



**NGQUSHWA LOCAL MUNICIPALITY**  
Annual Financial Statements  
for the year ended June 30, 2024

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## General Information

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### Legal form of entity

Local Municipality  
Ngqushwa Local Municipality is a South African category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act and the Local Government Act.

### Nature of business and principal activities

Ngqushwa is a Local Municipality rendering basic services such as Refuse Collection, Infrastructure, Economic Development and Community Services.

### Executive Committee

S.Maneli-Mayor  
D.Ncanywa-Speaker  
A.Nodikida-Chief Whip and Member of Executive Committee  
M.Gqo-MPAC Chairperson  
L.Mdabula-Member of the Executive Committee  
S.Nyaniso-Member of the executive committee  
Z. Ndonga (Contract terminated 09 January 2024)

### Councillors

T.Dinginto  
S. Maswana  
N. Jako  
N. Lawu  
M. Luzipho  
X. Magini  
L. Mcoboki  
S. Mhlakane  
N. Mlotana  
N. Mtati  
P. Nodala  
L. Nomatye  
B. Ntabeni  
N. Ntsunguzi  
N. Seti  
R.Taylor  
N.Totyi  
N. Hempe (Contract terminated 09 January 2024)

### Traditional Leaders

Z. Njokweni (Chief)  
MM. Matomela (Prince)

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## General Information

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<b>Grading of local authority</b>	1
<b>Chief Finance Officer (CFO)</b>	Mr. T. Fundira Date of appointment 01 August 2023
<b>Accounting Officer</b>	Mr. N. Mgengo
<b>Registered office</b>	Corner of N2 and R345 Road Peddie 5640
<b>Business address</b>	Corner of N2 and R345 Road Peddie 5640
<b>Postal address</b>	P.O. Box 539 Peddie 5640
<b>Bankers</b>	First National Bank Standard Bank
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	External Panel of Attorneys Mr Mfundo Mabangula (Internal-Legal Advisor)
<b>Contact number</b>	040 673 3095
<b>Email addresses for the municipality</b>	nmgengo@ngqushwamun.gov.za tfundira@ngqushwamun.gov.za

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

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The reports and statements set out below comprise the Annual Financial Statements presented to the Council of Ngqushwa Local Municipality:

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# NGQUSHWA LOCAL MUNICIPALITY

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### Abbreviations used:

AFS	Annual Financial Statements
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
SARS	South African Revenue Services
SDL	Skills Development Levy
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MIG	Municipal Infrastructure Grant (previously CMIP)
ASB	Accounting Standards Board
PMS	Performance Management System
FMG	Financial Management Grant
LGSETA	Local Government Sector Education and Training Authority
INEP	Integrated National Electrification Programme
MPAC	Municipal Public Accounts Committee
EXCO	Executive Committee
MEC	Members of the Executive Council
WSP	Workplace Skills Plan

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows. The accounting officer 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 accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 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 external auditors are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements.

The Annual Financial Statements set out on pages 6-81 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2024:

  
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Mr. N. Mgengo  
Accounting Officer

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	15,458,590	15,458,590
Operating lease asset	4	3,394,941	2,845,558
Receivables from non-exchange transactions	5	23,397,449	20,338,284
VAT Input Accrual	6	2,260,579	2,094,427
Receivables from exchange transactions	7	1,796,096	2,422,146
Cash and cash equivalents	8	50,693,544	67,044,033
Prepayments	9	876,378	-
		<b>97,877,577</b>	<b>110,203,038</b>
<b>Non-Current Assets</b>			
Investment property	10	34,665,765	34,444,265
Property, plant and equipment	11	316,252,150	303,224,311
Heritage assets	12	3	3
		<b>350,917,918</b>	<b>337,668,579</b>
<b>Total Assets</b>		<b>448,795,495</b>	<b>447,871,617</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	13	25,792,063	23,817,067
Payables from non-exchange transactions	14	1,304,829	1,509,012
VAT payable	17	445,604	37,019
Employee benefit obligation	15	655,000	731,000
Unspent conditional grants and receipts	16	11,170,580	10,485,430
		<b>39,368,076</b>	<b>36,579,528</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	15	4,706,000	4,098,000
Provisions	18	13,005,493	12,469,562
		<b>17,711,493</b>	<b>16,567,562</b>
<b>Total Liabilities</b>		<b>57,079,569</b>	<b>53,147,090</b>
<b>Net Assets</b>		<b>391,715,926</b>	<b>394,724,527</b>
Accumulated surplus		391,715,924	394,724,519
<b>Total Net Assets</b>		<b>391,715,924</b>	<b>394,724,519</b>

\* See Note 56

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	1,863,370	1,554,321
Rental of facilities and equipment	20	1,170,686	1,047,963
Agency fees	21	408,703	413,141
Licences and permits	22	1,450,010	1,162,171
Construction contracts	23	2,608,696	-
Other revenue	24	600,759	290,720
Interest on outstanding debtors	25	595,672	472,857
Interest received - investment	26	6,925,421	5,568,978
<b>Total revenue from exchange transactions</b>		<b>15,623,317</b>	<b>10,510,151</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	21,083,233	24,530,102
Interest on Outstanding Debtors	25	2,455,254	2,393,384
<b>Transfer revenue</b>			
Government grants	28	151,353,850	133,681,570
Fines and penalties	29	673,300	454,350
Other transfer revenue	30	974,261	642,582
Insurance claim received	31	12,999	-
<b>Total revenue from non-exchange transactions</b>		<b>176,552,897</b>	<b>161,701,988</b>
<b>Total revenue</b>		<b>192,176,214</b>	<b>172,212,139</b>
<b>Expenditure</b>			
Employee related costs	32	(90,818,600)	(80,526,559)
Remuneration of councillors	33	(11,144,188)	(10,943,479)
Depreciation and amortisation	34	(18,218,811)	(16,318,685)
Finance costs	35	(544,534)	(520,652)
Debt Impairment	36	(1,257,632)	(1,876,171)
Contracted services	37	(30,855,372)	(11,136,483)
Loss on disposal of assets and liabilities		(119,920)	-
General Expenses	38	(42,447,252)	(35,776,003)
<b>Total expenditure</b>		<b>(195,406,309)</b>	<b>(157,098,032)</b>
<b>Operating surplus (deficit)</b>		<b>(3,230,095)</b>	<b>15,114,107</b>
Loss (gain) on disposal and revaluation of assets	39	(221,500)	(5,044,887)
<b>(Deficit) surplus for the year</b>		<b>(3,008,595)</b>	<b>20,158,994</b>

\* See Note 56



## NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	379,922,093	379,922,093
Adjustments		
Correction of errors	-	-
Prior year adjustments 56	(5,356,568)	(5,356,568)
<b>Balance at July 1, 2022 as restated*</b>	<b>374,565,525</b>	<b>374,565,525</b>
Changes in net assets		
Surplus for the period	20,158,994	20,158,994
Total changes	20,158,994	20,158,994
<b>Opening balance as previously reported</b>	<b>394,724,519</b>	<b>394,724,519</b>
<b>Restated* Balance at July 1, 2023</b>	<b>394,724,519</b>	<b>394,724,519</b>
Changes in net assets		
Surplus for the year	(3,008,595)	(3,008,595)
Total changes	(3,008,595)	(3,008,595)
<b>Balance at June 30, 2024</b>	<b>391,715,924</b>	<b>391,715,924</b>

Note(s)

\* See Note 56

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Billed services		21,955,273	26,824,233
Government Grants		151,353,850	144,167,000
Interest income		7,450,945	5,720,398
Receipts from other services		7,886,415	5,751,494
		<u>188,646,483</u>	<u>182,463,125</u>
<b>Payments</b>			
Payments to and on behalf of employees and councillors		(100,865,029)	(91,144,038)
Cash paid to suppliers for goods and services		(72,769,764)	(50,850,087)
Finance costs		(8,603)	-
		<u>(173,643,396)</u>	<u>(141,994,125)</u>
<b>Net cash flows from operating activities</b>	49	<u><b>15,003,087</b></u>	<u><b>40,469,000</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(31,366,575)	(30,404,264)
Acquisition of assets by replacement (non-cash)	11	12,999	-
<b>Net cash flows from investing activities</b>		<u><b>(31,353,576)</b></u>	<u><b>(30,404,264)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(16,350,489)</b></u>	<u><b>10,064,736</b></u>
Cash and cash equivalents at the beginning of the year		67,044,033	56,979,297
<b>Cash and cash equivalents at the end of the year</b>	8	<u><b>50,693,544</b></u>	<u><b>67,044,033</b></u>

\* See Note 56

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 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	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1,582,191	-	1,582,191	1,863,370	281,179	55.1
Construction contracts	-	-	-	2,608,696	2,608,696	
Rental of facilities and equipment	754,826	-	754,826	1,170,686	415,860	55.2
Interest received (trading)	-	-	-	595,672	595,672	
Agency fees	581,509	-	581,509	408,703	(172,806)	55.3
Licences and permits	2,568,699	-	2,568,699	1,450,010	(1,118,689)	55.4
Other revenue	4,813,922	-	4,813,922	600,759	(4,213,163)	55.5
Interest received - investment	6,224,397	-	6,224,397	6,925,421	701,024	55.7
<b>Total revenue from exchange transactions</b>	<b>16,525,544</b>	<b>-</b>	<b>16,525,544</b>	<b>15,623,317</b>	<b>(902,227)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	42,561,718	-	42,561,718	21,083,233	(21,478,485)	55.8
Interest on Outstanding Debtors	5,463,327	-	5,463,327	2,455,254	(3,008,073)	55.6
<b>Transfer revenue</b>						
Government grants	137,211,000	28,313,430	165,524,430	151,353,850	(14,170,580)	55.9
Fines and penalties	653,059	-	653,059	673,300	20,241	55.10
Other transfer revenue	691,436	-	691,436	974,261	282,825	55.11
Insurance claim received	-	-	-	12,999	12,999	
<b>Total revenue from non-exchange transactions</b>	<b>186,580,540</b>	<b>28,313,430</b>	<b>214,893,970</b>	<b>176,552,897</b>	<b>(38,341,073)</b>	
<b>Total revenue</b>	<b>203,106,084</b>	<b>28,313,430</b>	<b>231,419,514</b>	<b>192,176,214</b>	<b>(39,243,300)</b>	
<b>Expenditure</b>						
Employee related costs	(85,675,822)	(4,303,136)	(89,978,958)	(90,818,600)	(839,642)	55.12
Remuneration of councillors	(11,273,455)	-	(11,273,455)	(11,144,188)	129,267	55.13
Depreciation and amortisation	(41,366,091)	20,162,115	(21,203,976)	(18,218,811)	2,985,165	55.14
Finance costs	-	(650,000)	(650,000)	(544,534)	105,466	55.15
Debt Impairment	(3,900,000)	(167,174)	(4,067,174)	(1,257,632)	2,809,542	55.16
Contracted Services	(26,535,464)	(31,882,860)	(58,418,324)	(30,855,372)	27,562,952	55.17
General Expenses	(33,050,483)	570,017	(32,480,466)	(42,447,252)	(9,966,786)	55.18
<b>Total expenditure</b>	<b>(201,801,315)</b>	<b>(16,271,038)</b>	<b>(218,072,353)</b>	<b>(195,286,389)</b>	<b>22,785,964</b>	
<b>Operating deficit</b>	<b>1,304,769</b>	<b>12,042,392</b>	<b>13,347,161</b>	<b>(3,110,175)</b>	<b>(16,457,336)</b>	
Loss on disposal of assets and liabilities	-	-	-	(119,920)	(119,920)	
<b>Operating surplus</b>	<b>1,304,769</b>	<b>12,042,392</b>	<b>13,347,161</b>	<b>(3,230,095)</b>	<b>(16,577,256)</b>	
Fair value adjustment	-	-	-	(221,500)	(221,500)	55.19
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1,304,769</b>	<b>12,042,392</b>	<b>13,347,161</b>	<b>(3,008,595)</b>	<b>(16,355,756)</b>	

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 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
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	15,458,590	-	15,458,590	15,458,590	-	55.20
Operating lease asset	-	3,400,000	3,400,000	3,394,941	(5,059)	55.21
Receivables from non-exchange transactions	9,630,383	9,826,087	19,456,470	23,397,449	3,940,979	55.22
VAT input accrual	14,957,729	(7,008,700)	7,949,029	2,260,579	(5,688,450)	55.23
Prepayments	-	-	-	876,378	876,378	
Receivables from exchange transactions	2,469,347	-	2,469,347	1,796,096	(673,251)	55.24
Cash and cash equivalents	47,536,824	15,543,796	63,080,620	50,693,544	(12,387,076)	55.25
	<b>90,052,873</b>	<b>21,761,183</b>	<b>111,814,056</b>	<b>97,877,577</b>	<b>(13,936,479)</b>	
<b>Non-Current Assets</b>						
Investment property	33,678,724	-	33,678,724	34,665,765	987,041	55.26
Property, plant and equipment	286,210,306	22,990,221	309,200,527	316,252,149	7,051,622	55.27
Heritage assets	3	-	3	3	-	
	<b>319,889,033</b>	<b>22,990,221</b>	<b>342,879,254</b>	<b>350,917,917</b>	<b>8,038,663</b>	
<b>Total Assets</b>	<b>409,941,906</b>	<b>44,751,404</b>	<b>454,693,310</b>	<b>448,795,494</b>	<b>(5,897,816)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	12,593,692	13,540,401	26,134,093	25,792,063	(342,030)	55.28
Payables from non-exchange transactions	-	-	-	1,304,829	1,304,829	55.29
VAT payable	1,159,866	-	1,159,866	445,604	(714,262)	55.23
Employee benefit obligation	-	750,000	750,000	655,000	(95,000)	55.30
Unspent conditional grants and receipts	-	-	-	11,170,580	11,170,580	55.31
	<b>13,753,558</b>	<b>14,290,401</b>	<b>28,043,959</b>	<b>39,368,076</b>	<b>11,324,117</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	4,706,000	4,706,000	55.32
Provisions	15,292,100	2,970,000	18,262,100	13,005,493	(5,256,607)	55.32
	<b>15,292,100</b>	<b>2,970,000</b>	<b>18,262,100</b>	<b>17,711,493</b>	<b>(550,607)</b>	
<b>Total Liabilities</b>	<b>29,045,658</b>	<b>17,260,401</b>	<b>46,306,059</b>	<b>57,079,569</b>	<b>10,773,510</b>	
<b>Net Assets</b>	<b>380,896,248</b>	<b>27,491,003</b>	<b>408,387,251</b>	<b>391,715,925</b>	<b>(16,671,326)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	380,896,249	17,411,011	398,307,260	391,715,924	(6,591,336)	55.33
<b>Total Net Assets</b>	<b>380,896,249</b>	<b>17,411,011</b>	<b>398,307,260</b>	<b>391,715,924</b>	<b>(6,591,336)</b>	

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Billed Services	36,624,290	-	36,624,290	21,955,273	(14,669,017)	55.34
Government Grants	137,902,436	28,313,430	166,215,866	151,353,850	(14,862,016)	55.35
Interest income	6,224,397	10,000,000	16,224,397	7,450,945	(8,773,452)	55.36
Receipt from other services	5,390,432	-	5,390,432	7,886,415	2,495,983	55.37
	<b>186,141,555</b>	<b>38,313,430</b>	<b>224,454,985</b>	<b>188,646,483</b>	<b>(35,808,502)</b>	
<b>Payments</b>						
Employee costs	(159,177,683)	(37,318,999)	(196,496,682)	(100,865,029)	95,631,653	55.38
Suppliers	-	-	-	(72,769,764)	(72,769,764)	
Finance costs	-	(650,000)	(650,000)	(8,603)	641,397	
	<b>(159,177,683)</b>	<b>(37,968,999)</b>	<b>(197,146,682)</b>	<b>(173,643,396)</b>	<b>23,503,286</b>	
<b>Net cash flows from operating activities</b>	<b>26,963,872</b>	<b>344,431</b>	<b>27,308,303</b>	<b>15,003,087</b>	<b>(12,305,216)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(39,505,762)	(3,252,324)	(42,758,086)	(31,366,574)	11,391,512	55.39
Proceeds from sale of property, plant and equipment and investment property	4,903,997	-	4,903,997	12,999	(4,890,998)	55.40
<b>Net cash flows from investing activities</b>	<b>(34,601,765)</b>	<b>(3,252,324)</b>	<b>(37,854,089)</b>	<b>(31,353,575)</b>	<b>6,500,514</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(7,637,893)</b>	<b>(2,907,893)</b>	<b>(10,545,786)</b>	<b>(16,350,488)</b>	<b>(5,804,702)</b>	55.41
Cash and cash equivalents at the beginning of the year	60,490,000	20,000,000	80,490,000	67,044,033	(13,445,967)	55.42
<b>Cash and cash equivalents at the end of the year</b>	<b>52,852,107</b>	<b>17,092,107</b>	<b>69,944,214</b>	<b>50,693,545</b>	<b>(19,250,669)</b>	

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

### 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

#### 1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

#### 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 judgements, estimates and assumptions that affect the carrying 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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

#### Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical, useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method, which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method, which was based on assumptions about the remaining duration of the assets.

#### Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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

#### Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

##### Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

##### Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

##### Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historical patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by the Council.

##### Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP.

##### Post-retirement medical obligations, Long service awards

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

##### Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.



# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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

#### Impairment of statutory receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

#### Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

### 1.4 Investment property

Includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.4 Investment property (continued)

#### Subsequent measurement - fair value model

Investment property is subsequently measured using the fair value model.

Investment property is carried at fair value, representing open market value determined by external valuers. Land is not depreciated as it is considered to have an indefinite useful life.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the Municipality measures that investment property using the cost model.

#### 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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 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, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, 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.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	15 - 60 years
Plant and machinery	Straight-line	10 - 20 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	7 - 15 years
Office equipment	Straight-line	5 - 18 years
Computer equipment	Straight-line	3 - 13 years
Security equipment	Straight-line	5 - 10 years
Other equipment	Straight-line	5 years
Infrastructure	Straight-line	See detail below
- Roads paved	Straight-line	30 years
- Roads graded	Straight-line	5 - 30 years
- Electricity (Street lights and High masts)	Straight-line	7 - 21 years
Minor assets		Immediately
Park facilities	Straight-line	5 - 60 years
Maintenance equipment	Straight-line	10 - 16 years
Landfill sites	Straight-line	69 - 98 years
Work-in-progress		Not depreciated

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

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

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

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.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 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.

With regards to Land the Municipality makes reference to the principles contained within IGRAP 18 whereby legal title though an indicator of control does not necessarily always confer control itself. As a result, the Municipality assesses the control with regards regard to all land that it has legal title over to determine if it has the right to direct access to land, and to restrict or deny the access of others to land, by determining whether it can

\*\*Direct the use of the land's future economic benefits or service potential to provide services to beneficiaries

\*\*exchange, dispose of, or transfer the land; and/or

\*\*use the land in any other way to generate future economic benefits or service potential.

### 1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

### 1.6 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

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

Intangible assets are derecognised:

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

### 1.7 Heritage assets

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

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

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

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

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

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

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

#### 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.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.8 Financial instruments

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

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

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.

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 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.

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.

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

## Accounting Policies

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### 1.8 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:

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from non-Exchange Transactions	Financial asset measured at amortised cost
Other operating lease	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
Payables from non-Exchange Transactions	Financial liability measured at amortised cost

### 1.9 Statutory receivables

#### Identification

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position.

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

## **Accounting Policies**

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### **1.9 Statutory receivables (continued)**

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

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

#### **Other charges**

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### **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 risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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

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

#### **Derecognition**

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

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



# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.9 Statutory receivables (continued)

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

### 1.10 Leases

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

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

## **Accounting Policies**

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### **1.12 Impairment of cash-generating assets**

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that the asset is expected to be sold at a price significantly higher than the cost of the asset.

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

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

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

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

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

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

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

Useful life is either:

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

#### **Cash-generating units**

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

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

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

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

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

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

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

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

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

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

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

### 1.14 Employee benefits

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

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

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

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.14 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 cell phones) for current employees.

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

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

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

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

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

### 1.16 Capital 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.

### 1.17 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### 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 .

## **Accounting Policies**

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### **1.17 Revenue from exchange transactions (continued)**

#### **Interest, royalties and dividends**

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

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

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

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

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

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

### **1.18 Revenue from non-exchange transactions**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.18 Revenue from non-exchange transactions (continued)**

#### **Recognition**

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

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

#### **Measurement**

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

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

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

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

#### **Fines**

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

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

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

### **1.19 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.20 Borrowing costs**

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

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

### **1.21 Comparative figures**

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

### **1.22 Unauthorised expenditure**

Unauthorised expenditure means:

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

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.

## **Accounting Policies**

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### **1.23 Fruitless and wasteful expenditure**

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

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.

### **1.24 Irregular expenditure**

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

### **1.25 Budget information**

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

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

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

The approved budget covers the fiscal period from 01-Jul-23 to 30-Jun-24.

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.

### **1.26 Related parties**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

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

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

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

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



# NGQUSHWA LOCAL MUNICIPALITY

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## Accounting Policies

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### 1.27 Events after reporting date

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

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

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

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

### 1.28 Value Added Tax (VAT)

The municipality accounts for value added tax on accrual basis but pays to/claims from SARS on a payment basis.

### 1.29 Accounting by principals and agents

#### Identification

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

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

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

#### Recognition

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.

### 1.30 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.

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.30 Segment information (continued)

#### Measurement

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

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

#### 1.31 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements are immaterial.

#### 1.32 Cash and cash equivalents

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

#### 1.33 Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

## Notes to the Annual Financial Statements

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Figures in Rand	2024	2023
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### 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2024 or later periods:

**Guideline: Guideline on Accounting for Landfill Sites**

## Notes to the Annual Financial Statements

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

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

#### **GRAP 25 (as revised): Employee Benefits**

##### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

##### **Key amendments to GRAP 25**

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

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

The municipality expects to adopt the revisions for the first time in the annual financial statements when the effective date is mandatory.

It is unlikely that the revisions will have a material impact on the municipality's Annual Financial Statements.

#### **iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction**

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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

#### Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

It is unlikely that the revisions will have a material impact on the municipality's Annual Financial Statements.

#### GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

#### GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

#### Materiality and aggregation

The amendments clarify that:

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

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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

#### Statement of financial position and statement of financial performance

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

#### Notes structure

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

#### Disclosure of accounting policies

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

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

It is unlikely that the amendment will have a material impact on the municipality's Annual Financial Statements.

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits.

The objective of this Standard is to prescribe the accounting and disclosure for Heritage Assets.

#### GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's Annual Financial Statements.

### 3. Inventories

Land held for distribution	15,458,590	15,458,590
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Inventories consist of RDP houses not yet transferred and informal settlements on municipal land.

### 4. Operating lease asset

Leases for Land	3,394,941	2,845,558
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The municipality leases land to tenants under leases covering periods ranging from 3-30 years. The leases are subject to escalation clauses as per lease agreements, resulting in straight-lining of the rentals received and receivable. The amount included above represents the difference between the actual rentals received and the calculated straight-line lease.

#### Minimum lease payments receivable

Within one year	466,763	559,784
In second to fifth year inclusive	1,936,714	1,928,454
Later than 5 years	23,174,748	23,779,929
	<u>25,578,225</u>	<u>26,268,167</u>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Receivables from non-exchange transactions</b>		
Property Rates	13,068,743	11,525,822
Interest on Property Rates	14,234,425	11,578,689
Less: Impairment on Property Rates and Interest	(9,953,011)	(9,166,260)
Other Receivables	6,047,292	6,400,033
	<b>23,397,449</b>	<b>20,338,284</b>
<b>Property rates</b>		
0-30 days	1,167,480	1,373,602
31-60 days	437,813	533,480
61-90 days	412,586	500,609
91-120 days	398,877	291,332
121-150 days	386,971	482,087
>151 days	24,499,439	20,756,776
	<b>27,303,166</b>	<b>23,937,886</b>
Summary of Total Debtors (Exchange and Non-Exchange) By Customer Classification:		
<b>Residential</b>		
0-30 days	384,815	507,406
31-60 days	231,722	194,433
61-90 days	211,408	172,224
91-120 days	196,799	142,973
121-150 days	193,776	156,314
> 151 days	9,406,860	7,905,730
Less: Allowance for impairment	(7,919,175)	(7,470,627)
	<b>2,706,205</b>	<b>1,608,453</b>
<b>Business</b>		
0-30 days	253,246	615,742
31-60 days	117,294	227,779
61-90 days	100,339	211,485
91-120 days	86,180	220,065
121-150 days	82,541	212,623
>151 days	3,592,278	3,781,714
Less: Allowance for Impairment	(2,033,837)	(2,624,624)
	<b>2,198,041</b>	<b>2,644,784</b>
<b>Government</b>		
0-30 days	444,293	460,928
31-60 days	190,669	165,475
61-90 days	185,675	168,560
91-120 days	175,798	(20,863)
121-150 days	180,662	161,592
> 151 days	14,095,250	11,079,786
	<b>15,272,347</b>	<b>12,015,478</b>
<b>Total receivables from non-exchange transactions</b>	<b>23,397,449</b>	<b>20,338,284</b>

The long outstanding debtors' balances (>150 days) for the Government category relate to interest calculated on outdated/old valuations of properties.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Receivables from non-exchange transactions (continued)</b>		
<b>Total debtors past due but not impaired</b>		
0-30 days	827,012	1,584,076
2 months past due	600,954	576,298
30-90 days	500,915	381,564
91-120 days	429,199	81,460
121-150 days	506,027	262,273
> 150 days	26,399,025	13,383,045
	<b>29,263,132</b>	<b>16,268,716</b>
<b>Reconciliation of provision for impairment allowance</b>		
Opening balance	10,095,251	8,366,980
Contributions to allowance	888,101	1,728,271
	<b>10,983,352</b>	<b>10,095,251</b>
<b>Total Debtors (Exchange and Non-exchange)</b>		
<b>Balances net of credit balances</b>		
Balances inclusive of credit balances	30,129,606	26,363,967
Gross up credit balances	1,304,828	1,509,012
	<b>31,434,434</b>	<b>27,872,979</b>
<b>6. VAT Accrual</b>		
VAT Input Accrual	2,260,579	2,094,427
<b>Included in the above line item are the following items:</b>		
Vat Input Control account	2,260,579	2,094,427
<b>7. Receivables from exchange transactions</b>		
<b>Gross balance</b>		
Refuse	940,154	1,782,738
Rent	453,387	406,133
Interest on Overdue Accounts	1,432,896	1,162,266
	<b>2,826,437</b>	<b>3,351,137</b>
<b>Less: Allowance for impairment</b>		
Refuse	(805,628)	(706,097)
Rent	(69,081)	(56,993)
Interest on Overdue Accounts	(155,632)	(165,901)
	<b>(1,030,341)</b>	<b>(928,991)</b>
<b>Net balance</b>		
Refuse	134,526	1,076,641
Rent	384,306	349,140
Interest on Overdue Accounts	1,277,264	996,365
	<b>1,796,096</b>	<b>2,422,146</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 7. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	221,718	174,743
31 - 60 days	57,544	53,195
61 - 90 days	51,132	50,649
91 - 120 days	48,630	49,831
121 - 150 days	44,973	47,430
> 151 days	1,786,640	1,468,141
	<b>2,210,637</b>	<b>1,843,989</b>

### Housing rental

Current (0 -30 days)	42,172	35,731
31 - 60 days	7,058	1,012
61 - 90 days	5,030	1,012
91 - 120 days	4,750	1,012
121 - 150 days	4,221	1,012
> 151 days	126,274	109,059
	<b>189,505</b>	<b>148,838</b>

### Interest on overdue account

> 365 days	426,929	433,254
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### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Current account	3,191,522	62,661,801
Other cash and cash equivalents	47,502,022	4,382,232
	<b>50,693,544</b>	<b>67,044,033</b>

### The municipality had the following bank accounts

Account number	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
FNB Main Account-62022000898	3,191,522	62,661,801	55,581,002	3,191,522	62,661,801	55,581,002
FNB Rates Account-62414349763	632,925	4,384,297	1,398,295	632,925	4,384,297	1,398,295
Petrol card Account	420,617	(2,065)	-	420,617	(2,065)	-
FNB Investment account-76203514734	15,813	-	-	15,813	-	-
Standard Bank Fixed Deposit Account-088628604006	43,064,072	-	-	43,064,072	-	-
FNB Investment Account-63076296350(MIG)	942,043	-	-	942,043	-	-
FNB Investment Account (FMG)-63076293190	699,755	-	-	699,755	-	-
FNB Investment Account(MDRG)-63076291722	1,252,270	-	-	1,252,270	-	-
FNB Investment Account(INEP)-63076295310	417,664	-	-	417,664	-	-
FNB Investment Account(EPWP)-63076294122	56,862	-	-	56,862	-	-
<b>Total</b>	<b>50,693,543</b>	<b>67,044,033</b>	<b>56,979,297</b>	<b>50,693,543</b>	<b>67,044,033</b>	<b>56,979,297</b>



**NGQUSHWA LOCAL MUNICIPALITY**  
Annual Financial Statements for the year ended June 30, 2024

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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**9. Prepayments**

SALGA Annual Fees	876,368	-
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SALGA Annual Subscriptions fees are for the next financial year which is 2025. The municipality was to receive a discount for the membership fees if they paid before the start of the 2025 financial year. The expense was then incurred as a prepaid expense.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	34,665,765	-	34,665,765	34,444,265	-	34,444,265

#### Reconciliation of investment property - 30 June 2024

	Opening balance	Fair value adjustments	Total
Investment property	34,444,265	221,500	34,665,765

#### Reconciliation of investment property - 30 June 2023

	Opening balance	Fair value adjustments	Total
Investment property	29,088,689	5,355,576	34,444,265

Fair value of investment properties	221,500	5,355,576
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Investment property relates to land and buildings as such no repairs and maintenance or other operating expenditure is incurred with respect to Investment Property.

There is no Investment Property which is in the process of being constructed or developed.

As there is no Investment Property which is in the process of being constructed or developed, there is no Investment Property that is taking a significant longer time to complete than expected.

There is no Investment Property where construction or development has been halted.

There are no contractual obligations to purchase, construct or develop Investment Property or for repairs, maintenance or enhancements.

No impairment losses or reversals are noted with respect to Investment Property.

There is no Investment Property used in Service Concession Agreements.

No items of Investment Property have been pledged as security.

Investment Property relates to land and buildings and is not depreciated.

#### Land controlled, but the Municipality does not have legal ownership or custodianship

Carrying value of land included in the carrying value of Investment property	320,150	320,150
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The above relates to 6 properties for which there is no registered title deed, but for which the Municipality exercises control through lease or other binding agreements as well as having the ability to restrict others from accessing economic benefits and service potential.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### 10. Investment property (continued)

**Land not controlled, but the Municipality is the legal owner/custodian**

Refer to the Property, Plant and Equipment, note 11 for details regarding these properties.

### 11. 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	8,436,140	-	8,436,140	8,436,140	-	8,436,140
Buildings	168,951,906	(68,699,555)	100,252,351	158,496,999	(64,348,800)	94,148,199
Plant and Equipment	11,008,663	(6,482,958)	4,525,705	11,041,725	(5,539,600)	5,502,125
Office Furniture	1,953,876	(1,408,175)	545,701	2,019,163	(1,642,061)	377,102
Motor Vehicles	15,340,973	(6,156,018)	9,184,955	11,969,192	(5,058,497)	6,910,695
Office Equipment	1,826,803	(1,574,546)	252,257	1,978,161	(1,609,682)	368,479
IT Equipment	7,093,620	(3,946,334)	3,147,286	5,597,019	(3,432,380)	2,164,639
Infrastructure	355,873,619	(197,953,642)	157,919,977	346,490,186	(187,974,666)	158,515,520
Maintenance Equipment	2,242,409	(651,457)	1,590,952	1,641,729	(493,137)	1,148,592
Security Equipment	2,010,058	(783,212)	1,226,846	1,743,946	(744,245)	999,701
Other Equipment	429,021	(265,597)	163,424	563,430	(300,822)	262,608
Capital Works in Progress	20,123,919	-	20,123,919	15,028,200	-	15,028,200
Park Facilities	14,231,505	(5,348,868)	8,882,637	14,231,505	(4,869,194)	9,362,311
Minor assets	1,051,267	(1,051,267)	-	1,249,002	(1,249,002)	-
<b>Total</b>	<b>610,573,779</b>	<b>(294,321,629)</b>	<b>316,252,150</b>	<b>580,486,397</b>	<b>(277,262,086)</b>	<b>303,224,311</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	8,436,140	-	-	-	-	-	-	8,436,140
Buildings	94,148,199	-	-	10,454,908	-	-	(4,350,756)	100,252,351
Plant and Equipment	5,502,125	-	(275)	-	-	-	376,145	4,525,705
Office Furniture	377,102	377,710	(50,294)	-	-	-	158,817	545,701
Motor Vehicles	6,910,695	3,401,628	(5,532)	-	-	-	(1,121,836)	9,184,955
Office Equipment	368,479	37,750	(16,963)	-	-	-	137,009	252,257
IT Equipment	2,164,639	1,679,619	(4,823)	-	-	-	392,149	3,147,286
Infrastructure	158,515,520	-	-	9,383,431	-	-	(9,378,974)	157,919,977
Maintenance Equipment	1,148,592	603,180	(658)	-	-	-	160,162	1,590,952
Security Equipment	999,701	321,877	(284)	-	-	-	(94,448)	1,226,846
Other Equipment	262,608	-	(41,091)	-	-	-	(58,093)	163,424
Capital Works in Progress	15,028,200	27,751,739	-	-	(19,838,340)	(2,817,680)	-	20,123,919
Park Facilities	9,362,311	-	-	-	-	-	479,674	8,882,637
Minor assets	-	10,747	-	-	-	-	(10,748)	(1)
	<b>303,224,311</b>	<b>34,184,250</b>	<b>(119,920)</b>	<b>19,838,339</b>	<b>(19,838,340)</b>	<b>(2,817,680)</b>	<b>(218,811)</b>	<b>316,252,149</b>

**NGQUSHWA LOCAL MUNICIPALITY**  
Annual Financial Statements for the year ended June 30, 2024

**Notes to the Annual Financial Statements**

Figures in Rand

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

**Reconciliation of property, plant and equipment - 30 June 2023**

	Opening balance	Additions	Transfers	Derecognition/ write-off(cost)	Depreciation	Total
Land	8,436,140	-	-	-	-	8,436,140
Buildings	95,326,968	3,846,103	131,810	-	(5,56,682)	94,148,199
Plant and Equipment	5,469,456	969,826	-	-	(37,157)	5,502,125
Office Furniture	521,213	-	-	-	(44,111)	377,102
Motor Vehicles	4,523,150	3,345,408	-	-	(57,863)	6,910,695
Office Equipment	417,844	143,867	-	-	(93,232)	368,479
IT Equipment	1,547,361	1,041,084	-	-	(23,806)	2,164,639
Infrastructure	139,408,412	8,196,363	18,641,563	-	(7,30,818)	158,515,520
Maintenance Equipment	662,631	579,472	-	-	93,511	1,148,592
Security Equipment	57,728	1,001,661	-	-	59,888	999,701
Other Equipment	320,167	-	-	-	57,559	262,608
Capital Works in Progress	23,336,051	14,599,818	(18,773,373)	(4,134,296)	-	15,028,200
Park Facilities	9,869,862	-	-	-	(7,551)	9,362,311
Minor assets	-	56,700	-	-	56,700	-
	<b>289,896,983</b>	<b>33,780,302</b>	<b>-</b>	<b>(4,134,296)</b>	<b>(16,18,678)</b>	<b>303,224,311</b>

**Assets subject to finance lease (Net carrying amount)**

Other equipment	163,424	262,608
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# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 11. Property, plant and equipment (continued)

#### Work-in-progress Disclosure

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)

Roads	6,846,492	7,009,755
Land and Buildings	960,565	7,182,776
Electricity	2,076,830	148,143
Landfill site	687,525	687,524
Parks	8,994,144	-
Water	558,363	-
	<b>20,123,919</b>	<b>15,028,198</b>

#### Reconciliation of Work-in-Progress 30 June 2024

30 June 2024	Land and buildings	Electricity	Roads	Landfill	Water	Total
Opening balance	7,182,776	148,143	7,009,755	687,525	-	15,028,199
Additions	13,226,841	4,746,367	9,220,169	-	558,363	27,751,740
Transfer out	(10,454,908)	-	(9,383,432)	-	-	(19,838,340)
Other changes	-	(2,817,680)	-	-	-	(2,817,680)
	<b>9,954,709</b>	<b>2,076,830</b>	<b>6,846,492</b>	<b>687,525</b>	<b>558,363</b>	<b>20,123,919</b>

#### Reconciliation of Work-in-Progress - 30 June 2023

30 June 2023	Buildings	Electricity	Roads	Landfill	Total
Opening balance	131,810	-	22,775,860	428,385	23,336,055
Additions	7,182,776	148,144	7,009,755	259,140	14,599,815
Write-off	-	-	(4,134,297)	-	(4,134,297)
Transfer out	(131,810)	-	(18,641,563)	-	(18,773,373)
	<b>7,182,776</b>	<b>148,144</b>	<b>7,009,755</b>	<b>687,525</b>	<b>15,028,200</b>

No items of Property, Plant and Equipment are considered to be taking a significantly longer period of time to complete than expected.

No items of Property, Plant and Equipment are noted where construction or development has been halted.

There have been no impairment losses in the current financial year.

No changes in estimates have been noted with respect to Property, Plant and Equipment.

No items of Property, Plant and Equipment are subject to Service Concession Arrangements.

#### Land which the Municipality controls without legal ownership or custodianship

Carrying value of land included in the carrying value of Property, plant and equipment	283,500	283,500
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The above relates to 4 properties for which there is no registered title deed but which houses municipal buildings (offices and community halls), they are thus being used for municipal purposes. The Municipality is assessed as being in control of the economic benefits and service potential with respect to the items as they have the right to direct access to land, and to restrict/deny the access of others.

Land not controlled by the Municipality, however the Municipality is the legal owner/custodian

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

Number of parcels: 26

Included in the above are 16 properties relating to housing projects which have been allocated as housing in terms of the National Housing Program and are thus not considered to be under the control of the Municipality in terms of the Housing Guideline and IGRAP18.

The remaining 10 properties are not considered to be under the control of the Municipality as the usage of the properties pertains to non-municipal activities such as schools, clinics and private enterprises.

# **NGQUSHWA LOCAL MUNICIPALITY** Annual Financial Statements for the year ended June 30, 2024 **Notes to the Annual Financial Statements**

Figures in Rand

## **12. Heritage assets**

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monuments	3	-	3	3	-	3

### **Reconciliation of heritage assets - 30 June 2024**

Historical Monuments	Opening balance	3	Total	3
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### **Reconciliation of heritage assets - 30 June 2023**

Historical Monuments	Opening balance	3	Total	3
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All the municipality's heritage assets are held under a freehold interest and no heritage asset have been pledged as security for any liabilities of the municipality. The heritage assets comprise of the Dick King Memorial site, a Fingo Milkwood Tree and Fort Peddie Tower Complex.

These are not income generating assets and shown on the face of the statement of financial position at a nominal value of R 1 each.

No impairment losses have been recognised on the heritage assets of the municipality at the reporting date.

These heritage assets have not been revalued due to their fair value not being easily and reliably measured due to the lack of a market for these assets.



## NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>13. Payables from exchange transactions</b>		
Trade payables	8,571,361	10,442,552
Accrued Leave Pay	6,073,494	5,826,913
Other payables	1,287,763	1,566,388
Accrued Bonus	2,229,091	1,909,914
Retentions	7,630,354	4,071,300
	<b>25,792,063</b>	<b>23,817,067</b>

#### 14. Payables from non-exchange transactions

Receivables with credit balances	1,304,829	1,509,012
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All receivables with credit balances have been reallocated to Payables from non-exchange transactions to achieve fair presentation.

#### 15. Employee benefit obligations

##### Long Service Awards

The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.

The actuarial valuation of the long service awards accrued liability was carried out by Arch Actuarial Consulting. The assumptions used in the valuation are outlined below:

##### Key Assumptions:

1. Discount Rate - 11.36%
2. General earnings inflation rate (long-term) - 6.48%
3. Net effective discount rate - 4.58%
4. Pre-retirement mortality rate of SA 85-90
5. Average retirement age of 62 years.

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

<b>Carrying value</b>		
Opening balance	(4,829,000)	(4,503,000)
Current service costs	(569,000)	(570,000)
Utilisation	731,000	566,000
Change in discount factor	(512,000)	(472,000)
Actuarial(loss)/gain for the period	(182,000)	150,000
	<b>(5,361,000)</b>	<b>(4,829,000)</b>
Non-current liabilities	(4,706,000)	(4,098,000)
Current liabilities	(655,000)	(731,000)
	<b>(5,361,000)</b>	<b>(4,829,000)</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 15. Employee benefit obligations (continued)

#### Sensitivity analysis

The liability at the valuation date was recalculated to show the effect of:

- i) A 1% increase and decrease in the assumed general earnings inflation rate;
- ii) A 1% increase and decrease in the discount rate;
- iii) A two-year increase and decrease in the assumed average retirement age of eligible employees; and
- iv) A two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

The table below summarises the results of the sensitivity analysis:

Assumption	Change	Liability	%Change
Central assumption		5,361,000	
General earnings inflation rate	+1%	5,682,000	6%
	-1%	5,069,000	-5%
Discount rate	+1%	5,065,000	-6%
	-1%	5,691,000	6%
Average retirement age	+2yrs	5,580,000	4%
	-2yrs	5,108,000	-5%
Withdrawal rates	x2	4,318,000	-19%
	x0.5	6,055,000	13%
		-	

#### Other assumptions

	2024	2023	2022	2021	2020
Long service awards (history of liability)	5,361,000	4,829,000	4,503,000	4,127,000	4,155,000

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	(1)	4,285,430
Municipal Disaster Relief Grant	11,170,581	6,200,000
	<u>11,170,580</u>	<u>10,485,430</u>

See note 28 for reconciliation of grants from National/Provincial Government.

### 17. VAT payable

Vat output control account	445,604	37,019
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# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 18. Provisions

#### Reconciliation of provisions - 30 June 2024

	Opening Balance	Change in discount factor	Total
Provision for Rehabilitation of Landfill Site	12,469,562	535,931	13,005,493

#### Reconciliation of provisions - 30 June 2023

	Opening Balance	Change in discount factor	Total
Provision for Rehabilitation of Landfill Site	11,955,716	513,846	12,469,562

#### Rehabilitation of Landfill Site Provision

The Provision for Rehabilitation of Landfill Sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation. The amount for the provision was adjusted retrospectively in accordance with the report produced by qualified engineers specialising in Landfill Sites valuations.

Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated Decommission Date (Year)	2024	2023
Peddie	2029	16,051,103	16,051,103

In determining the cost of closure and rehabilitation of the landfill site, the following methodology was employed:

1. Site Visit and Assessment
2. Literature and Legislative Review
3. Assessment of Closure and Rehabilitation Requirements
4. Design Review and Quantity Calculation
5. Costing Analysis.

A risk always exists that the site could be required to close at any time based on acceptability of operations at the site by the Department of Environmental Affairs. That implies all the rehabilitation work would have to be carried out in that particular year should the site be required to close.

Future events may result in significant changes to the estimated total expenditures, capacity used and the estimated liability and would be recognized prospectively as a change in estimate, when applicable.

The most critical assumptions in generating the report on the provision for landfill site rehabilitation are as follows:

1. A service provider would be used for the work to be done pertaining to the closure and rehabilitation of the site and reliance will not be solely placed on municipal personnel to perform tasks. It should be noted that part of the work done or to be done with regard to rehabilitation can be or is done by municipal personnel (e.g. Capping layers). In that case, work to be done is accounted for using other GRAP standards, which may influence the cost price for rehabilitation work to be done.

2. The 2022-2023 Ngqushwa feasibility study report was reviewed and considered to still be relevant.

3. The estimated lifespan for the site is still considered to be realistic.

4. The straight line method is considered to be the appropriate method used to calculate depreciation since it spreads the cost evenly over the life of the asset due to the uncertainty regarding the closure date of the site. This is useful when the timing of and cost of activities is not well known or yet clear to the Municipality. Locating landfills near residential areas is no longer acceptable or preferred even legally.

5. The average rate of inflation in South Africa over the last 10 years has been +/- 5 percent and it is accepted as such in the report on the provision for landfill site rehabilitation.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>19. Service charges</b>		
Refuse removal	1,863,370	1,554,321
<b>20. Rental of facilities and equipment</b>		
<b>Land and Offices</b>		
Various Rentals	1,170,686	1,047,963
Included in the above rentals are operating lease rentals at straight-lined amounts of - (Reconciliation of segment expenditure to the Statement of Financial Performance: -).		
<b>21. Agency fees</b>		
Amount received on behalf of the principal	3,789,253	1,930,592
Revenue the principal is entitled to	(3,380,550)	(1,517,451)
	<b>408,703</b>	<b>413,141</b>
The Municipality and the Department of Transport entered into an agreement for the transfer of registration and licensing of motor vehicles functions, wherein the Municipality will be entitled to the collection fee of 19%, including VAT for all fees collected in terms of the agreement entered into.		
All receipts on behalf of the principal were paid over during the year. There are no receivables or payables from agency transactions.		
<b>22. Licences and permits</b>		
Drivers' Licences	1,236,269	1,050,235
Learners' Licences	213,741	111,936
	<b>1,450,010</b>	<b>1,162,171</b>
<b>23. Construction contract</b>		
Rural electrification projects in terms of INEP	2,608,696	-
Integrated National Electrification Programme (INEP) provides capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings, and the installation of relevant bulk infrastructure.		
<b>24. Other revenue</b>		
Insurance claims from loss of property, plant and equipment	448,074	10,978
Tender fees	-	16,513
Sundry Income	35,515	116,456
Building Plan Fees	17,446	54,902
Commission	99,724	91,871
	<b>600,759</b>	<b>290,720</b>
<b>25. Interest earned on Outstanding Debtors</b>		
Interest earned on outstanding debtors- exchange transactions	595,672	236,428
Interest earned on outstanding debtors- non-exchange transactions	2,455,254	2,629,813
	<b>3,050,926</b>	<b>2,866,241</b>
<b>26. Investment revenue</b>		
<b>Interest revenue</b>		
Interest from investments	6,925,421	5,568,978

## NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 27. Property rates

##### Rates received

Gross Property Rates	21,455,031	24,896,392
Less: Rebates	(371,798)	(366,290)
	<b>21,083,233</b>	<b>24,530,102</b>

##### Valuations

Residential	393,280,600	393,391,600
Commercial	258,313,000	258,313,000
Government	110,432,200	483,511,700
Municipal	95,545,500	95,545,500
Farm agricultural	362,918,400	382,455,400
Place of Worship	10,277,500	10,277,500
Vacant Land	143,490,300	143,741,300
Other	401,362,500	4,126,000
	<b>1,775,620,000</b>	<b>1,771,362,000</b>

Valuations on land and buildings within the boundaries of the municipality are performed every 5 years. The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last supplementary valuation (SV5) came into effect on 01 May 2024.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 28. Government grants & subsidies

#### Operating grants

Equitable share	102,706,000	97,609,000
Expanded Public Works Programme	1,490,000	2,060,000
Municipal Infrastructure Grant	28,698,431	30,912,570
Municipal Disaster Relief Grant	15,359,419	-
Finance Management Grant	3,100,000	3,100,000
	<b>151,353,850</b>	<b>133,681,570</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	51,647,850	36,072,570
Unconditional grants received	102,706,000	97,609,000
	<b>154,353,850</b>	<b>133,681,570</b>

#### Equitable Share

In terms of section 227 of the Constitution, this is an unconditional grant and is used by the Municipality to provide basic services and perform functions allocated to it.

The Equitable Share Grant also provides funding for the Municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

#### Equitable Share

Allocation for the year per Division of Revenue Act	102,706,000	97,609,000
Amount actually received	(102,706,000)	(97,609,000)
	-	-

#### Municipal Infrastructure Grant

Balance unspent at beginning of the period	4,285,430	-
Current-year receipts	24,413,000	35,198,000
Conditions met - transferred to revenue	(28,698,431)	(30,912,570)
	<b>(1)</b>	<b>4,285,430</b>

Conditions still to be met - remain liabilities (see note 16).

The grant was used for the construction of infrastructure assets.

The grant was received from National Treasury.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 28. Government grants & subsidies (continued)

#### Expanded Public Works Programme Grant

Current-year receipts	1,490,000	2,060,000
Conditions met - transferred to revenue	(1,490,000)	(2,060,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant was received from the National Department of Roads and Public Works for job creation efforts where labour intensive delivery methods can be maximised.

#### Municipal Disaster Relief Grant

Balance unspent at beginning of year	6,200,000	-
Current-year receipts	20,330,000	6,200,000
Conditions not met - transferred to Equitable Share	(15,359,419)	-
	11,170,581	6,200,000

Conditions still to be met - remain liabilities (see note 16).

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

#### Integrated National Electrification Programme Grant

Current-year receipts	3,000,000	-
Conditions met - transferred to Equitable share	(3,000,000)	-
	-	-

#### Finance Management Grant

Current-year receipts	3,100,000	3,100,000
Conditions met - transferred to revenue	(3,100,000)	(3,100,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

### 29. Fines and penalties

Traffic fines issued during the year	673,300	454,350
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### 30. Transfers and Subsidies

Library Subsidy	500,000	500,000
LG Seta transfer	474,261	142,582
	974,261	642,582

### 31. Insurance claims received

Gain on Property Plant and Equipment replacement	12,999	-
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Non-cash insurance claim received to replace an asset.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 32. Employee related costs

Basic Salaries	63,877,013	57,035,486
Annual Bonus (13th Cheques)	4,977,941	4,233,081
UIF	434,553	402,841
SDL	728,644	623,828
SALGA BC Levies	30,096	26,773
Redemption of Leave	613,691	564,051
Cell phone Allowance	637,914	499,007
Shift Allowance	277,657	284,808
Motor car, accommodation and other allowances	55,681	76,389
Overtime payments	492,176	464,914
Long-service awards	763,401	563,633
Acting allowances	617,842	403,945
Housing Allowances	137,745	198,052
Medical Aid Contributions	3,842,090	3,543,446
Pension Fund Contributions	9,459,753	8,393,368
Subsistence and Travel	3,872,403	3,212,937
	<b>90,818,600</b>	<b>80,526,559</b>

#### Remuneration: Municipal Manager

Annual Remuneration	750,400	655,666
Bonus	60,000	53,692
Backpay	58,070	44,804
SDL	12,390	10,934
UIF	2,125	1,948
Travel Allowance	239,171	186,185
Medical Allowance	107,503	107,634
Housing allowance	71,669	82,625
Bargaining council	137	119
	<b>1,301,465</b>	<b>1,143,607</b>

#### Remuneration of former: Chief Finance Officer

Annual Remuneration	-	593,073
Bonus	-	118,400
Provident allowance	-	12,800
Backpay	46,457	45,234
Travel allowance	-	163,000
SDL	465	11,465
UIF	177	1,948
Cell phone allowance	-	28,000
Bargaining Council	-	108
Medical Allowance	-	117,501
	-	101,105
	<b>47,099</b>	<b>1,192,634</b>

The former Chief Financial Officer resigned-effective date 30 April 2023.

#### Remuneration of current: Chief financial officer

Annual Remuneration	562,192	-
Backpay	17,695	-
Travel Allowance	231,126	-
SDL	8,621	-
UIF	1,948	-
Cell phone Allowance	97,320	-
Bargaining Council	125	-
	<b>919,027</b>	<b>-</b>



# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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

The current Chief Financial Officer's employment commenced on the 01 August 2023.

#### Remuneration of Former Director: Corporate Services

Annual Remuneration	-	459,967
Bonus	-	71,929
Backpay	39,835	39,647
Travel Allowance	-	134,819
Provident Allowance	-	85,443
SDL	398	7,678
UIF	177	1,948
Medical Allowance	-	44,740
Bargaining Council Levy	-	108
Termination Leave	-	80,921
Subsistence and Travel Claims	-	2,149
	<b>40,410</b>	<b>929,349</b>

The Former Director:Corporate Service resigned - effective date 30 April 2023

#### Remuneration of Director: Technical Services

Annual Remuneration	662,370	633,914
Bonus	34,000	24,000
Backpay	57,138	42,468
Travel Allowance	20,000	60,000
Cell phone Allowance	4,926	14,778
Housing Allowance	32,171	96,512
Medical Allowance	17,516	52,548
Provident Allowance	56,232	168,697
SDL	9,093	9,108
UIF	886	2,125
Bargaining Levy	46	130
Termination Leave	87,990	-
	<b>982,368</b>	<b>1,104,280</b>

The Director Technical services resigned effective date 31 October 2023.

#### Remuneration of Director: Community Services

Annual Remuneration	572,782	544,495
Bonus	60,000	60,000
SDL	7,939	7,857
UIF	2,125	2,125
Bargaining Council Levy	137	130
Travel Allowance	104,904	104,904
Medical Allowance	99,048	99,048
Provident Fund Allowance	93,827	93,827
Backpay	51,948	59,818
	<b>992,710</b>	<b>972,204</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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

#### Remuneration of Current Director: Corporate Services

Annual Remuneration	631,957	101,113
Cellphone Allowance	81,339	13,557
Bonus	14,000	-
Travel Allowance	101,113	16,852
Backpay	13,501	-
Provident Allowance	180,000	30,000
SDL	10,017	1,452
UIF	2,125	354
Bargaining Council Levy	137	22
S& T Claim	200	3,341
KMs Tax	2,371	-
	<b>1,036,760</b>	<b>166,691</b>

The current Director:Corporate Service's employment commenced on 01 May 2023.

### 33. Remuneration of councillors

Mayor	1,039,698	998,937
Speaker	841,703	813,149
Chief Whip	464,669	443,035
MPAC Chair	452,309	431,842
Exco	874,943	886,133
Other Councillors	6,041,716	5,926,083
Ward Committees	1,429,150	1,444,300
	<b>11,144,188</b>	<b>10,943,479</b>

#### Additional information

The Remuneration of Councillors is based on the upper limit as per Government Gazette.

The Mayor and the Speaker each have the use of separate Council-owned vehicles and are provided with an office and secretarial support at the cost of the Council for official duties. The Mayor and the Speaker have designated drivers.

There were no in-kind benefits declared nor received by the Councillors.

Included in the Remuneration of Councillors are costs relating to balances owing to councillors as per Government Gazette Nr. 49142.

### 34. Depreciation

Property, plant and equipment	18,218,811	16,318,685
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### 35. Finance costs

Interest on late payment of suppliers	8,603	6,806
Finance costs on Landfill Site Provision and Long Service Awards Obligation	535,931	513,846
	<b>544,534</b>	<b>520,652</b>

## NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 36. Debt impairment

Debt impairment	1,070,100	(345,820)
Bad debts written off	187,532	2,221,991
	<u>1,257,632</u>	<u>1,876,171</u>

Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.

#### Debt impairment reconciliation

Contribution to debt impairment provision-service charges and property rates	1,075,632	1,728,271
Contribution to debt impairment provision-traffic fines	182,000	147,900
Reversal of impairment traffic fines	-	(2,221,991)
Discount scheme and interest write off	(187,532)	-
	<u>1,070,100</u>	<u>(345,820)</u>

#### 37. Contracted services

##### Presented previously

Repairs and Maintenance - PPE	19,602,401	3,394,600
Other Contractors	11,252,971	7,741,883
	<u>30,855,372</u>	<u>11,136,483</u>

As per GRAP 17 (Paragraph 88), repairs and maintenance amounting to R19 602 401 (30 June 2023 R3 394 600); relates to repairs and maintenance to property, plant and equipment.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>38. General expenses</b>		
Accommodation Expenses	2,405,056	1,352,617
Advertising	294,718	694,301
Bank charges	43,247	47,744
Computer expenses	51,000	44,929
Legal expenses	3,162,169	1,487,655
Audit committee fees	466,416	351,807
Audit fees	4,763,743	5,320,788
Hire	49,542	-
Consultation and Professional Fees	1,706,103	1,370,414
Conferences and seminars	736,759	519,646
Medical expenses	23,920	-
Motor vehicle expenses	349,937	335,956
Fuel and oil	3,620,286	2,799,884
Catering	1,265,856	869,258
Printing and stationery	296,432	288,664
Town Planning costs	-	33,000
Leaverships and interns	1,599,583	2,405,733
Software expenses	1,538,294	1,253,823
Employee Assistance Programme	144,537	43,885
Subscriptions and membership fees	32,829	1,603,340
Telephone	1,310,791	1,700,160
Training	1,953,406	1,809,435
Refuse	298,870	530,900
Electricity	1,658,689	5,208,096
Water - municipal use	2,947,336	315,598
Uniforms	1,475,456	326,395
Agriculture	441,833	9,430
EPWP Casuals labours	2,147,150	-
Uniforms	110,520	62,049
COIDA Fees	937,020	-
Special Programmes Unit	2,863,989	2,781,577
Financial Management Enhancement	2,040,409	719,542
Consumables	160,622	206,753
Miscellaneous expenses	1,550,734	1,282,624
	<b>42,447,252</b>	<b>35,776,003</b>

### 39. Loss/(gain) on Disposal and Revaluation of Assets

Fair value adjustment of Investment Property determined by an Independent Valuer<sup>10</sup>.

Fair value adjustment of Investment Property	221,500	5,044,887
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# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Capital Projects</b>		
• Commitments	36,311,088	35,578,713
<b>Operational Projects</b>		
• Commitments	2,706,765	2,709,191
<b>Total capital commitments</b>		
Capital Projects	36,311,088	35,578,713
Operational Projects	2,706,765	2,709,191
	<b>39,017,853</b>	<b>38,287,904</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised expenditure	39,017,853	38,287,904

This committed expenditure relates to property, plant and equipment and will be financed through Municipal Grants, existing cash resources and funds internally generated.

### 41. Risk management

#### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

#### Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 41. Risk management (continued)

#### Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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

Financial instrument	30 June 2024	30 June 2023
Receivables from exchange transactions	1,796,096	2,422,146
Receivables from non-exchange transactions	23,397,449	20,338,284
Cash and cash equivalents	50,693,544	67,044,033
Payables from exchange transactions	17,489,479	16,080,235
Payables from non-exchange transactions	1,304,829	1,509,012

#### Market risk

##### Interest rate 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. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

##### Cash and Cash Equivalent

If interest rates had been 25 basis points higher / lower and all other variables were held constant, the municipality's: Surplus for the year ended 30 June 2024 would have increased by R 12,673,386. This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

##### Significant accounting policies

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

- . Credit risk
- . Liquidity Risk; and
- . Market risk

##### Market risk

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

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 41. Risk management (continued)

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The municipality does not have any financing facilities and expects to meet its obligations from operating cash flows and proceeds of maturing financial assets and to maintain current debt to equity ratio.

#### Credit risk management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

### 42. Going concern

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus of 391,715,924 and that the municipality's total liabilities do not exceed its assets.

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.

### 43. Fruitless and wasteful expenditure

Opening balance as previously reported	13,578,139	12,960,112
Add: Fruitless and wasteful expenditure identified - current year	63,824	620,153
Less: Amount written off - current	(204)	(2,126)
<b>Closing balance</b>	<b>13,641,759</b>	<b>13,578,139</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

Fruitless and wasteful expenditure incurred and identified during the current period relates to interest from late payments of suppliers, cancelled travel and accommodation arrangements and amounts considered not recoverable from a supplier where goods were not delivered.

Fruitless and wasteful expenditure in the comparative year includes expenditure (VAT inclusive) incurred in prior financial years on projects relating to the Integrated National Electrification Programme. The assets were assessed for impairment in the current financial year due to non-completion of the projects by appointed service providers. The related matter has been referred to the South African Police Service (SAPS) for investigation.

### 44. Irregular expenditure

Opening balance as previously reported	84,663,590	81,722,948
Add: Irregular expenditure - current	3,384,307	3,491,952
Less: Amount written off - current	(82,687,086)	(551,310)
<b>Closing balance</b>	<b>5,360,811</b>	<b>84,663,590</b>

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

Supply chain management processes not followed in making awards	3,384,307	3,175,095
Expenditure in excess of contract amount	-	316,857
	<b>3,384,307</b>	<b>3,491,952</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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### 45. Deviation from supply chain management regulations

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

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

Listed below are various circumstances where goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reason for these deviation from the normal supply chain management regulations.

#### Incidents

Deviations due to emergency procurement	-	37,663
Deviations due to sole supplier procurement	1,672,973	243,908
Deviations due to the impracticality of following SCM processes	2,023,567	5,250,056
	<b>3,696,540</b>	<b>5,531,627</b>

### 46. Contingencies

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of dates by the respective courts, the timing of the economic flows is therefore uncertain.

#### Contingent liabilities

Dlelanga Trading CC - A claim by Dlelanga Trading CC based on a dispute for services rendered. The matter was removed from the court roll by agreement of the parties	595,872	595,872
Masilakhe Consulting - This is a claim for services rendered. Default judgement was obtained against the Municipality. Application for rescission of judgement is underway	184,629	-
Monwabisi Welcome Mbanzi - A claimed has been lodged for damages sustained by the vehicle belonging to Mr Mbanzi.	81,813	81,813
Limitless strategic solutions - A letter of demand has been issued on behalf of Limitless solutions who rendered services in the development of Landfill site rehabilitation plan and operational plan for Peddie Landfill Site under tender no. 8/2/759/2019-2020	-	74,000
Nomboniso Lilian Dike & 6 - Others Notice of motion brought on behalf of the applicant and the affected households of Khangelihle Buck Kraal Farm, wherein a claim is pursued for services including housing, water and sanitation, roads etc	1,000,000	1,000,000
SAMWU obo Lwazi Jack ECD122013 & PR164/21. A review application was brought on behalf of municipality on an award which was granted by the SALGBC in favour of an employee, awaiting opposition from SAMWU to review supplementary affidavit.	175,000	175,000
Nondudumo	500,000	-
	-	-
	<b>2,537,314</b>	<b>1,926,685</b>

#### Contingent assets

In 2020, Councillor MT Siwisa brought to an application alleging various bizarre, irregular and unlawful resolutions were taken by the council in the special council meetings held on 10 March 2020, 16 March 2020, 14 May 2020 & 29 May 2020. The application was dismissed in court with costs to be paid by the applicant. The contingent asset is estimated at R 150,000.

Litigation was brought on behalf of the municipality for the recovery of costs which were paid to the service provider (Vezokuhle Youth Development Project) for services not rendered. The related contingent asset is estimated at R 977,144.

Differences between the current year comparatives amount and the prior year signed financial statements, two cases were previously omitted:

Dlelanga Trading CC R595 872

Samwu obo L Jack ECD122013&PR164-21 R175 000



# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 47. Related parties

#### Related party balances

Amounts included in Statement of Financial Position are the following regarding related parties:

Councillor Jowela (late)- unpaid salary	-	(4,461)
Councillor Moyeni (late)- tax liability	550	550
Mayor- backpay	(27,611)	(36,298)
Speaker -backpay	(22,089)	(29,559)
Chief whip-backpay	(11,552)	(16,702)
Exco-backpay	(23,104)	(49,692)
Other Councillors-backpay	(162,076)	(228,560)
Municipal manager-backpay	(60,987)	(56,216)
Chief Financial officer-backpay	(54,708)	(46,677)
Director: Corporate Services (former)	(39,835)	(40,005)
Director: Corporate Services (Current)	(13,501)	(8,446)
Director: Community services	(51,948)	(52,049)
Director: Technical Services	(57,138)	(47,576)
Former Chief Financial Officer-backpay	46,457	-
	<b>(477,542)</b>	<b>(615,691)</b>

Included in the Statement of Financial Position are balances owing to councillors as per Government Gazette Nr. 49142, issued on 18 August 2023.

Included in the Statement of Financial Position are balances owing to the municipal manager, former chief financial officer and directors as per Government Gazette Nr.48789, issued on 14 June 2023.

GRAP 20 requires a disclosure of related party transactions during the financial period of the financial statements as well as the nature of the related party relationship, the nature of the transactions and outstanding balances including commitments. However, those disclosures are not required for transactions which occurred in the normal course of business.

Further, the municipality is also required to disclose the remuneration of its management having the authority to direct the business of the municipality. Key management include the Mayor, Speaker, Mayoral Committee members, Councillors, Municipal Manager, Chief Financial Officer and the Directors. For the remuneration of key management and Councillors, refer Notes 32 and 33 respectively.

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

#### Contributions to organised local government

Current year subscription / fee	881,738	1,591,139
Amount paid - current year	(881,738)	(1,591,139)
	-	-

#### Audit fees

Opening balance	3,194	-
Current year subscription / fee	4,667,604	5,323,982
Amount paid - current year	(4,598,051)	(5,320,788)
	<b>72,747</b>	<b>3,194</b>

#### PAYE, SDL and UIF

Current year subscription / fee	15,268,509	11,658,696
Amount paid - current year	(15,268,509)	(11,658,696)
	-	-

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Current year subscription / fee	22,216,320	20,120,827
Amount paid - current year	(22,216,320)	(20,120,827)
	-	-

#### VAT

VAT input accrual	2,260,579	2,094,427
VAT output payable	445,604	37,019
	<b>2,706,183</b>	<b>2,131,446</b>

VAT output payables and VAT input accrual are shown in note 6 and 17.

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

#### SCM Regulation 45 disclosure

In terms of the Municipal Supply Chain Management Regulation 45, the Municipality must disclose particulars of any award of more than R 2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including the name of the person, the capacity in which that person is in the service of the state, and the amount of the award. The following awards were made to entities with relationships with officials of the service of state (Municipality and other organisations):

Supplier Name	Name of official	Position	Relationship to entity directors	Amount
Andile SG Trading and Projects	Anelisa Boqwana	Debt Collector & Credit Controller	Spouse	3,676,286
SMS ICT Choice	Nomonde Joan Maqula	Employee: Eastern Cape Department of Human Settlements	Spouse	3,137,511
Hallowed Ground Consultant	Linda Tele	Police Officer - SAPS	Spouse	189,750
				<b>7,003,547</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>49. Cash generated from operations</b>		
(Deficit) surplus	(3,006,595)	20,136,994
<b>Adjustments for:</b>		
Depreciation and amortisation	18,218,811	16,318,685
Loss on sale of assets and liabilities	119,920	-
Gain on insurance claims received	(12,999)	-
Fair value adjustments	(221,500)	(5,044,888)
Interest income	(3,177,736)	-
Debt impairment	1,257,632	1,876,171
Movements in operating lease assets and accruals	(549,383)	(584,104)
Movements in retirement benefit assets and liabilities	532,000	326,000
Movements in provisions	535,931	513,846
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(350,683)	(384,774)
Receivables from non-exchange transactions	403,430	(765,980)
Prepayments	(876,378)	-
Other asset	-	(148,143)
Payables from exchange transactions	1,409,237	(2,733,409)
VAT	242,433	1,594,237
Taxes and transfers payable (non-exchange)	(204,183)	(1,143,065)
Unspent conditional grants and receipts	685,150	10,485,430
	<b>15,003,087</b>	<b>40,469,000</b>

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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**50. Segment information**

**General information**

**Identification of segments**

For management purposes, the municipality is organised and operates in two key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The two key business units comprise of:

Community and public safety which includes community and cleansing services, library services, community hall rental and recreation

Technical services which include Project management, road construction and maintenance

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

**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
Community and public safety	Cleansing services, library services, community hall rental and recreation
Technical Services	Project management, road construction and maintenance

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 50. Segment information (continued)

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

30 June 2024

	Community Services	Technical Services	Total
<b>Revenue</b>			
Revenue from non-exchange transactions	673,300	-	673,300
Revenue from exchange transactions	4,465,840	17,446	4,483,286
<b>Total segment revenue</b>	<b>5,139,140</b>	<b>17,446</b>	<b>5,156,586</b>
<b>Entity's revenue</b>			<b>5,156,586</b>
<b>Expenditure</b>			
Employee costs	29,003,078	3,154,717	42,157,795
Depreciation, amortisation and impairment	6,061,181	9,978,973	16,040,154
Finance costs	535,931	-	535,931
Debt impairment and bad debts written off	491,876	-	491,876
Contracted services	1,251,537	1,057,108	2,308,645
General expenditure	3,396,763	250,635	3,647,398
<b>Total segment expenditure</b>	<b>40,740,366</b>	<b>2,441,433</b>	<b>65,181,799</b>
<b>Total segmental surplus/(deficit)</b>			<b>(60,025,213)</b>
<b>Assets</b>			
Segment assets	61,474,400	9,978,973	71,453,373
<b>Total segment assets</b>			<b>71,453,373</b>
<b>Liabilities</b>			
Segment liabilities	(13,005,493)	(21,530,000)	(42,535,493)
<b>Total segment liabilities</b>			<b>(42,535,493)</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statement for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 50. Segment information (continued)

30 June 2023

	Community Services	Technical Services	Total
<b>Revenue</b>			
Revenue from non-exchange transactions	454,350	-	454,350
Revenue from exchange transactions	4,414,024	54,902	4,468,926
<b>Total segment revenue</b>	<b>4,868,374</b>	<b>54,902</b>	<b>4,923,276</b>
<b>Entity's revenue</b>			<b>4,923,276</b>
<b>Expenditure</b>			
Employee costs	27,201,282	11,549,580	38,750,862
Depreciation, amortisation and impairment	5,699,395	7,823,211	13,522,606
Finance costs	513,846	-	513,846
Debt impairment	121,952	-	121,952
Contracted services	1,062,786	712,784	1,775,570
General expenditure	3,479,587	658,658	4,138,245
Loss on disposal and revaluation of assets	(5,355,576)	-	(5,355,576)
<b>Total segment expenditure</b>	<b>32,723,272</b>	<b>20,744,233</b>	<b>53,467,505</b>
<b>Total segmental surplus/(deficit)</b>			<b>(48,544,229)</b>
<b>Assets</b>			
Segment assets	164,884,560	179,079,176	343,963,736
<b>Total assets as per Statement of financial Position</b>			<b>343,963,736</b>
<b>Liabilities</b>			
Segment liabilities	(12,469,562)	(6,200,000)	(18,669,562)
<b>Total liabilities as per Statement of financial Position</b>			<b>(18,669,562)</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 50. Segment information (continued)

#### Information about geographical areas

The Municipality is not split into Geographical Segments as only operates within its own Demarcated area within the Eastern Cape Province:

#### Reconciliation of segment revenue to the Statement of Financial Performance

	30 June 2024	30 June 2023
Total segment revenue	(5,156,586)	(4,923,276)
Revenue from exchange transactions allocated to departments that do not meet the definition of a segment - Finance	(8,531,335)	(5,804,797)
Revenue from non-exchange transactions allocated to departments that do not meet the definition of a segment - Finance	(178,488,293)	(161,484,067)
<b>Total Revenue per the Statement of Financial Performance</b>	<b>(192,176,214)</b>	<b>(172,212,140)</b>

#### Reconciliation of segment expenditure to the Statement of Financial Performance

	30 June 2024	30 June 2023
Total segment expenditure	65,181,799	53,467,506
Employee related cost	48,660,805	47,066,560
Remuneration of councillors	11,144,188	10,943,479
Depreciation and impairment	2,178,657	2,796,078
Finance costs	8,603	6,806
Debt impairment and Bad debts written off	765,756	1,754,219
Contracted services	28,546,727	9,212,769
General expenditure	38,799,854	31,539,926
Loss/(gain) on disposal of assets	119,920	310,689
<b>Total Expenditure per Statement of Financial Performance</b>	<b>195,406,309</b>	<b>157,098,032</b>
Surplus/(deficit)	(3,230,095)	15,114,108
Total segment assets	71,453,373	343,963,736
Assets not allocated to reportable segments	377,342,122	103,907,881
<b>Total assets per statement of Financial Position</b>	<b>448,795,495</b>	<b>447,871,617</b>
Total segment liabilities	(42,535,493)	(18,669,562)
Liabilities not allocated to reportable segments	(14,098,472)	(34,440,509)
<b>Total liabilities per statement of Financial Position</b>	<b>(56,633,965)</b>	<b>(53,110,071)</b>

### 51. Statutory Receivables

<b>Property rates</b>		
Property rates	11,683,448	11,525,822
Interest on property rates	14,234,425	11,578,689
Impairment on property rates	(9,953,011)	(9,166,260)
	<b>15,964,862</b>	<b>13,938,251</b>

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>52. Statutory Receivables</b>		
The entity had the following statutory receivables included in the Statement of Financial Position:		
Including Property Rates, Interest on Property Rates, VAT Receivable and Traffic Fine Receivables. Refer to the tables below for the individual line items.		
Impairment	(10,983,712)	(9,314,160)
Including Impairment on Property Rates, Interest on Property Rates and Traffic Fine Receivables. Refer to the tables below for the individual line items.		
	<b>23,464,760</b>	<b>16,447,247</b>
<b>Property Rates</b>		
Property Rates	11,683,448	11,525,822
Interest on property rates	14,234,425	11,578,689
Impairment on Property rates	(9,953,011)	(9,166,260)
	<b>15,964,862</b>	<b>13,938,251</b>



# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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### 52. Statutory Receivables (continued)

#### Transactions arising from statute and the determination of transaction amounts

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

Property rates are levied in accordance with the The Local Government: Municipal Property Rates Act 6 of 2004. Property rates are determined as a rate in the rand on the value of all rateable property recorded in the municipality's valuation or supplementary valuation roll and the rates applied to the rateable properties are determined annually as part of the annual budgeting process.

Value-Added Tax is calculated in accordance with the The Value-Added Tax Act 89 of 1991. The municipality declares output tax on the taxable supply of goods and services and claim input tax credits on expenses incurred in the course or furtherance of the enterprise (the taxable supplies).

Traffic fines are levied in accordance with the Criminal Procedures Act 51 of 1977. Fines constitute both spot fines and camera fines and it is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

#### Interest or other charges levied/charged

In accordance with the municipality's Credit Control and Debt collection policy, interest on outstanding debtors, including property rates receivables, are charged on all accounts that are in arrears for 90 days and above at 1% per month.

No interest is levied on outstanding traffic fines.

#### Basis used and factors considered in assessing and testing whether a statutory receivable is impaired or past due, but not impaired

The municipality assesses at each reporting date whether there is any indication that statutory receivable may be impaired.

The provision for doubtful debts for property rates, in accordance with the municipality's Credit control and Debt Collection policy, is calculated by assessing the levels of risk of recoverability of debt for each category of receivables (Government, Business and Residential). Based on the risk assessment, different provision percentages are applied to each category of receivables and based on the ageing of the outstanding debt.

At each reporting date, traffic fine receivables are assessed for impairment based on the provisions of S 341 and S56 of the Criminal Procedures Act and the guidance provided by the NPA with regards to the validity period for fines. Based on this guidance, the municipality assesses that fines outstanding at the reporting date for a period exceeding 18 months, will be considered to be impaired.

Factors which were considered in arriving at the bases and the assessment for impairment of the statutory receivables and also receivables past due, but not impaired, include the following:

1. Historical information/experience and the level of engagement between the municipality and the debtor
2. Financial viability of the debtors as well as whether the debtor is easily identifiable and traceable.

#### Discount rate applied to the estimated future cash flows

No discount rate has been applied to estimate future cash flows.

#### Statutory receivables past due but not impaired

At June 30, 2024, Property Rates and Interest on Property Rates balances of 15,471,475 (2023: 14,771,626) were assessed to be past due but not impaired. Also refer to note 5 for the disclosure of the total consumer debtors balances past due, but not impaired. All receivable amounts outstanding at the reporting date is considered to be due and has therefore been taken into account in the assessment of receivables past due, but not impaired.

At 30 June 2024, Traffic Fine receivable balances of R 475 445 (2023: R 240 575) were past due but not impaired. All debtor amounts outstanding at the reporting date is considered to be due and has therefore been taken into account in the assessment of past due, but not impaired.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

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### 52. Statutory Receivables (continued)

#### Statutory receivables impaired

As of June 30, 2024, the Impairment on Property Rates and Interest on Property Rates receivables was assessed at 10,983,353 (2023: 9,166,260)

The amount of the impairment of the Traffic Fine receivable was assessed at 182,000 as of June 30, 2024 (2023: 147,900).

The ageing of these receivables are as follows:

#### Property Rates

30-60 days	5,017	4,710
61 - 90 days	132,872	154,997
91-120 days	223,923	236,723
121-150 days	207,574	243,571
>151 days	10,413,967	8,520,628
	<b>10,983,353</b>	<b>9,160,629</b>

#### Traffic Fines

>18 months	182,000	147,900
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#### Reconciliation of provision for impairment for statutory receivables

Opening balance	(9,314,160)	(9,634,032)
Contributions to Provision for impairment - property rates and interest on property rates	(1,674,725)	(1,754,219)
Contributions to Provision for impairment - traffic fines	(182,000)	(147,900)
Amounts written off as uncollectible	187,532	2,221,991
	<b>(10,983,353)</b>	<b>(9,314,160)</b>

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### 52. Statutory Receivables (continued)

#### Main events and circumstances that led to the reversal of impairment losses on statutory receivables

##### Significant impairment losses reversed

An amount of R 2,221,991 relating to outstanding traffic fine receivables was reversed against the impairment loss and subsequently written off during the financial year. Management performed a detailed analysis of the recoverability of the receivables balance from the 2017-18 financial year up to 30 June 2022 and the assessment indicated that a very small percentage of traffic fines debt is recovered on an annual basis, either by way of direct deposits into the municipality's account, cash settlement at the cashiers or deposits received from the courts.

Taking the provisions of S 341 and S56 of the Criminal Procedures Act and the guidance provided by the NPA with regards to the validity period for fines into account, the impairment of balances older than 2 financial years, i.e. as at 30 June 2021, was re-assessed and it was found that the recovery of this debt has become highly unlikely.

### 53. Accounting by principals and agents

The Municipality is a party to principal-agent agreements as follows:

The Department of Transport is responsible for registration, licensing and testing functions in terms of the applicable national and provincial road traffic legislation. The Municipality and the Department of Transport entered into an agreement for the transfer of registration and licensing of motor vehicles functions, wherein the Municipality will be entitled to the collection fee of 19%, including VAT for all fees collected in terms of the agreement entered into.

No resources were held on behalf of the principals.

No liabilities have been incurred on behalf of the principal.

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the Department of Transport is R 408,703 (30 June 2023: R 413,141).

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### 54. Financial instruments disclosure

#### Categories of financial instruments

30 June 2024

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1,796,096	1,796,096
Receivables from non-exchange transactions	23,397,449	23,397,449
Cash and cash equivalents	50,693,544	50,693,544
	<b>75,887,089</b>	<b>75,887,089</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	(17,489,478)	(17,489,478)
Payable from non-exchange	(1,304,829)	(1,304,829)
Unspent Conditional grants & receipts	(11,170,580)	(11,170,580)
	<b>(29,964,887)</b>	<b>(29,964,887)</b>

30 June 2023

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2,422,146	2,422,146
Receivables from non-exchange transactions	20,338,284	20,338,284
Cash and cash equivalents	67,044,033	67,044,033
	<b>89,804,463</b>	<b>89,804,463</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	(16,080,235)	(16,080,235)
Payables from non-exchange transactions	(1,509,012)	(1,509,012)
Unspent Government Grant	(10,485,430)	(10,485,430)
	<b>(28,074,677)</b>	<b>(28,074,677)</b>

# NGQUSHWA LOCAL MUNICIPALITY

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### 55. Budget differences

#### Material differences between budget and actual amounts, and differences between approved and final budget - Statement of Financial Performance

55.1 Service charges - 18% -Service Charges were budgeted as per the agreed tariffs and CPI - the budget was not determined previous outcome thus the positive variance.

55.2 Rental of facilities and equipment - 55% - Rental of facilities were budgeted as per the agreed tariffs and CPI - the budget was not determined previous outcome.

55.3 Agency fees - -30 % - Online vehicle registration is the effect of under performing in terms of revenue performance for Agency Services ( decrease demand as individuals have access to online registration).

55.4 Licences and permits - -44% -The variance is as result of low demand of learners license at Ngqushwa due to electronic system for examining introduced (individuals opt to run on centres that still use manual instead of electronic that is being used at Ngqushwa).

55.5 Construction contracts - 0- The item relates to receipts from INEP and was budgeted under government grants recognised - it has been adjusted during the AFS adjustments to construction contracts

54.6 Interest on Outstanding Debtors Revenue from exchange transactions- -Interest from outstanding debtors were both budgeted under non-exchanged transactions .

55.7 Other revenue - -88% -The municipality is not generating the anticipated revenue on items like sale of goods, billboards, tender documents, traffic fines etc.

55.8 Interest received - Investment - 11% - The effect is as a result of split of municipal bank accounts for conditional grants determines the money available to investment and generates interest revenue .

55.9 Property rates - -50% - The municipality bills its customers every month, the variance is caused by the implementation of tariffs every year as per published circular for budget.

55.10 Interest on outstanding debtors- Revenue from non-exchange transactions- -55%-The municipality bill its customers every month, the variance is caused by the implementation of tariffs every year as per the published circular for budget

55.11 Government grants - -9% - The variance is as result of grant realization/ recognition that depends on grant spending- unspent balance for MDRG( R20 m) received at end of February 2024 is a results of grant performance.The reason for the adjustment is that DoRA was revised in October 2023 and in February 2024 for MIG, INEP & MDRG.

55.12 Fines and Penalties - 3% - Not material.

55.13 Other transfer revenue - 41% - LG SETA increased the subsidy as the improved WSP programmes demand. No specific amount is known from this grant for a financial year.

55.14 Insurance claim received- 0%- Gain on Property Plant and Equipment replacement were not budgeted as the insurance often repair the assets.

55.15 Employee related costs - 1% - Not material.The reason for the adjustment is that Budget was revised to cater for backpay of Senior Management, and to avoid unauthorised expenditure for employee cost that was calculated to be over by 4% at year-end.

55.16 Remuneration of councillors - -1.1% - Not material.

55.17 Depreciation and amortisation - -14.1% - Depreciation-Revised FAR and disposal of assets is the effect. Assets varying decreased and thus makes the calculated depreciation for the financial year to be less than projected.The reason for the adjustment is that Depreciation was recalculated during mid-year adjustments budget was revised based on 2023FY actual.

55.18 Finance costs - -16.2% - Finance costs- provision for finance charges were made based on the previous financial year outcome for landfill site provision. The outcome was below than the projected when calculated at year end.The reason for the adjustment is that they were erroneously not budgeted on the original budget.

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Annual Financial Statements for the year ended June 30, 2024

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### 55. Budget differences (continued)

55.19 Debt impairment - -69.1% - The debt impairment budget and actual figure is inclusive of bad debts written off. The municipality did not write off the bad debts as projected during the budget when compared 2023 financial year. The reason for the adjustment is that Debt impairment was adjusted to cater for bad bad debt written off as projections of possible write-off.

55.20 Contracted Services - -47.2% - 1. Disaster grant is the cause for contracted services not to spend ( It was received at the end of February and had conditions of 12 months to spend). 2. mSCOA chart classify other items under operational cost instead of contracted services, contrary to GRAP. The reason for the adjustment is that MDRG funding for repairing internal roads is the effect of adjustments for contracted services, and for other services required for municipal services.

55.21 General expenditure - 30.7% -Operational costs items included under general expenditure are budgeted under contracted services on mSCOA thus the variance reflected. The reason for the adjustment is that operational cost were adjusted to fund other items that are employee cost items such as SDL that are pulling on general expenditure on mscoa where as on GRAP are employee costs.

### Material differences between budget and actual amounts, and differences between approved and final budget - Statement of Financial Position

55.22. Inventory - 0% - Not material.

55.23. Operating lease asset - 0% - Not material. The reason for the adjustment is that it was erroneously not budgeted on the original budget.

55.24. Receivables from Non-exchange transactions - 20% - The variance is caused by receivables that relates to customer debts from previous financial year as the municipality projects the receivables from current year billing and interest. The reason for the adjustment is that they were under-budgeted on the original budget

55.25. VAT input accrual - -77% - The variance is as result of: the version 6.7 of mscoa auto calculates the VAT input on the budget as a VAT recievable .The reason for the adjustment is that VAT receivable were decreased as they were overstated in original budget by mscoa version 6.8 (meaning that it is auto-calculated).

55.26. Receivables from exchange transactions - -27% - There is an increase in collection from refuse.

55.27. Cash and cash equivalents - -20% - Increased creditors payment rate affected the cash at the year end. The reason for the adjustment is that it was revised as the municipality received a grant in February that was in condition to be spent in 12 month after date of receipt.)

55.28. Investment property - 3% - Not material.

55.29. Property, Plant and Equipment - 2% - Not material. The reason for the adjustment is that it was adjusted as the municipality had projects that were going to be capitalised at the end of financial year.

55.30. Payables from exchange transactions - -1% - Not Material. The reason for the variance is that they were under-budgeted on the original budget.

55.31. Payables from non-exchange transactions - no variance - These relates to receivables with credit balances, they are not budgeted

55.32. Employee Benefit Obligation (short-term) - -13% - The budget was estimated as per prior year actual and the final outcome decreased compared as projected. The reason for the adjustment is that it was erroneously not budgeted on the original budget.

54.33 Vat payable - -100% VAT payables is autocalculated by mSCOA - it is not a provision made by the municipality.

55.34 Unspent Conditional grants- No variance- No provisions were made for unspent conditional grants.

55.35. Provisions- -3% - Not Material - included in the variance is the employye benefit obligation. The reason for the adjustment is that it was adjusted to accommodate employee obligation benefits.

# NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

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### 55. Budget differences (continued)

~~Material differences between budget and actual amounts, and differences between approved and final budget~~

#### Cash Flow Statement

55.36 Accumulated Surplus- 0%- Not material

55.37. Billed Services - -48% -The municipality does not collect as projected from residential and Private Farms customers .

55.38. Government Grants - -7% - The variance is as result of grant realization/ recognition that depends on grant spending .The reason for the adjustment is that DoRA was revised in October 2023 and in February 2024 for MIG, INEP & MDRG..

55.39. Interest income - -55%- The budget on cashflow included one of funds and reserves that was accounted during adjustments budget. The reason for the adjustment is that the municipality revised the funding of budget with reserves and reflects as interest revenue.

55.40. Receipts from other revenue - -2% - The municipality is not generating the anticipated revenue on items like sale of goods, billboards, tender documents, traffic fines etc.

55.41 . Payments (Suppliers and Employees) - -13% - Budget includes the provision for Suppliers on the Budget Schedule. the variance is the result of unpaid creditors at year 30 June ( accruals). The reason for the adjustment is that the cash flow from suppliers and employee cost was revised as the municipality had additional funding and increased salary costs.

55.42 Suppliers- -13%- this item is budgeted under cashflows of Suppliers and employees and included in the variance explanation.The reason for the adjustment is that cash flow from suppliers and employee cost was revised as the municipality had additional funding and increased salary costs.

55.43 Other Cash Item( Finance charges)- -99%- The budget on mscoa includes the non cash item budgeted.The reason for the adjustment is that they were erroneously not budgeted on the original budget.

55.44. Purchase of PPE - -27% - Acquisition of PPE in are less than the projected due not utilization of internal funds for PPE. The reason for the adjustment is that the municipality revised the capital budgdet as per the approved rollover for MIG capital projects approved to be spent in 2024FY.

55.45. Proceeds from the sale of PPE and Investment Property - -100% - No disposal off assets/ auction made during the financial period.

55.46. Net decrease in cash and cash equivalents - 155% - projection for cash and cash equivalents were projected with prior year actuals (R67m) at the time of budget.

55.47. Cash and cash equivalents at the beginning of the year - -17% - projection for cash and cash equivalents were projected with prior year actuals (R67m) at the time of budget.

55.48 Cash and cash equivalents at year end - -28% - Projection for cash and cash equivalents were projected with prior year actuals (R67m) at the time of budget.

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Annual Financial Statements for the year ended June 30, 2024

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### 56. Prior-year adjustments

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

#### Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Investment Property		33,726,346	(4,637,658)	29,088,689
Accumulated Surplus		(384,559,883)	4,637,658	(379,922,225)
Payables from Exchange Transactions		(20,309,900)	(3,000,356)	(23,310,256)
Property Plant and Equipment		292,253,199	(2,356,212)	289,896,987
Accumulated Surplus		(379,922,225)	5,356,568	(374,565,657)
		<b>(458,812,463)</b>	<b>-</b>	<b>(458,812,462)</b>



# NGQUSHWA LOCAL MUNICIPALITY

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### 56. Prior-year adjustments (continued)

#### 30 June 2023

	Note	As previously reported	Correction of error	Restated
General Expenses		(35,678,172)	(97,831)	(35,776,003)
Surplus		(20,256,826)	97,831	(20,158,995)
		<b>(55,934,998)</b>	<b>-</b>	<b>(55,934,998)</b>

During the preparation of Annual Financial Statements, it was discovered that Payables from exchange transaction excluded from various expenditure that were paid in 2023/24 financial.

The impact of this restatement is an increase of General expenditure. (The prior year invoice was paid in the current yer for payment.

### 57. Events after the reporting date

Irregular expenditure amounting R 10 305 475 was approved for write off by council on 30 August 2024 which is after reporting date: