 522	14 921 314
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The municipality earned interest income during the year from Bank deposits, Call accounts and Short-term Investment.

Interest is earned on a daily compound basis and paid monthly into the municipality bank account.

Interest income recognised

interest is recognised on a monthly basis when is deposited into the municipal bank account.

Mnquma Local Municipality

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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24. Property rates

Rates

Property rates	67 923 022	62 310 601
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Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are conducted at least once annually to take into account changes in property values due to alterations and subdivisions. Valuations were performed by independent valuer, Mr Tshepo Mokhuwa (Registration number 7006/9). Tariffs are applied as follows:

Residential

A general rate of R0.01178 - (2023 - R0.01178) is applied to residential property valuations to determine assessment rates. Rebates are granted to all residential property owners.

Business and Commercial

A general rate of R0.01519 - (2023 - R0.01519) is applied to business and commercial property valuations to determine assessment rates.

Vacant

A general rate of R0.02917 - (2023 - R0.02917) is applied to vacant property valuations to determine assessment rates.

Public Service Purposes

A general rate of R0.02466 - (2023 - R0.02466) is applied to state owned property valuations to determine assessment rates.

Small Holdings and Farms

A general rate of R0.00294 - (2023 - R0.00311) is applied to small holdings and farm property valuations to determine assessment rates.

Industrial

A general rate of R0.01490 - (2023 - R0.0149) is applied to industrial property valuations to determine assessment rates.

Public Service Infrastructure

A general rate of R0.00294 - (2023 - R0.00311) is applied to public service infrastructure valuations to determine assessment rates.

Mining & Quarries

A general rate of R0.03938 - (2023 - 0.003938) is applied to mining & quarry valuations to determine assessment rates.

Properties owned by public benefit organisations

A general rate of R0.00294 - (2023 - R0.00311) is applied to public benefit organisations to determine assessment rates.

Rebates

Rebates are granted to property owners in accordance with a variety of social and economic factors as described in the Municipality's Property Rates Policy.

Valuations

Residential	1 837 122 500	1 837 122 500
Commercial	869 283 209	869 283 209
Public Service Purposes	1 306 374 633	1 306 374 633
Public Service Infrastructure	61 609 400	61 609 400
Public Benefit Organization	30 731 000	30 731 000
Public Open Space	35 196 000	35 196 000
Agricultural	197 180 000	197 180 000
Industrial	224 900 000	224 900 000
Municipal	77 780 000	77 780 000
Vacant	187 396 000	187 396 000

Mnquma Local Municipality

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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24. Property rates (continued)

4 827 572 742 4 827 572 742

25. Fines and penalties

Illegal Trading Stock	14 000	-
Business Permit fines	12 000	-
Public Nuisance	522	-
	26 522	-

26. Government grants and subsidies

Operating grants

Equitable share	323 763 000	307 329 000
Department of Sports, Recreation and Culture (DSRAC)	356 438	50 808
Finance Management Grant	1 900 000	1 850 000
Expanded Public Works Programme	1 512 000	2 015 000
Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)	2 489 697	2 510 303
Local Government Sector Education & Training Authority (LGSETA)	1 281 115	1 219 558
	331 302 250	314 974 669

Capital grants

Municipal Infrastructure Grant (MIG)	80 875 853	72 726 147
Small Town Revitalisation	11 530 577	18 213 708
Disaster Grant	10 554 122	-
	102 960 552	90 939 855
	434 262 802	405 914 524

Equitable Share

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

All registered indigents receive the following subsidies:

1. For all electricity beneficiaries, 50 KW per month
2. Rebates of R20,000 are granted to residential property owners.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	3 751 854	-
Current-year receipts	77 124 000	76 478 000
Conditions met - transferred to revenue	(80 875 854)	(72 726 146)
	-	3 751 854

MIG is given to the municipality To provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

During the financial year the municipality received a notification form National Government on the reduction of MIG funding amounting to R5 528 000 (R.00 in 2022/23) in terms of DoRA as amended. The municipality met all the conditions of the MIG funding and realised the grant in full as revenue.

Mnquma Local Municipality

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

Local Government Sector Education & Training Authority (LGSETA)

Balance unspent at beginning of year	302 912	816 144
Current-year receipts	1 148 934	706 326
Conditions met - transferred to revenue	(1 281 115)	(1 219 558)
	170 731	302 912

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

The grant is given to the municipality that provide an environment to facilitate the training and up skilling of various employees and people involved in local government structures.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	1 900 000	1 850 000
Conditions met - transferred to revenue	(1 900 000)	(1 850 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

The conditions of the grants have been met. No funds were delayed during the financial year.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	1 512 000	2 015 000
Conditions met - transferred to revenue	(1 512 000)	(2 015 000)
	-	-

The Expanded Public Works Programme Grant is incentive funding given to the municipality to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Department of Sports, Recreation and Culture (DSRAC)

Balance unspent at beginning of year	1 888 383	1 439 191
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(356 438)	(50 808)
	2 031 945	1 888 383

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

This grant is given to the municipality to transform urban and rural public library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives. Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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Notes to the Annual Financial Statements

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

Disaster Grant

Balance unspent at beginning of year	4 000 000	-
Current-year receipts	8 625 000	4 000 000
Conditions met - transferred to revenue	(10 554 122)	-
Conditions met - transferred to revenue construction contract	(2 070 878)	-
	-	4 000 000

The Municipal Disaster Recovery Grant is allocated to rehabilitate and reconstruct municipal infrastructure damaged by a disaster. Based on the approval of the National Disaster Management Centre, it should be noted that the grant is also funding the rehabilitation of Mqambeli to Ndotshanga Main Road which belongs to the Department of Public Works and has been recognised as a construction contract.

Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)

Balance unspent at beginning of year	2 489 697	5 000 000
Current-year receipts	-	-
Conditions met - transferred to revenue	(2 489 697)	(2 510 303)
	-	2 489 697

The grant is given to the municipality in assistance for the removal of the alien trees within the municipal damarcation. The conditions of the grant was met and revenue recognised.

Small Town Revitalisation

Balance unspent at beginning of year	23 771	-
Current-year receipts	11 530 577	18 237 479
Conditions met - transferred to revenue	(11 530 577)	(18 213 708)
	23 771	23 771

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

The Small Town Revitalisation Grant is given to the municipality by the provincial government to promote the capital finance for development of small town infrastructure backlog. The conditions of the grant for the financial year were met and revenue recognised.

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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27. Construction contracts

Movements during the year for Rehabilitation of Public Works bridge

Opening balance	-	-
Current-year receipts	2 070 878	-
Conditions met - transferred to revenue	(2 070 878)	-
	-	-

Movements during the year for rural electrification

Opening balance	-	-
Current-year receipts	10 700 000	7 320 000
Conditions met - transferred to revenue	(10 700 000)	(7 320 000)
	-	-

At 30 June 2024, retention of contracts in progress are R 472 691.79 (2023: R 646 567).

Method used to determine the contract revenue recognised in the period

The revenue recognised is based on the amount of expenditure incurred by the municipality for rural electrification projects and construction of public works bridge, which is in terms of the stage of completion determined by the progress payments claimed.

Construction contracts revenue recognised

Rural electrification projects in terms of INEP	10 700 000	7 320 000
Rehabilitation of bridge	2 070 878	-
	12 770 878	7 320 000

Method used to determine the stage of completion of contracts in progress

The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Construction contract costs

Rural electrification projects in terms of INEP	10 700 000	7 320 000
Rehabilitation of Public Works bridge	2 070 878	-
	12 770 878	7 320 000

The Integrated National Electrification Programme Grant is given to the municipality to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

The Municipal Disaster Recovery Grant is allocated to rehabilitate and reconstruct municipal infrastructure damaged by a disaster. Based on the approval of the National Disaster Management Centre,

All conditions of the grant was met and revenue recognised.

28. Public contributions and donations

Public contributions and donations	-	342 907
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The municipality received donations of computer equipment and CCTV cameras from the service provider Sense-IT and Gijima Holdings during the 2022/2023 financial year.

29. Traffic Fines

Fines	6 715 200	9 021 600
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Mnquma Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Staff recoveries		
Staff recoveries	206 092	164 389
31. Forfeits		
Forfeited retentions realised	827 376	1 161 155
Other forfeits	85 805	13 307
	913 181	1 174 462

Other forfeits includes monies that are not claimed for the period of 3 years and non-refundable deposits as a result of cancellation of sale on land auction.

Mnquma Local Municipality

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Figures in Rand	2024	2023
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32. Employee related costs

Basic salary & wages	154 584 525	144 807 039
Performance bonus	1 641 651	1 096 093
Medical aid	10 251 992	9 554 530
Unemployment Insurance Fund	970 600	951 302
Skills Development Levy	1 763 167	1 657 563
SALGA Levy	56 866	53 471
Leave pay provision charge	1 356 389	2 940 031
Pension fund contributions	25 639 013	24 409 137
Travelling Allowance	1 824 313	1 636 424
Overtime, night shift and shift allowance	2 241 838	1 391 830
Long-service awards	1 408 904	1 329 418
13th Cheques	11 682 776	11 087 519
Acting allowances	787 437	182 764
Housing benefits and allowances	310 325	284 307
Other allowances	1 149 324	281 294
Cell phone, data and SMS allowances	2 834 981	2 877 476
	218 504 101	204 540 198

Remuneration of Municipal Manager - S Mahlasela

Basic salary	967 342	940 460
Backpay	108 806	73 217
Performance bonus	213 750	188 092
Cell phone allowance	130 227	126 608
Contributions to pension fund	260 935	253 683
Travel allowance	253 734	246 683
Leave pay	-	445 151
Unemployment insurance fund	2 125	2 125
Skills development levy	18 840	22 246
	1 955 759	2 298 265

Municipal Manager, S. Mahlasela, contract expired in November 2022 and was subsequently re-appointed through recruitment processes in November 2022.

Remuneration of Chief Finance Officer - M Matomane

Basic salary	790 723	768 750
Backpay	88 940	59 849
Performance bonus	161 283	140 937
Cell phone allowance	43 811	42 593
Contributions to pension fund	213 293	207 366
Contributions to medical aid	51 049	49 630
Travel allowance	218 996	212 911
Leave pay	-	297 250
Unemployment insurance fund	2 125	2 125
Skills development levy	15 243	17 366
	1 585 463	1 798 777

Chief Financial Officer, M Matomane, contract expired in May 2023 and was subsequently re-appointed through recruitment processes in June 2023.

Remuneration of Director of Corporate Services - S Caga

Basic salary	-	320 312
Backpay	-	59 849
Performance bonus	-	153 750
Cell phone allowance	-	37 774

Mnquma Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
32. Employee related costs (continued)		
Contributions to pension fund	-	64 002
Contributions to medical aid	-	19 994
Travel allowance	-	91 772
Leave pay	-	379 249
Unemployment insurance fund	-	886
Skills development levy	-	5 753
	-	1 133 341

Director of Corporate Services, Adv. S Caga, resigned in November 2022.

Remuneration of Corporate Services - NV Mviko

Basic salary	1 120 191	246 335
Backpay	40 359	-
Performance bonus	43 681	-
Travel allowance	197 681	43 471
Unemployment insurance fund	2 125	531
Skills development levy	11 943	2 442
	1 415 980	292 779

Director Corporate Services, NV Mviko was appointed in April 2023.

Remuneration of Director of Community Services - M Kibi

Basic salary	790 723	738 244
Backpay	88 940	59 849
Performance bonus	161 284	115 312
Cell phone allowance	74 642	69 688
Contributions to pension fund	203 304	189 811
Leave pay	-	394 624
Travel allowance	249 203	232 663
Unemployment insurance fund	2 125	2 125
Skills development levy	13 601	16 256
	1 583 822	1 818 572

Director of Community Services, M Kibi, contract expired in March 2023 and was subsequently re-appointed through recruitment processes in April 2023.

Remuneration of Director of Local Economic Development and Planning - M Dilika

Basic salary	790 723	768 750
Backpay	88 940	59 849
Performance bonus	161 284	102 500
Cell phone allowance	95 284	92 636
Contributions to medical aid	59 990	58 323
Contributions to pension fund	213 291	207 364
Travel allowance	158 584	154 177
Leave pay	-	333 124
Unemployment insurance fund	2 125	2 125
Skills development levy	13 825	15 383
	1 584 046	1 794 231

Director of Local Economic Development and Planning, M Dilika, contract expired in May 2023 and was subsequently reappointed through recruitment processes in June 2023.

Remuneration of Director of Strategic Management - S Benya

Basic salary	790 723	768 750
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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
32. Employee related costs (continued)		
Backpay	88 940	59 849
Performance bonus	161 284	153 750
Cell phone allowance	32 806	31 894
Contributions to pension fund	213 291	207 364
Contributions to medical aid	102 249	99 407
Travel allowance	178 803	173 834
Leave pay	-	205 000
Unemployment insurance fund	2 125	2 125
Skills development levy	13 188	14 921
	1 583 409	1 716 894

Director of Strategic Management, S Benya, contract expired in March 2023 and was subsequently re-appointed through recruitment processes in April 2023.

Remuneration of Director of Infrastructure - B Nohesi

Basic salary	790 723	768 750
Backpay	88 940	14 962
Performance bonus	147 843	32 031
Travel allowance	229 493	223 115
Cell phone allowance	84 161	81 822
Contributions to pension fund	213 495	207 562
Unemployment insurance fund	2 125	2 125
Skills development levy	12 953	10 922
	1 569 733	1 341 289

Director of Infrastructure, B Nohesi, was appointed in April 2022.

Mnquma Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
33. Remuneration of councillors		
Executive Mayor	1 015 645	935 347
Chief Whip	775 114	730 470
Speaker	822 510	759 058
Mayoral Committee Members	4 590 628	4 268 485
Other Councillors	19 922 458	17 954 460
	27 126 355	24 647 820
Executive Mayor		
Basic Salary	683 967	665 016
Backpay	49 873	-
M/Vehicle Allowance	227 988	221 671
Cellphone allowance	42 600	40 800
Data Card Allowance	2 853	-
Skills development levy	8 364	7 858
	1 015 645	935 345
Chief Whip		
Basic Salary	512 976	514 485
Backpay	39 344	-
M/Vehicle Allowance	170 992	169 199
Cellphone Allowance	42 600	40 800
Data Card Allowance	2 853	-
Skills development levy	6 349	5 986
	775 114	730 470
Speaker		
Basic Salary	547 174	537 531
Backpay	40 747	-
M/Vehicle Allowance	182 391	173 764
Cellphone allowance	42 600	40 909
Data Card Allowance	2 853	-
Skills development levy	6 745	6 852
	822 510	759 056
Fulltime Mayoral Members		
Basic Salary	3 073 031	2 988 758
Backpay	180 745	-
M/Vehicle Allowance	1 024 344	997 265
Cellphone allowance	255 600	244 800
Data Card Allowance	17 117	-
Skills development levy	39 791	37 662
	4 590 628	4 268 485
Ordinary Councillors		
Basic Salary	12 228 110	11 845 618
Backpay	1 194 072	-
M/Vehicle Allowance	3 883 635	3 762 819
Cellphone allowance	2 296 800	2 193 000
Data Card Allowance	153 745	-
Skills development levy	166 096	153 024
	19 922 458	17 954 461

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
34. Depreciation and amortisation		
Property, plant and equipment	292 676 694	83 649 267
Investment property	1 736 447	1 512 686
Intangible assets	2 673 954	855 198
	297 087 095	86 017 151
35. Impairment loss/ Reversal of impairments		
Impairment loss/ Reversal of impairments	5 936 469	3 409 266
Reversal of impairments	-	(6 859 156)
	5 936 469	(3 449 890)
36. Finance costs		
Finance leases	203 572	172 650
Actuarial interest	1 690 000	1 566 000
	1 893 572	1 738 650
37. Construction contract expenses		
Rural electrification projects in terms of INEP	9 155 989	6 591 661
Rehabilitation of bridge	1 800 763	-
	10 956 752	6 591 661
38. Debt impairment		
Receivables from non-exchange transactions	23 724 415	25 116 917
Receivables from exchange transactions	11 555 135	11 364 850
Bad debts written off	791 086	182 804
	36 070 636	36 664 571
Reconciliation of bad debts written-off		
Bad debts approved by council for write off	5 254 697	3 560 196
Receivables from exchange transactions - Bad debts written-off against bad debt provision	(1 134 693)	(1 625 534)
Receivables from non-exchange transactions - Bad debts written-off against bad debt provision	(3 240 024)	(1 751 858)
Reversal of bad debts written off	(88 894)	-
	791 086	182 804
39. Revaluation loss		
Revaluation loss	-	103 577 694
40. Repairs and maintenance		
Repairs and maintenance	13 478 556	15 661 046
41. Bulk purchases		
Electricity	3 738 135	4 819 642

Mnquma Local Municipality

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Figures in Rand	2024	2023
42. Gain or loss on disposal of assets		
Loss on disposal of assets during the year	57 160 007	22 107 725
43. Obsolete inventory written-off		
Write-downs	224 213	-
44. General expenses		
Advertising	2 399 953	3 994 692
Auditors remuneration	5 957 926	4 793 391
Bank charges	822 119	635 851
Transfer of assets held from distribution	-	172 900
Computer expenses	5 648 181	5 813 097
Professional fees	7 182 324	10 111 890
Consumables	4 754 238	3 317 629
Legal fees	9 540 360	11 254 283
Discount allowed	2 967 429	7 604 674
Civic functions	1 549 040	1 695 845
Car licences and registrations	296 645	317 325
Workmen's compensation	1 171 970	902 435
Hire charges	2 009 168	1 414 438
Insurance	3 497 069	1 312 767
Audit committee	504 689	418 307
Risk committee	156 882	60 599
Outsourced Services - clearing services	8 144 430	3 727 162
Driver's licence cards	268 442	222 385
Fuel and oil	7 380 505	6 345 090
Printing and stationery	383 355	468 302
Uniform and protective clothing	311 390	391 571
Security	233 051	418 764
Post and telecommunications	2 137 392	2 334 793
Assets expensed	23 538	28 000
Municipal services	6 533 085	5 730 334
Professional body and registration fees	5 000 359	2 604 573
Operating project expenditure	-	112 885
Subsistence, travelling and accommodation	2 985 318	2 758 133
Transfers to private enterprises	4 228 615	4 178 759
Signage	589 689	37 445
Ward committees	5 760 631	5 771 573
Allowance for traditional leaders	150 203	66 054
Swimming supervision	283 000	-
Other expenses	387 707	49 274
	93 258 703	89 065 220

45. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	279 394	279 394
Receivables from exchange transactions	-	6 540 540	6 540 540

Mnquma Local Municipality

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Notes to the Annual Financial Statements

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45. Financial instruments disclosure (continued)

Cash and cash equivalents	187 116 519	-	187 116 519
	187 116 519	6 819 934	193 936 453

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	21 515 404	21 515 404
Finance lease obligation	1 397 799	1 397 799
Consumer deposits	12 232	12 232
	22 925 435	22 925 435

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	334 775	334 775
Receivables from exchange transactions	-	3 207 950	3 207 950
Cash and cash equivalents	194 239 427	-	194 239 427
	194 239 427	3 542 725	197 782 152

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	15 021 522	15 021 522
Finance lease obligation	2 126 578	2 126 578
Consumer deposits	22 959	22 959
	17 171 059	17 171 059

The average credit period on purchases is 30 days from the receipts of the statement as determined by MFMA, no interest is charged for the first 30 days from the date of receipt of the invoice thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has the financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that carrying value of creditors is measured at amortised cost.

Risk management

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

Liquidity risk

The average credit period on purchases is 30 days from the receipts of the invoice as determined by MFMA, no interest is charged for the first 30 days from the date of receipt of the invoice thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has the financial risk policies in place to ensure that all payables are paid within the credit time frame.

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

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45. Financial instruments disclosure (continued)

As at June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Payables from exchange transactions	21 515 404	-	-	-	21 515 404
Consumer deposits	12 232	-	-	-	12 232
Finance lease obligations	986 408	411 391	-	-	1 397 799
	22 514 044	411 391	-	-	22 925 435
As at 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Payables from exchange transactions	15 021 522	-	-	-	15 021 522
Consumer deposits	22 959	-	-	-	22 959
Finance lease obligations	808 337	904 210	414 034	-	2 126 581
	15 852 818	904 210	414 034	-	17 171 062

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt's collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts

The carrying amount of financial assets recorded in the audited annual financial statements which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

Financial instrument

Receivables from non-exchange transactions	279 395	334 775
Receivables from exchange transactions	6 540 540	3 207 950
Cash and cash equivalents	187 116 519	194 239 427
	193 936 454	197 782 152

Receivables from non-exchange - Other receivables

Current 0 - 30 days	500	-
61 - 90 days	-	9 814
> 150 days	278 895	324 961
	279 395	334 775

Receivables from exchange transactions - Refuse

Current (0 - 30 days)	1 393 479	1 197 191
31 - 60 days	1 018 210	973 552
61 - 90 days	1 069 621	787 146
91 - 120 days	959 639	776 586
121 - 150 days	950 099	764 370
> 150 days	37 045 446	29 929 015

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Figures in Rand	2024	2023
45. Financial instruments disclosure (continued)	42 436 494	34 427 860
Receivables from exchange transactions - Housing rental		
Current (0 -30 days)	425 850	480 943
31 - 60 days	440 388	415 730
61 - 90 days	463 851	408 477
91 - 120 days	429 616	402 494
121 - 150 days	1 050 758	399 724
> 150 days	7 184 847	3 149 113
	9 995 310	5 256 481
Receivables from exchange transactions - Other receivables		
Current (0 -30 days)	452 026	91 370
121 - 150 days	2 830 852	1 609 260
	3 282 878	1 700 630
46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	188 629 410	27 813 829
• Intangible assets	7 363 286	12 061 354
	195 992 696	39 875 183
Total capital commitments		
Already contracted for but not provided for	195 992 696	39 875 184

Mnquma Local Municipality

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47. Contingencies		
Cases against the Municipality		
Case no144/19 Barricade Protection Services vs Mnquma Local Municipality	-	1 350 484
Case No. 55/2020 VJ Transport vs Mnquma Local Municipality	195 062	195 062
Case No. 297/2019 Lungi Dyantyi vs Mnquma Local Municipality	121 112	121 112
Case No. 453/2020 Lesley Ronald Martin and Others vs Mnquma LocalMunicipality and Lukhanyo Tukani	27 560 000	27 560 000
Case No. 237/19 Nontando Mvume vs Mnquma Local Municipality	33 556	33 556
Case No. 2559/16 Ndikho Makutsu & Others vs Mnquma Local Municipality	517 964	517 964
Case No. 89/2018 Vuyani Excellent Dyalo vs Mnquma Local Municipality and MM	-	150 000
Case No. 4806/2017 Masixole Innocent Magwashu vs Mnquma Local Municipality	300 000	300 000
Case No.1069/2014 Siva Pillay Construction vs Mnquma Local Municipality	13 377 329	13 377 329
Case No. 250/2019 Mpinda Hlaba vs Mnquma Local Municipality	150 000	150 000
Case No.189/2022 Kanetso Johannes Ramaipato vs Mnquma Local Municipalityand Mr Timakoe	-	59 022
Case No. 42/22 Bongani Nyhiba vs Mnquma Local Municipality	-	193 082
Case No.313/2020 - M. Tutu vs Munquma Local Municipality	-	12 000
Case No. 114/2021 - Thandinkosi Magani vs Munquma Local Municipality	200 000	2 000 000
Case No. 5291/2022 Ngaba Dekeda vs Mnquma Local Municipality	-	7 000 000
Case No .PR76/23 Camagu vs Mnquma Local municipality	1 025 790	1 025 790
Case No.PR82/23 V Gonya vs Mnquma Local Municipality	1 751 020	1 751 020
Case No.PR103/23 T C Hlazo vs Mnquma Local Municipality	2 010 714	2 010 714
Case No.44/2022 Weziwe Bhobho Vs Mnquma Local Municipality	44 874	44 874
Case No. 444/17 Minister of water and sanitation vs Mnquma Local Municipality	6 037 591	6 037 591
Case No. PR90/24 SAMWU obo Mnini/ Mnquma Local Municipality	2 193 995	-
Case No. ECD032403 Mnquma Local Municipality / M Maphazi SALGBC	500 000	-
	56 019 007	63 889 600

Case No. 55/2020 VJ Transport vs Mnquma Local Municipality

The Plaintiff is suing the Municipality on the damage arising on the unidentified collapsed bridge. The matter is at pre-trial stage. A memorandum was prepared and we are now waiting for further instructions from the municipality. The plaintiff has filed amended particulars of claim and the matter is now at discovery stage.

Case No. 297/2019 Lunga Dyantyi vs Mnquma Local Municipality

The Plaintiff is suing the municipality for damages on his motor vehicle that was impounded by the Municipality. Dyantyi has filed a notice of appeal against the judgement handed down in the Magistrate's Court. The appeal is pending.

Case No 453/2020 Lesley Ronald Martin and Others vs Mnquma Local Municipality and Lukhanyo Tukani

The Plaintiffs are suing the municipality and Mr Tukani for damages as a result of Mr Tukani's (employee) actions who accidentally fired a shot through the neighbour's home which struck their son in the head. The application for leave to appeal has been dismissed with costs. We have been instructed to deal with the quantum claimed by the Martins. Awaiting a new date for the hearing of the matter.

Case No. 237/19 Nontando Mvume vs Mnquma Local Municipality

The Plaintiff is suing the municipality for damages of the motor vehicle by the pothole. The matter was heard in court on the 20th March 2024 for further argument. The presiding magistrate on the matter is reportedly transferred and until a new magistrate has been appointed the matter has no new trial date.

Case No. 2559/16 Ndikho Makutsu & Others vs Mnquma Local Municipality

The Plaintiff is claiming the municipality for unlawful arrest, detention and other damages allegedly caused by some of the employees traffic officers during the arrest. We are awaiting a new date for hearing of the matter.

Case No. 4806/2017 Masixole Innocent Magwashu vs Mnquma Local Municipality

The plaintiff is suing the Municipality for unlawful arrest, detention and assault by the members of the Municipality. The matter is now serving before the Butterworth court, All the papers have been exchanged between the parties; we are now in the process of applying for a date of the hearing of the matter.

Case No.1069/2014 Siva Pillay Construction vs Mnquma Local Municipality

The Plaintiff is claiming the Municipality money for services rendered that was not paid. Consultation with Adv Rorke SC and the municipality on 15 February 2024. Council to provide an opinion. Awaiting Council's opinion.

Mnquma Local Municipality

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47. Contingencies (continued)

Case No. 250/2019 Mpinda Hlaba vs Mnquma Local Municipality

The Plaintiff is suing the Municipality for unlawful arrest by traffic officers near Caltex Garage. The matter was heard on the 17th and 24th Nov 2023. The matter was fully argued, heads of argument were filed and we are now waiting for judgement.

Case No. 114/2021 - Thandinkosi Magani vs Mnquma Local Municipality

The Plaintiff is suing the Municipality for damages on his motor vehicle that was impounded by the Municipality. This matter was set for trial on the 10th day of May 2024, and was postponed on a date to be arranged. The presiding magistrate on the matter is reportedly transferred and until a new magistrate has been appointed the matter has no new trial date.

Case No. PR76/23 Camagu vs Mnquma Local Municipality

The Plaintiff is suing the Municipality for Unfair dismissal to SALGBC. All the necessary pleadings have been filed. We await a date for the hearing of the matter.

Case No. PR82/23 V Gonya vs Mnquma Local Municipality

The Plaintiff is suing the Municipality Unfair dismissal to SALGBC. All the necessary pleadings have been filed. We await a date for the hearing of the matter.

Case No. PR103/23 T C Hlazo vs Mnquma Local Municipality

The Plaintiff is suing the Municipality Unfair dismissal to SALGBC. All the necessary pleadings have been filed. We are awaiting a date for the hearing of the matter.

Case No. 44/2022 Weziwe Bhobho Vs Mnquma Local Municipality

The Plaintiff is suing the Municipality for damages on the motor vehicle as a result of a pothole. A memorandum has been prepared to client for consideration regarding the future conduct of the matter. Instructions are for the legal representative to proceed to trial.

Case No. 444/17 Minister of water and sanitation vs Mnquma Local Municipality

The Plaintiff is suing the Municipality for failure to pay water for usage under the national water Act 36 of 1998. we have filed the notice in term of Rule 30 advising that the filing of the amended particulars of claim to be an irregular step. We wait for that process to unfold.

Case No. PR90/24 SAMWU o.b.o Mnini/ Mnquma Local Municipality

Mnini referred an unfair dismissal dispute to the SALGBC. The SALGBC has issued an arbitration award in terms of which the municipality has been ordered to reinstate her retrospectively. Review application has been launched on the award. SAMWU's attorneys have filed a notice of opposition. The matter is pending.

Case No. ECD032403 Mnquma Local Municipality / M Maphazi SALGBC

Maphazi was dismissed for misconduct. He has referred an unfair dismissal dispute to the SALGBC under Case No. ECD032403. The matter set for arbitration on 26 June 2024 and awaiting outcome.

48. Deviation from Supply Chain Management Regulations

Sole Provider	59 042	38 839
Emergency	35 000	-
Impractical to follow SCM process	5 527 954	6 301 331
	5 621 996	6 340 170

Mnquma Local Municipality

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Figures in Rand	2024	2023
49. Cash generated from operations		
Deficit	(182 535 339)	(57 419 207)
Adjustments for:		
Depreciation and amortisation	297 087 095	86 017 151
Loss on disposal of assets	57 160 007	22 107 725
Finance costs	1 893 572	-
Impairment loss/ reversal of impairments	5 936 469	(3 449 890)
Donations received	-	(342 907)
Debt impairment	36 070 636	36 664 571
Discount allowed	2 967 428	7 604 674
Obsolete inventory written-off	224 213	-
Donations made	1 206 288	436 480
Actuarial gains / (losses)	(2 387 887)	-
Transfers of assets held for distribution	-	172 900
Other non cash items	19 593	(83 232)
Revaluation losses	-	103 962 416
Forfeits	(913 181)	-
Movement in employee benefit obligations	547 229	(421 920)
Changes in working capital:		
Inventories	(557 110)	1 692 545
Receivables from exchange transactions	(16 050 634)	(13 835 282)
Consumer deposits	(10 727)	13 950
Receivables from non-exchange transactions	(25 828 997)	(20 052 507)
Finance lease obligations	(728 778)	(438 121)
Payables from exchange transactions	3 575 598	(5 194 721)
VAT receivables	(1 164 316)	393 466
VAT payables	231 726	-
Unspent conditional grants and receipts	(10 230 168)	5 201 281
	166 512 717	163 029 372

Mnquma Local Municipality

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50. Related parties

Relationships

Municipal Manager - refer to note 32
 Chief Financial Officer - refer to note 32
 Director of Strategic Management - refer to note 32
 Director of Corporate Services - refer to note 32
 Director of Infrastructural Planning & Development - refer to note 32
 Director of Community Services - refer to note 32
 Director of Local Economic Development - refer to note 32
 Executive Mayor - refer to note 33
 Speaker - refer to note 33
 Chief Whip - refer to note 33
 Exco Councillors - refer to note 33

Ordinary Councillors - refer to note 33

S Mahlasela
 M Matomane
 S Benya
 NV Mviko
 B Nohesi
 M Kibi
 M Dilika
 T Manxila-Nkamisa
 M Qaba
 S Ncetezo
 N Plaatjie
 Z Sobekwa
 L Mgandela
 S Matutu
 N Layiti
 T Bikitsha
 N Ntolosi
 M Mkhilili
 WM Ntongana
 Z Bomela
 Z Mnqokoyi
 N Sheleni
 NR Tshona
 V Nkehle
 N Baleka
 NN Magwentshu
 N Paliso
 L Ngindana
 L Dyantyi Deceased 25 May 2024
 N Sigwadi
 VJ Gazi
 B Zondani
 MH Tangana
 P Ndabambi
 N Mena
 GT Ntshonga
 K Gobeni
 PM Mbovane
 N Mbuku
 T Jizana
 JJT Mduli
 M Ntsali
 ZE Kwaza
 S Maputeni
 M Magobiane
 LL Tetana
 Z Mawisa
 N Mtintsilana
 M Kabane
 M Xabela
 PN Ntamo
 NJ Mzongwana
 C Ncukana
 M Masekwana
 NLG Mgqalelo
 V Manxodidi
 N Nogaga Mpumpula
 N Nohesi
 A Soyeza

Mnquma Local Municipality

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50. Related parties (continued)

TB Gidigidi
Z Tyandela
CN Filtane
LL Maputuma
MHN Dali
PB Goniwe
M Kalimashe
N Xoki
XI Pupuma
T Tyinkala
X L Mjamba

Disclosure of Related Party Transactions

Revenue

Consumer services rendered to Key Management Personnel	129 956	118 848
Consumer services rendered to Councillors	50 306	42 809
	180 262	161 657

Outstanding Balances

Key Management Personnel	595	3 629
Councillors	156 122	145 730
	156 717	149 359

Key Management and Councillors receive and pay for services from the municipality on the same terms and conditions as other ratepayers / residents. Services rendered to key management personnel occurred within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality is reasonable to expect to have adopted if dealing with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality's legal mandate.

The amounts outstanding are unsecured and will be settled in cash.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Awards to close family members of persons in service of the state - SCM Regulation 45

The detail listed below is disclosed in terms of section 51 of Supply Chain Management Policy that determines that the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

Purchases from (sales to) related parties

Inzalo Enterprise Management Systems (Pty) Ltd (Pty) Ltd - S.T. Mazibuko who is one of the Directors of the company is the spouse of Mr N.T Mazibuko who is in the employment of the Dept of Arts and Culture KZN.	3 611 431	6 280 879
Ebusha General Trading - Daughter of Director, Ms Nkosi Yankey works for Department of Economic Development, Environmental Affairs at the Head Office Eastern Cape	-	25 889
Limitless Strategic Solutions - Director's wife Mrs.N.Qwede is an employee of Buffalo City Municipality	-	1 161 155
Ian Dickie & Co PTY LTD - Mauricha Samuels financial director spouse-saps-supply chain	28 675	45 023
SMS ICT Choice (Pty) Ltd - Mrs NJ Maqula is working for the department of Human Settlement	1 774 555	399 118
Adapt IT - Nombali Mbombo a Director of Adapt It (Pty) Ltd is married to Mr D Mbombo, he is on operation and maintenance manager at Sanral	518 291	245 665
MNT Geomatics - S.Ntambo who is the wife of the director of the company is in the employ of Buffalo City Municipality	609 027	794 000

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50. Related parties (continued)

Tokizone (Pty) Ltd - Sister Ziyanda Makaula who is working at Mnquma Local Municipality and wife Pumza Makaula is working at social Development	-	22 813
Provincial Government of the Eastern Cape : Department of public works and infrastructure - Land donated to the Municipality	-	321 480
Vikisync (Pty) Ltd - Mr Nkululeko Dlova who is the director of the company is the son of Ms Nompumeleo Dlova who is an employee of Mnquma Local Municipality and a Spouse to Somila Kala who is intern at Revenue Office	3 331 838	-
Omsinga Investments - Mr. S .Mngomnyama who is the brother of the Director of the company is under the employment of Mnquma Local Municipality as an Accountant	464 916	-
Liya and Mila Training and Development - Mrs Zukiswa Ndikinda the director of the Company is the spouse of Mr.Z.J Lolo who is an employee of Mnquma Local Municipality as a Traffic Officer	24 760	-
Hansen Land Surveyors Inc - Mr Charles Hansen the Director of the Company is the spouse of Mrs Katie Hansen who is employed at the phamarcy of the sate owned fronteir hospital	32 500	-

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

51. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	1 137
Current year subscription / fee	6 851 614	5 512 400
Amount paid - current year	(6 851 614)	(5 513 537)
	-	-

PAYE, SDL and UIF

Current year subscription / fee	39 682 200	36 854 122
Amount paid - current year	(39 682 200)	(36 854 122)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	56 333 885	53 032 503
Amount paid - current year	(56 333 885)	(53 032 503)
	-	-

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

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Nosisi Paliso	893	27 431	28 324
Thibile Benjamini Gidigidi	4 659	99 899	104 558
Nomfundiso Tshona	975	14 776	15 751
Mandisa Dali	445	1 314	1 759
Luxolo Mgandela	884	-	884
Bukiwe Zondani	528	2 509	3 037
Mputumi Andrew Ntsali	488	1 320	1 808
	8 872	147 249	156 121

The above councillors have arranged for these debts to be paid directly through payroll deductions.

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Tenana Lindile	496	292	788
Gidigidi Benjamin T	5 420	110 325	115 745
Paliso Nosisi	1 225	27 972	29 197
	7 141	138 589	145 730

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

SALGA Levy

Current year subscription/fee	113 732	106 941
Amount paid - current year	(113 732)	(106 941)
	-	-

VAT

VAT receivable	5 257 310	4 881 664
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All VAT returns have been submitted by the due date throughout the year.

52. Segment information

General information

Mnquma Local Municipality

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52. Segment information (continued)

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were 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
Budget & Treasury	Revenue and Debt Management, Budget Planning and Financial Reporting, Supply Chain Management, Expenditure and Payroll and Logistics, Assets and Fleet Management
Community Services	Traffic and Law Enforcement, Solid Waste and Public Amenities, Security Services and Environmental Management
Corporate Services	Administration, Human Resources and Employee Relations, Council Support and Information and Communication Technology
Infrastructural Planning & Development	Civil Services, Building and Housing and Public Works Roads
Local Economic Development	Investment Promotions, Land Use Management, Research and Policy Development, Tourism Development, Small Enterprise Development and SMME & Cooperate Services
Municipal Manager and Executive Council	Office of the Municipal Manager, Internal Audit, Risk Management and Legal Services
Strategic Management	Intergrated Development Plan & Performance Management System , Communication, Strategic Management and Special Programmes Unit

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

Geographic segment reporting

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

Measurement of specific segment information

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

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed below.

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52. Segment information (continued)

Segment surplus or deficit.

2024

	Budget & Treasury	Community Services	Corporate Services	Infrastructural Planning & Development	Local Economic Development	Municipal Manager and executive council	Strategic Management	Total
Revenue from exchange transactions								
Service charges	-	8 632 390	-	-	-	-	-	8 632 390
Rental of facilities	5 434 065	-	-	-	45 519	-	-	5 479 584
Interest on outstanding debtors	758 732	2 981 249	-	-	-	-	-	3 739 981
Income from agency fees	-	2 517 141	-	-	-	-	-	2 517 141
Licences and permit	-	1 397 883	708 561	-	-	-	-	2 106 444
Other income	535 328	36 471	-	453 527	33 136	-	-	1 058 462
Interest received - investment	21 212 522	-	-	-	-	-	-	21 212 522
Construction contract	2 070 878	-	-	10 700 000	-	-	-	12 770 878
Total revenue from exchange transactions	30 011 525	15 565 134	708 561	11 153 527	78 655	-	-	57 517 402
Revenue from non-exchange transactions								
Property rates	67 923 022					-		67 923 022
Interest on outstanding debtors	12 947 147					-		12 947 147
Government grants and subsidies	332 466 236	1 868 438	1 281 115	96 157 317	2 489 696	-		434 262 802
Staff recoveries	206 092					-		206 092
Traffic Fines		6 715 200				-		6 715 200
Forfeits	913 181					-		913 181
Fines and penalties	26 522					-		26 522
Total revenue from non-exchange transactions	414 482 199	8 583 638	1 281 115	96 157 317	2 489 697	-		522 993 966
Total revenue	444 493 724	24 148 772	1 989 676	107 310 844	2 568 352	-		580 511 368

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	Budget & Treasury	Community Services	Corporate Services	Infrastructural Planning & Development	Local Economic Development	Municipal Manager and executive council	Strategic Management	Total
52. Segment information (continued)								
Expenditure								
Employee related costs	(33 135 771)	(64 273 751)	(45 354 839)	(31 998 459)	(15 354 975)	(12 302 547)	(16 083 759)	(218 504 101)
Remuneration of councillors	-	-	-	-	-	(27 126 355)	-	(27 126 355)
Finance costs	(1 893 572)	-	-	-	-	-	-	(1 893 572)
Debt Impairment	(36 070 636)	-	-	-	-	-	-	(36 070 636)
Bulk purchases	(3 738 135)	-	-	-	-	-	-	(3 738 135)
Repairs and maintenance	(7 970 696)	(22 890)	(4 350)	(5 480 620)	-	-	-	(13 478 556)
General Expenses	(38 600 072)	(9 537 215)	(17 266 916)	(1 522 480)	(3 026 682)	(17 281 568)	(6 023 770)	(93 258 703)
Construction Contract Expenses	-	-	-	(10 956 752)	-	-	-	(10 956 752)
Depreciation & amortisation	(297 087 095)	-	-	-	-	-	-	(297 087 095)
Loss on disposal of PPE	(58 084 840)	-	-	924 833	-	-	-	(57 160 007)
Impairment loss/reversal of impairment	(5 936 469)	-	-	-	-	-	-	(5 936 469)
Obsolete inventory written-off	(224 213)	-	-	-	-	-	-	(224 213)
Actuarial gains / (losses)	2 387 887	-	-	-	-	-	-	2 387 887
Total segment expenditure	(480 353 612)	(73 833 856)	(62 626 105)	(49 033 478)	(18 381 657)	(56 710 470)	(22 107 529)	(763 046 707)
Total segmental surplus/(deficit)	(35 859 888)	(49 685 084)	(60 636 429)	58 277 366	(15 813 304)	(56 710 470)	(22 107 530)	(182 535 339)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

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52. Segment information (continued)

2023

	Budget & Treasury	Community Services	Corporate Services	Infrastructural Planning & Development	Local Economic Development	Municipal Manager and executive council	Strategic Management	Total
Revenue from exchange transactions								
Service charges	-	6 363 180	-	-	-	-	-	6 363 180
Rental of facilities	5 581 111	-	-	44 945	-	-	-	5 626 056
Interest on outstanding debtors	318 611	2 509 448	-	-	-	-	-	2 828 059
Income from agency fees	-	2 614 599	-	-	-	-	-	2 614 599
Licences and permits	-	1 093 547	465 992	-	-	-	-	1 559 539
Other income	501 801	43 124	-	429 397	52 894	-	-	1 027 216
Interest received - investment	14 921 314	-	-	-	-	-	-	14 921 314
Construction contract revenue	-	-	-	7 320 000	-	-	-	7 320 000
Total revenue from exchange transactions	21 322 837	12 623 898	465 992	7 794 342	52 894	-	-	42 259 963
Revenue from non-exchange transactions								
Property rates	62 310 601							62 310 601
Government grants & subsidies	309 179 000	2 065 808	1 219 558	90 939 855	2 510 303			405 914 524
Interest Earned - outstanding debtors	11 759 107							11 759 107
Public contributions and donations	342 907							342 907
Traffic fines		9 021 600						9 021 600
Staff recoveries	164 389							164 389
Forfeits	1 174 462							1 174 462
Total revenue from non-exchange transactions	384 930 467	11 087 408	1 219 558	90 939 854	2 510 303			490 687 590
Total Revenue	406 253 304	23 711 306	1 685 550	98 734 196	2 563 197			532 947 553

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	Budget & Treasury	Community Services	Corporate Services	Infrastructural Planning & Development	Local Economic Development	Municipal Manager and executive council	Strategic Management	Total
52. Segment information (continued)								
Expenditure								
Employee related costs	(29 961 328)	(56 098 965)	(48 809 051)	(29 432 069)	(13 006 869)	(11 873 605)	(15 358 311)	(204 540 198)
Remuneration of councillors	-	-	-	-	-	(24 647 820)	-	(24 647 820)
Constraction contract	(6 591 661)	-	-	-	-	-	-	(6 591 661)
Debt Impairment	(36 664 571)	-	-	-	-	-	-	(36 664 571)
Depreciation and Amortisation	(86 017 151)	-	-	-	-	-	-	(86 017 151)
Impairment Loss/reversal	3 449 890	-	-	-	-	-	-	3 449 890
Finance Charges	(1 738 650)	-	-	-	-	-	-	(1 738 650)
Bulk Purchases	(4 819 642)	-	-	-	-	-	-	(4 819 642)
Revaluation Losses	(103 962 416)	-	-	-	-	-	-	(103 962 416)
Repairs and Maintenance	(14 174 774)	-	(96 405)	(1 377 867)	-	-	(12 000)	(15 661 046)
General Expenses	(47 635 240)	(7 720 499)	(12 110 532)	(598 442)	(4 559 002)	(12 862 182)	(3 579 323)	(89 065 220)
Loss on Disposal of Assets	(22 366 044)	-	-	258 319	-	-	-	(22 107 725)
Actuarial gains / (losses)	1 999 450	-	-	-	-	-	-	1 999 450
Total segment expenditure	(348 482 137)	(63 819 464)	(61 015 988)	(31 150 059)	(17 565 871)	(49 383 607)	(18 949 634)	(590 366 760)
Total segmental surplus/(deficit)	57 771 166	(40 108 157)	(59 330 438)	67 584 137	(15 002 674)	(49 383 607)	(18 949 634)	(57 419 207)

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53. Prior period errors

It should be noted that due to the correction of prior period errors, the comparative segment reporting note has been adjusted in line with the changes detailed below.

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Figures in Rand	2024	2023
53. Prior period errors (continued)		
Revaluation losses		
As previously stated	-	103 577 694
Decrease in revaluation losses due to the derecognition of Centane Main Road belonging to Public Works.	-	(646)
Increase in revaluation losses due to due to impairment previously not recognised on invaded land.	-	385 368
	-	103 962 416
Investment property		
As previously stated	-	141 896 216
Decrease in investment property due to derecognition of erven where the municipality did not have substantive right.	-	(19 106 839)
Decrease in investment property due to derecognition of erven previously sold.	-	(3 762 620)
Decrease in investment property due to impairment on invaded land.	-	(69 502 420)
	-	49 524 337
Intangible assets		
As previously stated	-	2 730 978
Decrease in intangible assets due to disposal previously not recognised - cost.	-	(499)
Increase in intangible assets due to disposal previously not recognised - accumulated depreciation.	-	244
Decrease in intangible assets due to computer operating system incorrectly classified as intangible assets instead of computer - cost.	-	(38 922)
Decrease in intangible assets due to computer operating system incorrectly classified as intangible assets instead of computer - accumulated depreciation.	-	19 071
	-	2 710 872
Inventories		
As previously stated	-	2 472 713
Decrease in inventories due to RDP and pre-1994 housing incorrectly recorded as assets held for distribution when the municipality did not have substantive right.	-	(1 387 100)
	-	1 085 613
Remuneration of councillors		
As previously stated	-	30 485 447
Decrease in remuneration of councillors is due to Ward committees incorrectly classified under remuneration of councillors instead of general expenditure	-	(5 771 574)
Decrease in remuneration of councillors' is due to traditional leaders incorrectly classified under remuneration of councillors instead of general expenditure	-	(66 053)
	-	24 647 820
Payables from exchange transactions		
As previously stated	-	38 462 859
Decrease in payables from exchange transactions due to 13th cheque (bonus) accrual incorrectly classified as payable from exchange transactions instead of employee benefit obligation.	-	(6 310 193)
Decrease in payables from exchange transactions due to provision for leave incorrectly classified as payable from exchange transactions instead of employee benefit obligation.	-	(16 396 958)
Decrease in payables from exchange transactions due to payroll control incorrectly classified as payable from exchange transactions instead of employee benefit obligation.	-	(118 582)
Decrease in Decrease in payables from exchange transactions due to consumer deposit incorrectly classified as payables from exchange transactions instead separate line item consumer deposits.	-	(22 959)

Mnquma Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
53. Prior period errors (continued)		
Decrease in payables from exchange transactions due to part of invoice disputed.	-	(12 320)
Decrease in payables from exchange transactions due to part of invoice disputed.	-	(1 950)
Decrease in payables from exchange transactions due to an accrual incorrectly recognised.	-	(149 201)
Decrease in payables from exchange transactions is due to overstatement of expenditure.	-	(429 174)
	-	15 021 522
Employee benefit obligation (current liabilities)		
As previously stated	-	2 364 000
Increase in employee benefit obligation due to 13th cheque (bonus) accrual incorrectly classified as payable from exchange transactions instead of employee benefit obligation.	-	6 310 193
Decrease in employee benefits obligation due to overstatement of the 13th cheque (bonus) accrual.	-	(1 478 921)
Increase in employee benefit obligation due to provision for leave incorrectly classified as payable from exchange transactions instead of employee benefit obligation.	-	16 396 958
Increase in employee benefits obligation due to provision for performance bonus not classified as employee benefit obligation.	-	1 417 056
Increase in employee benefit obligation due to payroll control incorrectly classified as payable from exchange transactions instead of employee benefit obligation.	-	118 582
Decrease in employee benefits obligation is due to overstatement of long service award employee benefits obligation.	-	(13 000)
	-	25 114 868
Employee benefit obligation (Non-Current Liabilities)		
As previously stated	-	11 587 000
Decrease in employee benefits obligation is due to overstatement of long service award employee benefits obligation.	-	(765 000)
	-	10 822 000
Actuarial gains / (losses)		
As previously stated	-	1 221 450
Increase in actuarial gain/(losses) is due to overstatement of long service award employee benefits obligation.	-	778 000
	-	1 999 450

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Figures in Rand	2024	2023
53. Prior period errors (continued)		
Provisions		
As previously stated	-	1 417 056
Decrease in provision is due to provision for performance bonus reclassified to employee benefit obligation.	-	(1 417 056)
	-	-
Consumer deposits		
As previously stated	-	-
Increase in consumer deposits due to consumer deposit incorrectly classified as payables from exchange transactions.	-	22 959
	-	22 959
Employee related costs		
As previously stated	-	206 019 120
Decrease in employee related costs due to overstatement of the 13th cheque (bonus) accrual.	-	(1 478 922)
	-	204 540 198
Property, plant and equipment		
As previously stated	-	1 921 374 052
Increase in property, plant and equipment due to overstatement computer equipment on recognition of finance lease - decrease in accumulated depreciation	-	4 578
Decrease in property, plant and equipment due to overstatement computer equipment on recognition of finance lease - decrease in cost.	-	(23 644)
Increase in property, plant and equipment due to computer operating systems incorrectly classified as intangible assets instead of computer equipment - cost.	-	38 922
Decrease in property, plant and equipment due to computer operating systems incorrectly classified as intangible assets instead of computer equipment - accumulated depreciation.	-	(11 297)
Decrease in property, plant and equipment due to impairment previously not recognised on invaded land - cost.	-	(2 730 941)
Decrease in property, plant and equipment due to derecognition of Centane Main Road belonging to Public Works - cost 2022	-	(5 060 334)
Decrease in property, plant and equipment due to derecognition of Centane Main Road belonging to Public Works - cost 2023	-	(18 833 849)
Increase in property, plant and equipment due to derecognition of Centane Main Road belonging to Public Works - accumulated depreciation 2022	-	3 083 472
Increase in property, plant and equipment due to derecognition of Centane Main Road belonging to Public Works - accumulated depreciation 2023	-	8 746 787
Decrease in property, plant and equipment due to correction on valuation of assets RD04518/000 and RD06049/000 - accumulated depreciation.	-	(958 923)
	-	1 905 628 823
Finance lease obligation (non current liabilities)		
As previously stated	-	1 332 145
Decrease in finance lease is due to overstatement computer equipment on recognition of finance lease.	-	(13 904)
	-	1 318 241
Impairment loss/ Reversal of impairments		
As previously stated	-	3 519 996
Decrease in impairment loss/ reversal of impairments due to correction on valuation of assets RD04518/000 and RD06049/000.	-	(70 106)
	-	3 449 890

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Figures in Rand	2024	2023
53. Prior period errors (continued)		
Depreciation and amortisation		
As previously stated	-	86 151 331
Decrease in depreciation and amortisation due to overstatement computer equipment on recognition of finance lease.	-	(4 578)
Decrease in depreciation and amortisation due to reclassification of computer operating system from intangible asset to computer equipment.	-	(12 962)
Increase in depreciation and amortisation due to reclassification of computer operating system from intangible asset to computer equipment.	-	12 962
Decrease in depreciation and amortisation due to overstatement of depreciation as result of reclassification of computer operating system from intangible assets to computer equipment.	-	(5 182)
Decrease in depreciation and amortisation due to derecognition of Centane Main Road belonging to Public Works.	-	(154 553)
Increase in depreciation and amortisation due to depreciation incorrectly recorded under loss on disposal of assets.	-	30 133
	-	86 017 151
Finance costs		
As previously stated	-	1 717 474
Increase in finance costs due to reversal of input VAT incorrectly charged on finance cost on finance lease - Konica Minolta.	-	17 345
Increase in finance costs due to reversal of input VAT incorrectly charged on finance cost on finance lease - FNB.	-	3 831
	-	1 738 650
VAT payables		
As previously stated	-	-
Increase in VAT payables due to output VAT accrual payable incorrectly classified under VAT receivables.	-	202 083
	-	202 083
VAT Receivables		
As previously stated	-	6 585 587
Decrease in VAT receivables is due to overstatement computer equipment on recognition of finance lease.	-	(21 630)
Decrease in VAT receivables due to reversal of input VAT incorrectly charged on finance cost on finance lease.	-	(3 831)
Decrease in VAT receivables due to part of invoice disputed.	-	(1 607)
Decrease in VAT receivables due to an accrual incorrectly recognised.	-	(19 461)
Decrease in VAT receivables due to overstatement of expenditure.	-	(55 979)
Increase in VAT receivable due to output VAT accrual payable incorrectly classified under VAT receivables	-	202 083
	-	6 685 162
General expenses		
As previously stated	-	83 735 862
Increase in general expenses due to overstatement computer equipment on recognition of finance lease.	-	5 379
Decrease in general expenses due to Decrease in part of invoice disputed.	-	(10 709)
Decrease in general expenses due to an accrual incorrectly recognised in 2022/2023.	-	(129 744)
Decrease in general expenses due to overstatement.	-	(373 195)
Increase in general expenses is due to Ward committees incorrectly classified under remuneration of councillors	-	5 771 574
Increase in general expenses is due to Traditional leaders incorrectly classified under remuneration of councillors	-	66 053

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Figures in Rand	2024	2023
53. Prior period errors (continued)	-	89 065 220
Accumulated Surplus		
As previously stated	-	774 901 793
Increase in accumulated surplus due to overstatement of the 13th cheque (bonus) accrual.	-	1 478 921
Decrease in accumulated surplus due to overstatement computer equipment on recognition of finance lease.	-	(18 146)
Decrease in accumulated surplus due to reversal of input VAT incorrectly charged on finance cost on finance lease.	-	(3 831)
Increase in accumulated surplus due to part of invoice disputed.	-	1 950
Increase in accumulated surplus due to an accrual incorrectly recognised.	-	129 740
Increase in accumulated surplus due to overstatement of expenditure.	-	373 195
Increase in accumulated surplus due to part of invoice disputed.	-	10 713
Increase in accumulated surplus due to overstatement of depreciation as result of reclassification of computer operating system from intangible assets to computer equipment 2023.	-	5 181
Increase in accumulated surplus due to overstatement of depreciation as result of reclassification of computer operating system from intangible assets to computer equipment 2022.	-	2 590
Decrease in accumulated surplus due to intangible assets disposal previously not recognised.	-	(255)
Decrease in accumulated surplus due to RDP and pre-1994 housing incorrectly recorded as assets held for distribution when the municipality did not have substantive right.	-	(1 387 100)
Decrease in accumulated surplus due to impairment previously not recognised on invaded land.	-	(385 368)
Decrease in accumulated surplus due to correction on valuation of assets RD04518/000 and RD06049/000.	-	(70 106)
Decrease in accumulated surplus due to derecognition of Centane Main Road belonging to Public Works 2022.	-	(772 596)
Increase in accumulated surplus due to derecognition of Centane Main Road belonging to Public Works 2023.	-	40 587
Decrease in accumulated surplus due to derecognition of erven previously sold.	-	(3 762 618)
Decrease in accumulated surplus due to impairment on invaded land.	-	(69 502 421)
Decrease in accumulated surplus due to derecognition of erven where the municipality did not have substantive right.	-	(19 106 839)
Increase in accumulated surplus due to overstatement of long service award employee benefits obligation.	-	778 000
	-	682 713 390
Finance lease obligation (current liabilities)		
As previously stated	-	816 982
Decrease in finance lease is due to overstatement computer equipment on recognition of finance lease.	-	(8 646)
	-	808 336

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Figures in Rand	2024	2023
53. Prior period errors (continued)		
Loss on disposal of assets		
As previously stated	-	22 137 602
Decrease in intangible assets due to disposal previously not recognised - cost.	-	499
Increase in intangible assets due to disposal previously not recognised - accumulated depreciation.	-	(244)
Decrease in loss on disposal of assets due to depreciation incorrectly recorded under loss on disposal of assets.	-	(30 132)
	-	22 107 725
Revaluation reserve		
As previously stated	-	1 459 493 295
Decrease in revaluation reserve due to impairment previously not recognised on invaded land.	-	(2 345 573)
Decrease in revaluation reserve due to correction on valuation of assets RD04518/000 and RD06049/000.	-	(888 817)
Decrease in revaluation reserve due to derecognition of Centane Main Road belonging to Public Works 2022.	-	(1 204 265)
Decrease in revaluation reserve due to derecognition of Centane Main Road belonging to Public Works 2023.	-	(10 127 648)
	-	1 444 926 992
Revenue from exchange transactions		
As previously stated	-	34 939 963
Increase in revenue from exchange transactions is due to construction contract revenue incorrectly classified under revenue from non exchange transactions	-	7 320 000
	-	42 259 963
Revenue from non-exchange transactions		
As previously stated	-	498 007 590
Decrease in revenue from non exchange transactions is due to construction contract revenue incorrectly classified under revenue from non exchange transactions instead of revenue from exchange transactions	-	(7 320 000)
	-	490 687 590

54. Statutory Receivables

Statutory receivables are receivables that arise from a legislation ,supportive regulations, or similar means are require settlement by another entity in cash or another financial assets.

In accordance with principles of GRAP 108, Statutory receivables of the municipality is classified as follows:

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54. Statutory Receivables (continued)

Statutory receivables included in the statement of financial position under VAT

Receivables

VAT receivable	5 257 310	4 881 664
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Statutory receivables included in the statement of financial position under receivable from non-exchange transactions

Traffic fines	5 637 699	4 738 306
Property rates	25 911 066	25 127 185
	31 548 765	29 865 491

Statutory receivables transactions

Statutory receivables included in the statement of financial performance

Property rates	67 906 456	62 310 601
Interest on outstanding debtors	12 947 147	11 759 107
Traffic Fines	6 715 200	9 021 600
Fines and penalties	26 522	-
Government grants & subsidies	434 262 802	405 914 524
Construction contracts	12 770 878	7 320 000
	534 629 005	496 325 832

Reconciliation of provision of impairment for statutory receivables

provision for impairment included under receivables from non exchange transactions

Property rates	(127 741 025)	(111 272 321)
Traffic Fines	(30 323 711)	(26 850 404)
	(158 064 736)	(138 122 725)

Reversal of impairment Loss on statutory receivables

Statutory receivables

Property rates	3 240 023	1 085 159
Traffic Fines	-	221 800
	3 240 023	1 306 959

Statutory receivables past due but not impaired

Statutory receivables

Property rates	25 911 066	25 127 185
Traffic Fines	5 637 699	4 738 306
	31 548 765	29 865 491

Transactions arising from statute

Property rates-related transactions arise in terms of the Municipal Property Rates act, 6 of 2004, Municipal finance Management act, 56 of 2003, as well as the property rates policy of the municipality approved by the council as part of the budget process.

Traffic fines arise from the national road traffic Act 93 of 1996, National road traffic regulations 2000 and criminal procedure Act 51 of 1977. prosecutor performs prosecutorial functions in terms of general delegation awarded by the national prosecuting Authority and is subject to the control of the control prosecutor at the Magistrate court

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54. Statutory Receivables (continued)

Government grants-related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant provincial gazette.

Fines and penalties arise in terms of applicable by laws.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, deductions, and adjustment adjustments provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Property rates amounts are determined in line with the annual tariff list of the municipality approved by the council as part of the budget process in terms of the Municipal Finance Act 56 of 2003.

Fines and penalties amounts are determined in line with the annual tariff list approved by council as part of the budget process in terms of the municipal ac 56 of 2003.

Traffic fines transaction amount are determined in line with the traffic offence code book as approved by senior magistrate.

Government grants related transactions amounts allocated to the municipality are stipulated in the applicable annual of division of revenue act bill as well as the relevant provincial Gazette.

VAT transaction amounts are determined in line with the Value Added Tax Act 89 of 1991. The VAT is levied at 15%.

Interest charged

Interest charged on property rates are in line with the annual tariff list of the municipality approved by council as part of budget process in terms of the municipal finance management Act 56 of 2003. The interest is calculated at prime rate.

Basis used to test whether the statutory receivable is impaired

The basis used to assess for property rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Provision for impairment of traffic fine debtors will be calculated based on the payment history of traffic fines in aggregate as the municipality does not have sufficient information to calculate the payment history per debtor as with property rates and services

Each individual grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

No impairment on VAT receivables, Balance is expected to be fully recoverable.

55. Unauthorised expenditure

Opening balance	-	-
Add: Unauthorised expenditure - current	-	-
Less: Amount recovered - current	-	-
Closing balance	-	-

56. Fruitless and wasteful expenditure

Opening balance	-	-
Add: Fruitless and wasteful expenditure - current year	-	-
Less: Written-off by Council	-	-
Less: Amounts recovered	-	-
Closing balance	-	-

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Figures in Rand	2024	2023
57. Irregular expenditure		
Opening balance	-	-
Add: Irregular expenditure incurred in current year	535 093	-
Add: Irregular expenditure identified in current year but relating to prior year- 2022/2023*	113 784	-
Less: Written-off by Council	-	-
Closing balance	648 877	-

There is an anomaly at Mnquma Local Municipality where Managers reporting directly to the Directors earn more than the Directors and Municipal Manager and some are above the upper limits of a Grade 3 Municipality as per the current gazette on upper limits of Senior Managers. All these positions have been evaluated through TASK Job Evaluation System and are remunerated accordingly. Furthermore, these Managers are in the Bargaining Unit and therefore are covered by the Collective Agreement on Salary Increase of the SALGBC and their salaries will increase by 4.5% for the financial year 2024/2025. This will further increase the remuneration packages of Managers reporting directly to Senior Managers and this remains an untenable situation which has a negative impact on the superiority and morale of Senior Managers.

After careful consideration the Council resolved to bring the anomaly to the attention of the MEC for concurrence when Directors were appointed and the MEC concurred that the parties must enter into a contract on terms agreed upon by both parties and the municipality implemented the resolution after the concurrence by the MEC. After careful consideration, it was noted that the Minister should have approved the waiver, not the MEC which now resulted in the irregular expenditure.

The municipality will apply for the waiver to the Minister to ensure that it complies with the regulations of upper limits and further it will ensure that senior managers are remunerated as per the gazette until the waiver is approved.

* During the 2023/2024 financial year, the Auditor-General identified irregular expenditure totalling R113 784 relating to the 2022-2023 financial due to non-compliance with Upper Limits of Senior Managers Government Gazette.

58. Change in estimate

Change in useful life

GRAP 17: Property, Plant and Equipment requires that the Mnquma Local Municipality shall at each reporting date assess whether there has been an indication that the Municipality's expectation about the remaining useful lives of assets have changed. Such review has been completed and the following results were achieved.

The indicator, "The asset is approaching the end of its previously expected useful life", was identified in respect of 2,865 immovable assets and 249 movable assets. Management determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2024 financial period has decreased by R74,808,398.92 in respect of immovable assets and R281,187.22 in respect of movable assets for the 2024, 2025, and 2026 financial periods.

Change in residual value

During the financial year ended 30 June 2024, management assessed the accounting estimates on residual values of its Property, Plant and Equipment. Management identified a change in estimates on four transport asset's residual values to which it was previously estimated at 13% of the purchase cost and was changed to 15%.

The impact of this change is that depreciation charges on movable Property, Plant and Equipment has decreased with R11,800.22 for the 2024 and future financial period

59. Going concern

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

Mnquma Local Municipality

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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59. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. In assessing whether the going concern assumption is appropriate under the current economic climate, management considered a wide range of factors including the current and expected performance of the municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

further to that the municipality has put in place cost containment measures to curb unnecessary spending. All stakeholders are referred to the municipal budget as well as long term financial plan which is used to assess whether the going concern assumptions are appropriate.

60. Accounting by principals and agents

The municipality is party to a principal /agent agreement.

Vehicle registration.

The municipality is an agent on behalf of the Eastern Cape Provincial Department of Transport in collecting motor vehicle licences at an agency fee of 19%, VAT inclusive

There were no significant changes in the agreement which occurred during the reporting period.

No material risks were identified on the agreement for the municipality.

The municipality does not incur any expenses on behalf of the principal.

There is no liability at the end of accounting period.

Income from agency fees	2 517 141	2 614 599
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Administration of court fees

The municipality undertakes to collect court fines on behalf of department of justice and get no commission for this service.

There were no significant changes in the agreement which occurred during the reporting period.

No material risks were identified on the agreement for the municipality.

The municipality does not incur any expenses on behalf of the principal.

The amount owing in respect of court is R29 337 as at 30 June 2024.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Annexure: Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates	64 061 176	-	64 061 176	-		64 061 176	67 923 022		3 861 846	106 %	106 %
Service charges	5 232 036	-	5 232 036	-		5 232 036	8 632 390		3 400 354	165 %	165 %
Rental of facilities and equipment	4 985 049	-	4 985 049	-		4 985 049	5 479 584		494 535	110 %	110 %
Interest earned - external investments	9 000 000	-	9 000 000	-		9 000 000	21 212 522		12 212 522	236 %	236 %
Interest earned - outstanding debtors	15 280 000	-	15 280 000	-		15 280 000	16 687 128		1 407 128	109 %	109 %
Fines, penalties and forfeits	7 198 166	5 001	7 203 167	-		7 203 167	7 654 903		451 736	106 %	106 %
Licences and permits	1 320 482	-	1 320 482	-		1 320 482	2 106 444		785 962	160 %	160 %
Agency services	2 615 720	-	2 615 720	-		2 615 720	2 517 141		(98 579)	96 %	96 %
Transfers recognised - operational	331 807 600	29 808 580	361 616 180	-		361 616 180	354 627 250		(6 988 930)	98 %	107 %
Other revenue	786 641	-	786 641	-		786 641	1 264 554		477 913	161 %	161 %
Gains	300 000	2 224 990	2 524 990	-		2 524 990	2 387 887		(137 103)	95 %	796 %
Total revenue (excluding capital transfers and contributions)	442 586 870	32 038 571	474 625 441	-		474 625 441	490 492 825		15 867 384	103 %	111 %
Employee costs	(229 794 000)	(2 770 000)	(232 564 000)	-	-	(232 564 000)	(218 504 101)	-	14 059 899	94 %	95 %
Remuneration of councillors	(25 246 000)	(2 500 000)	(27 746 000)	-	-	(27 746 000)	(27 126 355)	-	619 645	98 %	107 %
Debt impairment	(26 586 155)	(10 413 845)	(37 000 000)			(37 000 000)	(36 070 636)	-	929 364	97 %	136 %
Depreciation & asset impairment	(125 942 010)	(174 515 990)	(300 458 000)	-	-	(300 458 000)	(297 087 095)	-	3 370 905	99 %	236 %
Finance charges	(1 649 001)	(232 410)	(1 881 411)	-	(18 589)	(1 900 000)	(1 893 572)	-	6 428	100 %	115 %
Bulk purchases	(6 000 000)	-	(6 000 000)	-	-	(6 000 000)	(3 738 135)	-	2 261 865	62 %	62 %
Inventory consumed	(7 314 000)	(1 878 285)	(9 192 285)	-	4 184 285	(5 008 000)	(4 754 237)	-	253 763	95 %	65 %

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contracted services	(25 615 000)	(24 772 063)	(50 387 063)	-	(14 835 937)	(65 223 000)	(53 202 554)	-	12 020 446	82 %	208 %
Transfers and subsidies	(12 711 000)	(1 725 864)	(14 436 864)	-	2 494 864	(11 942 000)	(4 228 615)	-	7 713 385	35 %	33 %
Other expenditure	(62 842 739)	(7 719 006)	(70 561 745)	-	8 175 377	(62 386 368)	(55 732 818)	-	6 653 550	89 %	89 %
Losses	-	(112 000 000)	(112 000 000)	-	-	(112 000 000)	(109 675 811)	-	2 324 189	98 %	DIV/0 %
Total expenditure	(523 699 905)	(338 527 463)	(862 227 368)	-	-	(862 227 368)	(812 013 929)	-	50 213 439	94 %	155 %
Surplus/(Deficit)	(81 113 035)	(306 488 892)	(387 601 927)	-		(387 601 927)	(321 521 104)		66 080 823	83 %	396 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	115 701 650	(301 650)	115 400 000	-		115 400 000	92 406 430		(22 993 570)	80 %	80 %
Surplus (Deficit) after capital transfers and contributions	34 588 615	(306 790 542)	(272 201 927)	-		(272 201 927)	(229 114 674)		43 087 253	84 %	(662)%
Surplus/(Deficit) for the year	34 588 615	(306 790 542)	(272 201 927)	-		(272 201 927)	(229 114 674)		43 087 253	84 %	(662)%
Capital expenditure and funds sources											
Total capital expenditure	(244 669 015)	(19 053 184)	(263 722 199)	-		(263 722 199)	(184 785 387)		78 936 812	70 %	76 %
Sources of capital funds											
National Government	(89 396 118)	(248 536)	(89 644 654)	-		(89 644 654)	(80 875 430)		8 769 224	90 %	90 %
Provincial Government	(26 482 250)	(1 198 568)	(27 680 818)	-		(27 680 818)	(11 530 577)		16 150 241	42 %	44 %
Internally generated funds	(128 790 647)	(17 606 000)	(146 396 647)	-		(146 396 647)	(92 379 380)		54 017 267	63 %	72 %
Total sources of capital funds	(244 669 015)	(19 053 104)	(263 722 119)	-		(263 722 119)	(184 785 387)		78 936 732	70 %	76 %

Mnquma Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from operating	200 334 932	(13 142 251)	187 192 681	-		187 192 681	166 512 717		(20 679 964)	89 %	83 %
Net cash from (used) investing	(244 369 001)	(16 827 999)	(261 197 000)	-		(261 197 000)	(173 110 419)		88 086 581	66 %	71 %
Net cash from (used) financing	-	-	-	-		-	(525 206)		(525 206)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(44 034 069)	(29 970 250)	(74 004 319)	-		(74 004 319)	(7 122 908)		66 881 411	10 %	16 %
Cash and cash equivalents at the beginning of the year	160 435 016	-	160 435 016	-		160 435 016	194 239 427		33 804 411	121 %	121 %
Cash and cash equivalents at year end	116 400 947	(29 970 250)	86 430 697	-		86 430 697	187 116 519		(100 685 822)	216 %	161 %