



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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Table of Contents

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

| | Page |
|--|-------------|
| Abbreviations | 2 |
| General Information | 3 - 6 |
| Accounting Officer's Responsibilities and Approval | 7 |
| Statement of Financial Position | 8 |
| Statement of Financial Performance | 9 |
| Statement of changes in net assets | 10 |
| Cash Flow Statement | 11 |
| Statement of Comparison of Budget and Actual Amounts | 12 - 17 |
| Accounting Policies | 18 - 49 |
| Notes to the Annual Financial Statements | 50 - 94 |

The following supplementary information does not form part of the annual financial statements and is unaudited:

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Abbreviations

| | |
|----------|---|
| ASB | Accounting Standards Board |
| AFS | Annual Financial Statements |
| CIGFARO | Chartered Institute of Government, Finance, Audit and Risk Officers |
| CPI | Consumer Price Index |
| COID | Compensation for Occupational Injuries and Diseases |
| DORA | Division of Revenue Act |
| DSACR | Department of Sport, Arts, Culture and Recreation |
| EPWP | Expanded Public Works Programme |
| GRAP | Generally Recognised Accounting Practice |
| LGSETA | Local Government Services Sector Education and Training Authority |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| MMC | Member of Mayoral Committee |
| MPAC | Municipal Public Accounts Committee |
| MPRA | Municipal Property Rates Act |
| MSA | Municipal Systems Act |
| MSIG | Municipal System Improvement Grant |
| NLM | Nyandeni Local Municipality |
| PAYE | Pay As You Earn |
| PPE | Property, Plant and Equipment |
| SETA | Sector Education and Training Authority |
| SDL | Skills Development Levy |
| SALGA | South African Local Government Association |
| SARS | South African Revenue Services |
| SCM | Supply Chain Management |
| UIF | Unemployment Insurance Fund |
| VAT | Value Added Tax |
| mSCOA | Municipal Standard Chart of Accounts |
| GFS | Government Finance Statistics |
| COVID-19 | Coronavirus Disease of 2019 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

| | |
|--|---|
| Country of incorporation and domicile | South Africa |
| Legal form of entity | Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) |
| Nature of business and principal activities | The provision of services (refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment. |
| Legislation governing the municipality's operations | <p>The Constitution of the Republic of South Africa, 1996</p> <p>The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)</p> <p>The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)</p> <p>The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)</p> <p>Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)</p> <p>Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007)</p> <p>Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998)</p> <p>Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)</p> <p>Division of Revenue Act (Act 1 of 2007)</p> |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Mayor and chairperson of executive committee

Portfolio

Honourable Mayor and chairperson of mayoral committee

Speaker

Chief WIP

Portfolio Head Budget & Treasury

Portfolio Head Planning, Research and IGR

Portfolio Head Infrastructure Development

Portfolio Head Community Services & Public Safety

Portfolio Head Corporate Services

Portfolio Head LED & Rural Development

Portfolio Head Human Settlement, Spatial Planning & Disaster Management

Portfolio Head Special Programs Unit

Mayor's Office

Section 79 Councillors

Councillor

Cllr M.D. Ngqondwana - (Last day in office 31-10-2021)

Cllr Z. Nondlevu (Newly elected 01-11-2021, Last day in office 19-04-2020)

Cllr T. Matika-Mncube (Newly elected 20-04-2022)

Cllr N.P. Matanda - (Last day in office 31-10-2021)

Cllr M. R. Mtobela - (Newly elected 01-11-2021)

Cllr M.R. Mtobela - (Last day in office 31-10-2021)

Cllr N. Yehane - (Newly elected 01-11-2021)

Cllr Z. Mevana - (Last day in office 31-10-2021)

Cllr N Jim - (Newly elected 01-11-2021)

Cllr M.P. Diniso - (Last day in office 31-10-2021)

Cllr A. M. Vuthela - (Newly elected 01-11-2021)

Cllr Z. Nondlevu - (Last day in office 31-10-2021)

Cllr Z. Mevana - (Newly elected 01-11-2021)

Cllr W. Ngaveli - (Last day in office 31-10-2021)

Cllr T. Matika-McCub - (Newly elected 01-11-2021, Last day in office 19-04-2022)

Cllr P. Matinise - (Newly elected 20-04-2022)

Cllr T. Matika-Mncube - (Last day in office 31-10-2021)

Cllr S. Mbiyozo - (Newly elected 01-11-2021)

Cllr N. Thiyeka - (Last day in office 31-10-2021)

Cllr P. Matinise - (Newly elected 01-11-2021, Last day in office 19-04-2022)

Cllr S. Ntsasela - (Newly elected 20-04-2022)

Cllr P. Godongwana - (Last day in office 31-10-2021)

Cllr N. Tyopo - (Newly elected 01-11-2021)

Cllr V.B. Zondani - (Last day in office 31-10-2021)

Cllr S. Ntsasela - (Newly elected 01-11-2021, Last day in office 19-04-2022)

Cllr S. Ntinta - (Newly elected 20-04-2022)

Cllr M. Mkrokelwa - (Last day in office 31-10-2021)

Cllr S. Ntinta - (Newly elected 01-11-2021, Last day in office 19-04-2022)

Cllr Z. Nondlevu - (Newly elected in office 20-04-2022)

Cllr N. Tyopo - (Last day in office 31-10-2021)

Cllr Z. Hibane - (Newly elected 01-11-2021)

Cllr Z. Mcithakali - (Newly elected 01-11-2021)

Cllr N. Nonkothamo - (Newly elected 01-11-2021)

Cllr F. Gaxeni - (Newly elected 01-11-2021)

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Council members - end of term

| Nr | Surname | Initials | Nr | Surname | Initials |
|----|------------------|----------|----|--------------------|----------|
| 1 | Cllr Diniso | M. P | 2 | Cllr Dlani | X. A |
| 3 | Cllr Godongwana | P | 4 | Cllr Gaxeni | F |
| 5 | Cllr Gqetywa | N | 6 | Cllr Madwantsi | P |
| 7 | Cllr Matinise | P | 8 | Cllr Matika-Mncube | T |
| 9 | Cllr Mavume | S | 10 | Cllr Matomela | Z |
| 11 | Cllr Mbiyozo | S | 12 | Cllr Mayo | B. I |
| 13 | Cllr Mchithakali | N | 14 | Cllr Mchithakali | Z |
| 15 | Cllr Mfakanye | G | 16 | Cllr Mkrokelwa | M |
| 17 | Cllr Mkwelanga | E. P | 18 | Cllr Mziba | L |
| 19 | Cllr Ngaveli | W | 20 | Cllr Nogumla | S. S |
| 21 | Cllr Nomqonde | V | 22 | Cllr Nondlevu | Z |
| 23 | Cllr Nonkothama | N | 24 | Cllr Ntinta | S |
| 25 | Cllr Ntoza | N. P | 26 | Cllr Qaqa | M. S |
| 27 | Cllr Soka | N. S | 28 | Cllr Thiyeka | N |
| 29 | Cllr Tshotsho | L | 30 | Cllr Tswina | P. N |
| 31 | Cllr Tyopo | N | 32 | Cllr Vatsha | F |
| 33 | Cllr Zondani | V. B | 34 | Cllr Zweni | T |

Newly Elected Council Members

| Nr | Surname | Initials | Nr | Surname | Initials |
|----|-----------------|----------|----|-----------------|----------|
| 1 | Cllr Danisa | N | 2 | Cllr Dlani | X. H |
| 3 | Cllr Jama | N. N | 4 | Cllr Langa | L |
| 5 | Cllr Mabungela | J | 6 | Cllr Madolo | S. B |
| 7 | Cllr Majikija | T | 8 | Cllr Malindi | B |
| 9 | Cllr Mapolisa | Z | 10 | Cllr Maseko | M. K |
| 11 | Cllr Matanda | N. P | 12 | Cllr Matinise | P |
| 13 | Cllr Matomela | Z | 14 | Cllr Mavume | S |
| 15 | Cllr Mbiyozo | S | 16 | Cllr Mbodloyi | F |
| 17 | Cllr Mcithakali | Z | 18 | Cllr Mcube | T |
| 19 | Cllr Mdlungu | N | 20 | Cllr Mevana | Z |
| 21 | Cllr Mfakanye | G | 22 | Cllr Mhlana | N |
| 23 | Cllr Mjajubana | N. G | 24 | Cllr Mkhwelanga | N. G |
| 25 | Cllr Ngangaza | S. N | 26 | Cllr Noxaka | D |
| 27 | Cllr Ntinta | S | 28 | Cllr Ntoza | N. P |
| 29 | Cllr Ntsasela | S | 30 | Cllr Tatani | K |
| 31 | Cllr Tyopo | N | 32 | Cllr Vanda | L. M |
| 33 | Cllr Vuthela | A. M | 34 | Cllr Zondani | V. B |

Senior management

Position

Municipal Manager
Chief Financial Officer
Acting Senior Manager Community Services
Senior Manager Corporate Services
Senior Manager Infrastructure
Senior Manager Operations

Name

Ms. Z. Masumpa
Mr. B. K. Benxa
Ms. F. Mgwedane
Mr. S. Mvunelo
Mrs. N. Mondl
Mr. S. V. Poswa

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Members of the Audit Committee

Chairperson (Last day in office 31-12-2021)

Chairperson (First day in office 02-01-2022)

Member (First day in office 02-01-2022)

Member (First day in office 02-01-2022)

Member (First day in office 02-01-2022)

Member (Last day in office 31-12-2021)

Mr. G. Labane

Mrs. N. Ntshanga

Mr. S. Ntapane

Ms. S. Lehlehla

Mr. C. Sparg

Mr. M. Mbenenge

Grading of local authority

3

Registered head office

BN Nomandela drive

Libode

5160

Postal address

Private Bag X 504

Libode

5160

Telephone

047 555 5000

Fax

047 555 0202

Bankers

First National Bank, Mthatha

Standard Bank, Mthatha and Nedbank, Mthatha

Auditors

Office of the Auditor General (Eastern Cape)

Attorneys

J.A. Le roux Attorneys

A.S. Zono & Associates

Sigqibo Maqambayi Attorneys

N.Z Mtshabe Incorporated

Tonise Attorneys

Luzipho Attorneys

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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 management judgements and estimates.

I, as the accounting officer acknowledge that I am 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 us to meet these responsibilities, we have set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. In the year under review, the systems of internal control have been boosted by municipal ICT infrastructure upgrade and migration. The improved firewall protections, access protocols, encryptions and password complexities have enabled the accounting officer to fulfil this responsibility. 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 operational 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.

I am 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. This assurance is further supported by the fact that all MSCOA version and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Governments determination in accordance with the Act.

The annual financial statements set out on pages 8 to 94, which have been prepared on the going concern basis, were approved and signed by the accounting officer:

Z. Masumpa
Accounting Officer

31 August 2022

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

| | Note(s) | 2022 R | 2021 Restated* R |
|--|---------|----------------------|------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 383,856,006 | 340,919,022 |
| Receivables from exchange transactions | 4 | 128,043 | 32,926 |
| Statutory receivables | 5 | 8,036,126 | 3,037,153 |
| Inventories | 6 | 606,091 | 1,024,848 |
| VAT receivable | 7 | 8,026,933 | 3,157,585 |
| | | 400,653,199 | 348,171,534 |
| Non-Current Assets | | | |
| Investment property | 8 | 80,800,800 | 78,004,231 |
| Property, plant and equipment | 9 | 703,311,344 | 643,380,430 |
| Intangible assets | 10 | 2,029,691 | 1,348,147 |
| | | 786,141,835 | 722,732,808 |
| Total Assets | | 1,186,795,034 | 1,070,904,342 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 13 | 3,726,588 | 929,145 |
| Unspent conditional grants | 14 | 8,249,234 | - |
| Income received in advance | 15 | 1,433,541 | 1,022,650 |
| Retention | 16 | 14,449,237 | 12,494,989 |
| Financial lease obligation | 17 | 145,752 | 308,134 |
| Employee benefits | 18 | 18,009,112 | 20,693,247 |
| Provisions | 19 | 490,280 | 377,170 |
| | | 46,503,744 | 35,825,335 |
| Non-Current Liabilities | | | |
| Financial lease obligation | 17 | 1,326 | 89,816 |
| Employee benefits | 18 | 7,375,000 | 6,861,000 |
| Provisions | 19 | 3,946,640 | 3,417,294 |
| Danger allowance | 20 | - | 693,700 |
| | | 11,322,966 | 11,061,810 |
| Total Liabilities | | 57,826,710 | 46,887,145 |
| Net Assets | | 1,128,968,324 | 1,024,017,197 |
| Net assets presented by: | | | |
| Accumulated surplus | | 1,128,968,316 | 1,024,017,187 |

* See Note 58

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

| | Note(s) | 2022 R | 2021 Restated* R |
|---|---------|----------------------|------------------------|
| Revenue | | | |
| Non-exchange revenue | | | |
| Property rates | 21 | 18,317,406 | 16,586,711 |
| Government grants and subsidies | 22 | 382,183,661 | 433,697,139 |
| Fines, penalties and forfeits | 23 | 515,484 | 329,392 |
| Interest and rent on land | 24 | 1,846,133 | 1,788,755 |
| Total non-exchange revenue | | 402,862,684 | 452,401,997 |
| Exchange revenue | | | |
| Service charges | 25 | 412,851 | 441,158 |
| Rental of facilities and equipment | 26 | 182,600 | 78,554 |
| Interests received - investment | 27 | 16,742,849 | 12,451,651 |
| Interest and rent on land | 24 | 118,745 | 84,558 |
| Licences or permits | 28.1 | 2,903,983 | 4,124,134 |
| Agency services | 29 | 1,576,436 | 1,221,762 |
| Operating revenue | 30 | 3,418,055 | 304,179 |
| Sales of goods | 31 | 464,766 | 607,729 |
| Total exchange revenue | | 25,820,285 | 19,313,725 |
| Total revenue | | 428,682,969 | 471,715,722 |
| Expenditure | | | |
| Employee related cost | 32 | (159,427,566) | (152,505,611) |
| Remuneration of councillors | 33 | (24,463,806) | (23,952,406) |
| Debt impairment | 34 | - | (6,755,578) |
| Depreciation and amortisation | 35 | (46,456,402) | (39,917,512) |
| Impairment losses on property plant & equipment | 36 | (3,796,088) | - |
| Finance costs | 37 | (410,194) | (18,546) |
| Inventory consumed | 38 | (5,481,114) | (7,302,034) |
| Contracted services | 39 | (30,157,769) | (41,445,944) |
| Transfers and subsidies | 40 | (7,879,663) | (7,106,534) |
| General expenses | 41 | (49,718,497) | (35,947,678) |
| Lease rentals on operating lease | 42 | (208,423) | (379,561) |
| Total expenditure | | (327,999,522) | (315,331,404) |
| Operating surplus | | 100,683,447 | 156,384,318 |
| Loss on disposal of assets | 43 | (121,888) | (943,192) |
| Fair value adjustments | 44 | 2,796,569 | 4,514,081 |
| Inventories (write-down) | 45 | (29,241) | (215,423) |
| Actuarial gain/losses | 46 | 1,748,000 | 215,000 |
| Surplus for the year | | 105,076,887 | 159,954,784 |

* See Note 58

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of changes in net assets

| | Accumulated surplus R | Total net assets R |
|---|-----------------------------|--------------------------|
| Opening balance as previously reported | 834,232,171 | 834,232,171 |
| Adjustments | | |
| Correction of errors | 28,128,070 | 28,128,070 |
| Balance at 01 July 2020 as restated* | 862,360,241 | 862,360,241 |
| Surplus for the year | 159,954,784 | 159,954,784 |
| Transfers to / from accumulated surplus for the year | (125,764) | (125,764) |
| Total changes | 159,829,020 | 159,829,020 |
| Opening balance as previously reported | 1,022,879,260 | 1,022,879,260 |
| Adjustments | | |
| Correction of errors | 1,137,935 | 1,137,935 |
| Restated* Balance at 01 July 2021 as restated* | 1,024,017,195 | 1,024,017,195 |
| Surplus for the year | 105,076,885 | 105,076,885 |
| Transfers to / from accumulated surplus for the year | (125,764) | (125,764) |
| Total changes | 104,951,121 | 104,951,121 |
| Balance at 30 June 2022 | 1,128,968,316 | 1,128,968,316 |
| Note(s) | | |

* See Note 58

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

| | Note(s) | 2022 R | 2021 Restated* R |
|---|---------|----------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Property rates | | 17,528,967 | 12,365,424 |
| Operational revenue | | 7,133,403 | 6,206,486 |
| Transfers and Subsidies – Capital | | 74,664,467 | 86,163,677 |
| Transfers and Subsidies – Operational | | 315,768,428 | 341,673,718 |
| Interest | | 16,742,849 | 12,451,652 |
| Payments | | | |
| Suppliers and Employees | | (270,919,367) | (253,033,771) |
| Finance charges | | (410,194) | (18,456) |
| Transfers and subsidies | | (7,879,663) | (8,547,651) |
| Net cash from(used) operating activities | 48 | 152,628,890 | 197,261,079 |
| Cash flows from investing activities | | | |
| Receipts | | | |
| Proceeds on disposal of fixed and intangible assets | | - | 193,554 |
| Payments | | | |
| Capital assets | | (110,389,246) | (101,998,327) |
| Intangible assets | | (723,227) | (761,958) |
| Net cash flows from investing activities | | (111,112,473) | (102,566,731) |
| Cash flows from financing activities | | | |
| Payments | | | |
| Decrease in short term loans | | (250,872) | - |
| Decrease in borrowing long-term | | (693,700) | (295,857) |
| Decrease in consumer deposits | | 410,891 | 141,519 |
| Decrease in other liabilities | | 1,954,248 | 1,927,027 |
| Net increase/(decrease) in cash | | 42,936,984 | 96,467,037 |
| Cash and cash equivalents at year begin | | 340,919,022 | 244,451,985 |
| | | 383,856,006 | 340,919,022 |

* See Note 58

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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 R | Reference |
|---|----------------------|---------------------|----------------------|--|--|-----------|
| | R | R | R | R | R | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from non-exchange transactions | | | | | | |
| Property rates | 17,628,381 | 431,066 | 18,059,447 | 18,317,406 | 257,959 | 1 |
| Transfers and subsidies | 381,058,300 | 10,632,409 | 391,690,709 | 382,183,661 | (9,507,048) | 2 |
| Fines, penalties and forfeits | 489,143 | - | 489,143 | 515,484 | 26,341 | 3 |
| Interest on receivables | 1,108,319 | - | 1,108,319 | 1,846,133 | 737,814 | 4 |
| Total revenue from non-exchange transactions | 400,284,143 | 11,063,475 | 411,347,618 | 402,862,684 | (8,484,934) | |
| Revenue from exchange transactions | | | | | | |
| Services charges - Waste management | 277,883 | - | 277,883 | 412,851 | 134,968 | 5 |
| Rental of facilities and equipment | 120,095 | - | 120,095 | 182,600 | 62,505 | 6 |
| Interests received - investment | 17,157,180 | - | 17,157,180 | 16,742,849 | (414,331) | 7 |
| Interest and rent on land | - | - | - | 118,745 | 118,745 | 8 |
| Licences or permits | 5,219,593 | (706,247) | 4,513,346 | 2,903,983 | (1,609,363) | 9 |
| Agency services | 821,063 | 706,247 | 1,527,310 | 1,576,436 | 49,126 | 10 |
| Operational revenue | 1,117,240 | (431,066) | 686,174 | 3,418,055 | 2,731,881 | 11 |
| Sales of goods and rendering of services | 868,856 | 50,000 | 918,856 | 464,766 | (454,090) | 12 |
| Total revenue from exchange transactions | 25,581,910 | (381,066) | 25,200,844 | 25,820,285 | 619,441 | |
| Total revenue | 425,866,053 | 10,682,409 | 436,548,462 | 428,682,969 | (7,865,493) | |
| Expenditure | | | | | | |
| Employee related cost | (178,829,451) | (2,536,549) | (181,366,000) | (159,427,566) | 21,938,434 | 13 |
| Remuneration of councillors | (26,417,382) | 457,489 | (25,959,893) | (24,463,806) | 1,496,087 | 14 |
| Bad debts written off | (3,697,386) | - | (3,697,386) | - | 3,697,386 | 15 |
| Depreciation and amortisation | (54,005,265) | - | (54,005,265) | (46,456,402) | 7,548,863 | 16 |
| Inventory consumed | (9,216,148) | 754,148 | (8,462,000) | (5,481,114) | 2,980,886 | 17 |
| Contracted services | (79,130,293) | (11,383,000) | (90,513,293) | (30,157,769) | 60,355,524 | 18 |
| Transfers and subsidies | (15,672,154) | (2,363,846) | (18,036,000) | (7,879,663) | 10,156,337 | 19 |
| Finance costs | - | - | - | (410,194) | (410,194) | 20 |
| Operating costs | (60,384,649) | (2,556,351) | (62,941,000) | (49,718,497) | 13,222,503 | 21 |
| Operating leases | (1,100,000) | 260,000 | (840,000) | (208,423) | 631,577 | 22 |
| Total expenditure | (428,452,728) | (17,368,109) | (445,820,837) | (324,203,434) | 121,617,403 | |
| Operating surplus | (2,586,675) | (6,685,700) | (9,272,375) | 104,479,535 | 113,751,910 | |
| Loss on disposal of assets and liabilities | - | - | - | (121,888) | (121,888) | 23 |
| Fair value adjustments | - | - | - | 2,796,569 | 2,796,569 | 24 |
| Impairment loss | 2,715,328 | - | 2,715,328 | (3,796,088) | (6,511,416) | |
| Inventories (write-down) | - | - | - | (29,241) | (29,241) | 25 |
| Actuarial Gains and Losses | 50,000 | - | 50,000 | 1,748,000 | 1,698,000 | 26 |
| | 2,765,328 | - | 2,765,328 | 597,352 | (2,167,976) | |
| Surplus before taxation | 178,653 | (6,685,700) | (6,507,047) | 105,076,887 | 111,583,934 | |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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 |
|--|--------------------|--------------------|--------------------|--|---|-----------|
| | R | R | R | R | R | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 178,653 | (6,685,700) | (6,507,047) | 105,076,887 | 111,583,934 | |

1. Municipality implemented Supplementary Valuation Roll
2. The municipality have not fully spent its conditional grants such as Anima Feed Processing (neighbourhood grant)
3. Law enforcement has been strengthened, and there were forfeits as result of retentions written off against forfeit
4. Upon enforcement of credit control and debt collection, municipality had to charge interest on arrear accounts
5. Due to implementation of Supplementary Valuation Roll
6. Demand of the utilisation of the hall has increased
7. The municipality received less than it was budgeted, and generated less interest on its short term call deposit accounts
8. Budget is also included in the interest earned from receivables from non-exchange as the credit control gets implemented, interest on arrear accounts is charged
9. There has been an decrease in number of customers applying for both learner licences and driver licences
10. Due to influx of customers coming from neighbouring towns
11. Due to recoveries that arise as a result of decrease on impairment of debtors
12. These are consumer driven activities
13. Vacant posts were filled in the last quarter of the year, and there were few employees that qualified for the progression percentage
14. Salaries are paid in line with upper limits. Implemented increase of salaries was less than what was initially budgeted for, that led to savings
15. There has been a decrease on debt impairment, and that led to recoveries
16. There has been a less number of completed assets transferred from work-in progress
17. Due to implementation of cost containment measures, expenditures were reduced
18. Due to implementation of cost containment measures, expenditures were reduced
19. There was a reduction in number of beneficiaries that benefited on indigent subsidies in the form of alternative energy
20. These are as a result of interest relating to provision for rehabilitation of landfill site
21. Due to implementation of cost containment measures, expenditures were reduced
22. Due to the fact that majority of contracts have come to an end in the current year
23. These items arose as a result of lost in some assets that were disposed of during the yea
24. These are non-cash items that arose as result of the valuation of investment property

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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 |
|--|--------------------|-------------|--------------|--|---|-----------|
| | R | R | R | R | R | |

25. Identified obsolete items were written down at year end

26. These are non-cash items and were initially budgeted at a lesser amount

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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 |
|--|----------------------|------------------------|---------------------|------------------------------------|--|-----------|
| | R | R | R | R | R | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | 245,709,000 | (185,876,000) | 59,833,000 | 383,856,006 | 324,023,006 | 1 |
| Receivables from exchange transactions | 4,568,000 | 15,248,000 | 19,816,000 | 128,043 | (19,687,957) | 2 |
| Statutory receivables | - | - | - | 8,036,126 | 8,036,126 | 3 |
| Inventories | 374,000 | (374,000) | - | 606,091 | 606,091 | 4 |
| VAT receivable | 5,332,077 | (5,332,077) | - | 8,026,933 | 8,026,933 | 5 |
| | 255,983,077 | (176,334,077) | 79,649,000 | 400,653,199 | 321,004,199 | |
| Non-Current Assets | | | | | | |
| Investment property | 73,754,900 | 4,494,131 | 78,249,031 | 80,800,800 | 2,551,769 | 6 |
| Property, plant and equipment | 682,616,137 | (634,805,000) | 47,811,137 | 703,311,344 | 655,500,207 | 7 |
| Intangible assets | 3,322,731 | (798,000) | 2,524,731 | 2,029,691 | (495,040) | 8 |
| | 759,693,768 | (631,108,869) | 128,584,899 | 786,141,835 | 657,556,936 | |
| Total Assets | 1,015,676,845 | (807,442,946) | 208,233,899 | 1,186,795,034 | 978,561,135 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Payables from exchange transactions | 41,010,838 | 212,097,072 | 253,107,910 | 20,818,700 | (232,289,210) | 9 |
| Unspend conditional grants | 5,859,744 | (5,859,744) | - | 8,249,234 | 8,249,234 | 10 |
| Borrowings | 277,311 | (277,311) | - | 145,752 | 145,752 | 11 |
| Provisions | (580,000) | 580,000 | - | 1,407,280 | 1,407,280 | 12 |
| Retention | (12,484,000) | 12,344,000 | (140,000) | 14,449,237 | 14,589,237 | 13 |
| Income received in advance | - | - | - | 1,433,541 | 1,433,541 | 14 |
| | 34,083,893 | 218,884,017 | 252,967,910 | 46,503,744 | (206,464,166) | |
| Non-Current Liabilities | | | | | | |
| Lease liabilities | - | - | - | 1,326 | 1,326 | 15 |
| Employee benefits | 6,518,000 | - | 6,518,000 | 7,375,000 | 857,000 | 16 |
| Provisions | 9,052,533 | (9,052,533) | - | 3,946,640 | 3,946,640 | 17 |
| | 15,570,533 | (9,052,533) | 6,518,000 | 11,322,966 | 4,804,966 | |
| Total Liabilities | 49,654,426 | 209,831,484 | 259,485,910 | 57,826,710 | (201,659,200) | |
| Net Assets | 966,022,419 | (1,017,274,430) | (51,252,011) | 1,128,968,324 | 1,180,220,335 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 966,022,419 | (1,017,274,430) | (51,252,011) | 1,128,968,316 | 1,180,220,327 | |

1. Municipality diversified its short term investment portfolio but not generated much interest on its short term investments

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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 |
|--|--------------------|-------------|--------------|--|---|-----------|
| | R | R | R | R | R | |

2. The municipality did not collect as anticipated in the current year
3. Municipal customers paid its debt as compared to previous year more especially the government accounts
4. Due to inventory held for use at year end
5. Refund for the last two months of the financial year were not paid by SARS at year end
6. Due to the fair value adjustment
7. Municipality transferred less number of projects from work in progress to completed assets
8. No material additions acquired on procurement of software and systems during the year
9. Municipality complied with paying within 30 days, as a result, no material increase in creditors
10. Due to the grant that has not been fully spent at year end
11. Due to the leases of photocopy machines that were still to be paid
12. Provisions are as a result of provision for rehabilitation of landfill site
13. Monies held for construction projects not yet released
14. Some of accounts have paid more at year end
15. Due to the leases of photocopy machines that were still to be paid for
16. Due to increase in the provision of employee for long service awards
17. Provision for landfill site has been reviewed to cater for the old dump as the new landfill site is not operational as yet
18. Covid19 danger allowance has been fully paid during the current year

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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 |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
| | R | R | R | R | R | |

Cash Flow Statement

Cash flows from operating activities

Receipts

| | | | | | |
|----------------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
| Property rates | 15,865,543 | (15,865,543) | - | 17,528,967 | 17,528,967 |
| Sale of goods and services | 8,837,000 | (582,000) | 8,255,000 | 7,133,403 | (1,121,597) |
| Grants | 381,058,000 | (8,179,000) | 372,879,000 | 390,432,895 | 17,553,895 |
| Interest income | 17,157,180 | (7,091,497) | 10,065,683 | 16,742,849 | 6,677,166 |
| | 422,917,723 | (31,718,040) | 391,199,683 | 431,838,114 | 40,638,431 |

Payments

| | | | | | |
|-------------------------|----------------------|--------------------|---------------------|----------------------|----------------------|
| Suppliers and employees | (318,533,414) | 230,331,195 | (88,202,219) | (272,284,847) | (184,082,628) |
| Transfers and grants | - | - | - | (7,879,663) | (7,879,663) |
| | (318,533,414) | 230,331,195 | (88,202,219) | (280,164,510) | (191,962,291) |

| | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|
| Net cash flows from operating activities | 104,384,309 | 198,613,155 | 302,997,464 | 151,673,604 | (151,323,860) |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|

| | | | | | |
|--|-------------|-------------|--------------------|-------------|----------------------|
| Net increase/(decrease) in cash and cash equivalents | 104,384,309 | 198,613,155 | 302,997,464 | 151,673,604 | (151,323,860) |
|--|-------------|-------------|--------------------|-------------|----------------------|

| | | | | | |
|--|---|---|---|-------------|--------------------|
| Cash and cash equivalents at the beginning of the year | - | - | - | 383,856,006 | 383,856,006 |
|--|---|---|---|-------------|--------------------|

| | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cash and cash equivalents at the end of the year | 104,384,309 | 198,613,155 | 302,997,464 | 535,529,610 | 232,532,146 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|

Reasons for adjustment of approved budget

It was reallocations within the budget based on performance

The accounting policies on pages 18 to 49 and the notes on pages 50 to 94 form an integral part of the annual financial statements.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

The Annual Financial Statements of Nyandeni Local Municipality for the year ended 30 June 2022 were authorised for issue by the Municipal Manager on 31 August 2022.

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, rounded off to the nearest Rand.

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

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

These accounting policies are consistent with the previous period.

1. Summary of significant accounting policies

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for trade receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete stock

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions

Post-retirement benefits

The present value of the post-retirement and other long term benefit 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 post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

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

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

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

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

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

Subsequent measurement – fair value model

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

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 entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised 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.

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

1.5 Property, plant and equipment

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

| Item | Depreciation method | Average useful life |
|---------------------|---------------------|---------------------|
| Land and Buildings | Straight-line | 7-34 years |
| Plant and machinery | Straight-line | 2-50 years |
| Motor vehicles | Straight-line | 5-10 years |
| Office equipment | Straight-line | 2-17 years |
| IT equipment | Straight-line | 2-14 years |
| Infrastructure | Straight-line | 2-100 years |
| Community | Straight-line | 5-50 years |

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

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

1.6 Intangible assets

An identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example purchase or self-creation) and from which future economics benefits (inflows of cash or other assets) are expected.

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.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

Intangible assets are derecognised:

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

The amortisation charge for each period is recognised in surplus or deficit.

1.7 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

A financial instrument is recognised if the entity becomes a party to the contractual provisions of the instrument.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial lease obligation.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

1.7.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

| Type of financial asset | Classification in terms of GRAP 104 |
|--|-------------------------------------|
| Finance lease receivables | Financial assets at amortised cost |
| Long-term receivables | Financial assets at amortised cost |
| Current portion of long-term receivables | Financial assets at amortised cost |
| Consumer debtors | Financial assets at amortised cost |
| Other debtors | Financial assets at amortised cost |
| Bank balances and cash | Financial assets at amortised cost |

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

Financial lease obligation

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial lease obligation and the classification determining how they are measured exist:

- Financial lease obligation measured at amortised cost; or
- Financial lease obligation measured at fair value.

The municipality has the following types of financial lease obligation as reflected on the face of the Statement of financial position or in the notes thereto:

| Type of financial liability | Classification in terms of GRAP 104 |
|--|---------------------------------------|
| Long-term liabilities | Financial liability at amortised cost |
| Current portion of long-term liabilities | Financial liability at amortised cost |
| Other creditors | Financial liability at amortised cost |
| Bank overdraft | Financial liability at amortised cost |

Financial lease obligation that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial lease obligation where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial lease obligation should be classified as financial lease obligation at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.7.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial lease obligation

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Financial lease obligation measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of financial performance.

Any other financial lease obligation classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of financial performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.7.3 Impairment of financial assets

Trade receivables

Trade receivables are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

Long-term debtors

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

Housing loans

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

Other long-term loans

No provision for impairment is made for Other long-term loans, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.7.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial lease obligation

The municipality derecognises financial lease obligation when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.7.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.8 Statutory receivables

1.8.1 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Statutory receivables (continued)

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.

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

- VAT receivables
- Rates debtors
- Traffic fine debtors

Additional text

1.8.2 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.

1.8.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

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

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

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

1.8.4 Impairment

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Statutory receivables (continued)

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.

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

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

Accrued interest

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

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

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 municipality 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).

1.9 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.9 Leases (continued)

Entity as lessee - Finance leases

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

Any contingent rents are expensed in the period in which they are incurred.

Entity as lessee - operating leases

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.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term. Any contingent rents are expenses in the period in which they are incurred.

Entity as lessor - operating leases

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.

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

1.10 Inventories

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

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

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

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

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

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

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

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Inventories (continued)

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

1.11 Impairment of cash-generating assets

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

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

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

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.

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.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

1.12 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

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

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

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

1.13 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.

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.

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.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Accounting Policies

1.14 Provisions (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are 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.

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

1.15 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.16 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.16 Commitments (continued)

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

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

1.17 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.17.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Revenue (continued)

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated surplus/ (deficit) to the Housing development fund or the Insurance reserve.

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.

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

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 buyer 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.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.17.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Revenue (continued)

Transfers and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.18 Investment income

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

1.19 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.20 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Senior Managers as well as per mSCOA classification to facilitate comparisons on a higher level.

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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. 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.

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.

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 53.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 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 municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

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

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.22 Irregular expenditure (continued)

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

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

Additional disclosure for irregular expenditure is disclosed in note 54.

1.23 Segment information

A segment is an activity of an entity:

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

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

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary and the GFS as Secondary segment reporting levels.

The assets and liabilities are not reviewed at all on a segregated basis.

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.

1.24 Budget information

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.24 Budget information (continued)

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

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

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

Comparative information is not required.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final amounts;
- actual amounts and final budget amounts.

1.25 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

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

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

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

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. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

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

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

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.25 Related parties and related party transactions (continued)

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.

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jurisdiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

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.

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

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

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

1.26 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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.

1.27 Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.28 Cash and cash equivalents

Cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.29 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for [include details here]. In terms of the arrangement the municipality is the agent.

The municipality is entitled to 19% of the fees collected as per the agreement as compensation for the transactions carried out. There are no liabilities that have been incurred on behalf of the Department of Transport relating to the above arrangement. The timing of the remittance received from the Department of Transport Eastern Cape is received on a monthly basis and there are no risks transferred from the principal to the agency

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.30 Unspent conditional grants

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent where the obligations have not been met, a liability is recognised.

1.31 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.32 Transfers and subsidies – non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-----------|-----------|
|--|-----------|-----------|

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • Guideline: Guideline on Accounting for Landfill Sites | No effective date as yet | Unlikely there will be a material impact |
| • GRAP 25 (as revised): Employee Benefits | No effective date as yet | Unlikely there will be a material impact |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | No effective date as yet | Unlikely there will be a material impact |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | No effective date as yet | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Impact is currently being assessed |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 2020: Improvements to the standards of GRAP 2020 | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements | 01 April 2023 | Unlikely there will be a material impact |

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

| | | |
|--|--------------------|--------------------|
| Cash at bank | | |
| Bank account | 45,999,335 | 99,391,460 |
| Bank balance | | |
| Short term portion of investments | 337,856,656 | 241,527,547 |
| Cash on hand | 15 | 15 |
| Total cash and cash equivalents | 383,856,006 | 340,919,022 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-------------|------------|
| 3. Cash and cash equivalents (continued) | | |
| 3.2 Bank accounts | | |
| The municipality has the following bank accounts: | | |
| First National Bank - Call Acc - 62159915704 MIG Call | 39,550,965 | 13,518,447 |
| Standard bank - 48 hour notice deposit - 388655305 | 10,469,776 | - |
| First National Bank - Call Acc - 74182161238 NLM | 10,871,331 | 10,571,108 |
| First National Bank Call Account - 62159922551- Property | 211,683 | 205,197 |
| First National Bank - Call Account - 62396357298 - EPWI | 1,718,739 | 1,829,009 |
| Nedbank - Fixed Deposit - 03/7881143126 | 54,162,721 | 37,020,013 |
| First National Bank - Call Account - 74634166463 | 43,094 | 42,317 |
| Standard Bank - 548736855-001 | 966,505 | 946,781 |
| First National Bank - 32 Day Interest - 72399019737 | 19,229 | 18,917 |
| Nedbank - 7881161760 - Disaster Relief | 895,445 | 860,533 |
| Nedbank - Fixed Deposit - 03/7881138173 | 7,850,196 | 7,544,128 |
| First National Bank Rates call - 74808491951 | 1,167,691 | 1,124,136 |
| Nedbank - 7881156317 | 121,774,655 | 87,585,094 |
| First National Bank - Investment Acc - 74187331349 | 27,484,321 | 26,416,718 |
| First National Bank - Call Account - 62582905710 | 2,447,627 | 2,403,883 |
| Nedbank - 037881138254 | 26,899,412 | 25,850,832 |
| First National Bank - Call Account - 62396356539 - INEC | 15,860,728 | 10,669,250 |
| Call Account - 62159915340 - LG SETA call account | 86,079 | 83,447 |
| First National Bank - Call Account - 621599121751 | 4,759,393 | 4,585,721 |
| First National Bank - Call Account - 62159915853 | 1,821,290 | 1,765,212 |
| Standard Bank - Money Call Account no. 388680237-002 | 6,462,775 | 6,232,720 |
| Standard Bank - Call Deposit - 388655305-403 | 377,478 | 371,440 |
| Standard Bank - Tiered Rates 388680172-002 | 3,692 | 3,660 |
| Standard Bank - 32 Day Call 388655305-004 | 1,484,402 | 1,421,407 |
| Standard Bank - Stanlib - 54781067 | 33,815 | 33,815 |
| Standard Bank - Revolving Fund - 388655305-002 | 304,659 | 299,786 |
| Standard Bank - Call Deposit - 388680237-001 | 128,955 | 123,976 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|--------------------|--------------------|
| 3. Cash and cash equivalents (continued) | | |
| First National Bank- Current Account No 62152951614 | 43,581,580 | 97,040,944 |
| Standard Bank - Current Account no. 80847978 | 2,417,755 | 2,350,516 |
| Total | 383,855,991 | 340,919,007 |
| 4. Receivables from exchange transactions | | |
| Consumer receivables from exchange transactions | 4.1 | |
| Waste management | 125,874 | 30,792 |
| Service charges | 2,166 | 2,134 |
| | 128,040 | 32,926 |
| Total receivables from exchange transactions | 128,043 | 32,926 |

The amount disclosed in this note is net of impairment. Refer to note 4.1 for the amount before the provision (gross) and the actual value of the provision.

4.1 Consumer receivables

| | 2022 | | | 2021 | | |
|--|------------------|--------------------|----------------|------------------|--------------------|---------------|
| | Gross | Impairment | Total | Gross | Impairment | Total |
| Consumer receivables from exchange transactions | | | | | | |
| Waste management | 1,794,668 | (1,668,794) | 125,874 | 1,699,586 | (1,668,794) | 30,792 |
| Service charges | 2,166 | - | 2,166 | 2,134 | - | 2,134 |
| Total consumer receivables from exchange transactions | 1,796,834 | (1,668,794) | 128,040 | 1,701,720 | (1,668,794) | 32,926 |

Reconciliation of provision for impairment for receivables

| | | |
|--------------------------|------------------|------------------|
| Refuse | | |
| Opening balance | 1,668,794 | 1,107,470 |
| Impairment for provision | - | 561,324 |
| | 1,668,794 | 1,668,794 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from exchange transactions (continued)

4.1.1 Ageing of consumer receivables

2022

| | Not due | | Past due | | | | | Interest |
|--|------------------|---------------|----------------|---------------|---------------|---------------|----------------|----------------|
| | Total | Current | 30 days | 60 days | 90 days | 120 days | 120+ days | |
| Consumer receivables from exchange transactions | | | | | | | | |
| Total by debt type | | | | | | | | |
| Waste management | 1,794,668 | 49,613 | 256,833 | 47,713 | 84,572 | 14,550 | 937,677 | 403,710 |
| Service charges | 2,166 | - | - | - | - | - | 2,166 | - |
| Total by debt type | 1,796,834 | 49,613 | 256,833 | 47,713 | 84,572 | 14,550 | 939,843 | 403,710 |

2021

| | Not due | | Past due | | | | Interest |
|--|------------------|----------------|---------------|---------------|------------------|--|----------------|
| | Total | Current | 90 days | 120 days | 120+ days | | |
| Consumer receivables from exchange transactions | | | | | | | |
| Total by debt type | | | | | | | |
| Waste management | 1,699,586 | 288,198 | 36,349 | 54,901 | 1,084,368 | | 235,770 |
| Service charges | 2,134 | - | - | - | 2,134 | | - |
| Total by debt type | 1,701,720 | 288,198 | 36,349 | 54,901 | 1,086,502 | | 235,770 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-----------|-----------|
|--|-----------|-----------|

4. Receivables from exchange transactions (continued)

4.1.2 Impairment reconciliation of consumer receivables

| | 2022 | | 2021 | | |
|--|-----------------|-----------------|-----------------|--|-----------------|
| | Opening balance | Closing balance | Opening balance | Impairment reversed / debt written off | Closing balance |
| Consumer receivables from exchange transactions | | | | | |
| Waste management | 1,668,794 | 1,668,794 | 1,107,470 | 561,324 | 1,668,794 |

5. Statutory receivables

Consumer receivables

| | | | |
|----------------|-----|-----------|-----------|
| Property rates | 5.1 | 5,910,496 | 1,134,254 |
|----------------|-----|-----------|-----------|

Other receivables

| | | | |
|-------|--|-----------|-----------|
| Fines | | 2,125,630 | 1,902,899 |
|-------|--|-----------|-----------|

Total receivables

| | | |
|--|------------------|------------------|
| | 8,036,126 | 3,037,153 |
|--|------------------|------------------|

5.1 Statutory receivables

| | 2022 | | | 2021 | | |
|-----------------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|
| | Gross | Impairment | Total | Gross | Impairment | Total |
| Consumer receivables | | | | | | |
| Property rates | 28,372,322 | (22,461,826) | 5,910,496 | 25,429,565 | (24,295,311) | 1,134,254 |
| Other receivables | | | | | | |
| Fines | 2,125,697 | (67) | 2,125,630 | 1,918,397 | (15,498) | 1,902,899 |
| Total | 30,498,019 | (22,461,893) | 8,036,126 | 27,347,962 | (24,310,809) | 3,037,153 |

Reconciliation of provision for impairment for receivables

Consumer debtors - rates

| | | |
|--------------------------|-------------------|-------------------|
| Opening balance | 24,295,311 | 17,630,474 |
| Impairment for provision | (1,833,486) | 6,664,837 |
| | 22,461,825 | 24,295,311 |

Traffic fines

| | | |
|--------------------------|-----------|---------------|
| Opening balance | 15,498 | 486,081 |
| Impairment for provision | (15,431) | (470,583) |
| | 67 | 15,498 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

5. Statutory receivables (continued)

5.1.1 Ageing of statutory receivables

2022

Consumer receivables

Property rates

| | Not due | | | Past due | | |
|------------|-----------|---------|---------|----------|------------|-----------|
| Total | Current | 60 days | 90 days | 120 days | 120+ days | Interest |
| 28,372,322 | 2,482,271 | 210,737 | 417,004 | 85,597 | 20,233,176 | 4,943,537 |

2021

Consumer receivables

Property rates

| Past due | | | | | | |
|------------|---------|---------|---------|----------|------------|-----------|
| Total | 30 days | 60 days | 90 days | 120 days | 120+ days | Interest |
| 25,429,565 | 354,411 | 6,305 | 219,270 | 376,220 | 20,701,016 | 3,772,343 |

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest is charged at 10% per annum on overdue accounts.

Traffic fines

These are the receivables for the fines in terms of the Road Traffic Regulations and the Municipal Bylaws where applicable. Fines are determined based on the Road Traffic Management Act.

Consumer debtors - Rates

These are the receivables as rates that are levied on the properties within the jurisdiction of Nyandeni Municipality. The rates that are applicable to a particular property is determined using the valuation roll.

The allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. Rates are determined in accordance with the Municipal Property Rates Act.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|---|-------------------|-------------------|
| 5. Statutory receivables (continued) | | |
| Financial asset receivables included in receivables from non exchange transaction above | | |
| Property rates | 5,910,496 | 1,134,254 |
| Fines | 2,125,630 | 1,902,899 |
| | 8,036,126 | 3,037,153 |
| 6. Inventories | | |
| Consumables | 606,091 | 1,024,848 |
| Reconciliation of Consumables | | |
| Consumables | 635,332 | 1,240,271 |
| Write-offs | (29,241) | (215,423) |
| | 606,091 | 1,024,848 |
| Stock at year end amounted to R635 332 (2021: R1 024 848). Stock amounting to R29 241 was damaged and obsolete, and had to be written down in relation to consumables | | |
| No inventories are held for sale as security for liabilities of the municipality | | |
| 7. VAT receivable | | |
| VAT receivable | 8,026,933 | 3,157,585 |
| 8. Investment property | | |
| 8.1 Reconciliation of carrying value | | |
| Opening carrying value | | |
| Cost | 78,004,231 | 73,754,900 |
| Fair Value Adjustments | 2,796,569 | 4,514,081 |
| Carrying value of disposals / transfers | | |
| Cost | - | (264,750) |
| Closing carrying value | 80,800,800 | 78,004,231 |
| Cost | 80,800,800 | 78,004,231 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Method of asset valuation

The effective date of the revaluations was 30 June 2022. Revaluations were performed by an independent valuer, Mr M Lindstrom Registered Property Valuer of Penny Lindstrom valuations. The valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

All properties registered in the name of the municipality were valued and categorised. After careful consideration, the valuer decided to increase the value of the investment properties, and suitable values were placed on each property based on the methodology identified for each category. Fair value was established for investment properties.

These properties are vacant land within the municipal commonage. There is no rental received except that these are meant for capital appreciation

There is no investment property pledged for security.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

9.1 Summary

| | 2022 | | | 2021 | | |
|--------------------------------|----------------------|---|--------------------|--------------------|---|--------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land and buildings | 135,561,436 | (19,301,154) | 116,260,282 | 95,947,777 | (14,153,191) | 81,794,586 |
| Transport Assets | 21,614,071 | (14,771,918) | 6,842,153 | 22,038,247 | (13,354,448) | 8,683,799 |
| Leased assets | 1,805,577 | (1,608,642) | 196,935 | 1,637,189 | (1,197,638) | 439,551 |
| Machinery and Equipment | 19,065,940 | (9,180,843) | 9,885,097 | 16,091,534 | (7,953,997) | 8,137,537 |
| Furniture and Office Equipment | 7,904,743 | (5,113,075) | 2,791,668 | 6,977,246 | (4,531,395) | 2,445,851 |
| Computer Equipment | 8,460,277 | (5,671,377) | 2,788,900 | 7,634,445 | (4,984,137) | 2,650,308 |
| Infrastructure | 667,020,431 | (245,385,798) | 421,634,633 | 591,040,271 | (207,440,693) | 383,599,578 |
| Community Assets | 36,200,938 | (10,982,410) | 25,218,528 | 28,961,482 | (8,891,173) | 20,070,309 |
| Construction Work-in-progress | 117,693,148 | - | 117,693,148 | 135,558,911 | - | 135,558,911 |
| Total | 1,015,326,561 | (312,015,217) | 703,311,344 | 905,887,102 | (262,506,672) | 643,380,430 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

| | Opening balance | Additions | Disposals | Transfers to completed | Transfer to operations | Depreciation | Impairment loss | Total |
|--------------------------------|--------------------|--------------------|------------------|------------------------|------------------------|---------------------|--------------------|--------------------|
| Land and Buildings | 81,794,586 | - | - | 39,613,659 | - | (5,147,963) | - | 116,260,282 |
| Transport Assets | 8,683,799 | - | (75,592) | - | - | (1,766,054) | - | 6,842,153 |
| Leased assets | 439,551 | 168,388 | - | - | - | (411,004) | - | 196,935 |
| Machinery and Equipment | 8,137,537 | 2,989,406 | (1,090) | - | - | (1,240,756) | - | 9,885,097 |
| Furniture and Office Equipment | 2,445,851 | 403,439 | - | 524,058 | - | (581,680) | - | 2,791,668 |
| Computer Equipment | 2,650,308 | 912,700 | (45,206) | - | - | (728,902) | - | 2,788,900 |
| Infrastructure | 383,599,578 | - | - | 74,250,754 | 1,744,220 | (34,190,360) | (3,769,559) | 421,634,633 |
| Community Assets | 19,422,734 | 149,700 | - | 7,737,331 | - | (2,091,237) | - | 25,218,528 |
| Construction Work-in-progress | 135,598,931 | 105,964,239 | - | (122,125,802) | (1,744,220) | - | - | 117,693,148 |
| | 642,772,875 | 110,587,872 | (121,888) | - | - | (46,157,956) | (3,769,559) | 703,311,344 |

Reconciliation of property, plant and equipment - 2021

| | Opening balance | Additions | Disposals | Transfers | Other changes, movements | Depreciation | Total |
|--------------------------------|--------------------|--------------------|--------------------|------------------|--------------------------|---------------------|--------------------|
| Land and buildings | 70,493,476 | 6,262,574 | - | 8,557,225 | - | (3,518,689) | 81,794,586 |
| Transport Assets | 9,338,578 | 2,018,519 | (846,070) | - | - | (1,827,228) | 8,683,799 |
| Leased assets | 366,176 | 420,507 | - | - | - | (347,132) | 439,551 |
| Machinery and Equipment | 8,007,481 | 1,335,925 | (89,247) | - | - | (1,116,622) | 8,137,537 |
| Furniture and Office Equipment | 2,885,688 | 203,400 | (103,372) | - | - | (539,865) | 2,445,851 |
| Computer Equipment | 2,400,053 | 920,428 | (78,107) | - | - | (592,066) | 2,650,308 |
| Infrastructure | 379,557,353 | 20,016,767 | - | 19,873,267 | (5,586,559) | (30,261,250) | 383,599,578 |
| Community Assets | 18,086,072 | 3,462,493 | - | - | - | (1,478,256) | 20,070,309 |
| Construction Work-in-progress | 97,583,768 | 67,095,635 | - | (29,120,492) | - | - | 135,558,911 |
| | 588,718,645 | 101,736,248 | (1,116,796) | (690,000) | (5,586,559) | (39,681,108) | 643,380,430 |

There is no Property Plant and Equipment pledged for security

There was no amount of compensation from third parties for items of Property Plant and Equipment that were impaired, lost or given up, that is included in surplus or deficit

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-----------|-----------|
|--|-----------|-----------|

9. Property, plant and equipment (continued)

9.2 Property, plant and equipment under construction

2022

| | Included within Infrastructure assets | Included within Buildings | Total |
|-----------------------------------|---|------------------------------|--------------------|
| Of which: | | | |
| Opening balance | 115,980,905 | 19,578,006 | 135,558,911 |
| Additional/capital expenditure | 103,581,031 | - | 103,581,031 |
| Other movement [Retention on WIP] | 2,383,208 | - | 2,383,208 |
| Transfer to operations | (1,744,220) | - | (1,744,220) |
| Transfer to completed items | (102,547,797) | (19,578,006) | (122,125,803) |
| | 117,653,127 | - | 117,653,127 |

2021

| | Included within Infrastructure assets | Included within Buildings | Total |
|-----------------------------------|---|------------------------------|--------------------|
| Opening balance | 79,600,738 | 17,286,162 | 96,886,900 |
| Additional/capital expenditure | 61,736,987 | 2,291,844 | 64,028,831 |
| Other movement [Retention on WIP] | 3,763,672 | - | 3,763,672 |
| Transfer to completed items | (29,120,492) | - | (29,120,492) |
| | 115,980,905 | 19,578,006 | 135,558,911 |

9.3 Property, plant and equipment pledged as security

There is no Property Plant and Equipment pledged for security:

9.4 Assets subject to finance lease

| | | |
|---|----------------|----------------|
| Finance leased assets | 393,448 | 393,448 |
| Reconciliation of leased assets - Office equipment | | |
| Opening balance carrying amount | 393,448 | 320,073 |
| Additions | 168,387 | 469,397 |
| Depreciation | (411,004) | (396,022) |
| | 150,831 | 393,448 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R | |
|--|----|-------------------|------------------|------------------|
| 10. Intangible assets | | | | |
| 10.1 Reconciliation of carrying value | | | | |
| 2022 | | | | |
| | | Computer software | Other assets | Total |
| Opening carrying value as at 01 July 2021 | | | | |
| Cost | | 1,681,306 | 1,090,350 | 2,771,656 |
| Accumulated depreciation and impairment | | (893,192) | - | (893,192) |
| | | 788,114 | 1,090,350 | 1,878,464 |
| Additions from acquisitions | | 449,673 | - | 449,673 |
| Amortisation | 35 | (298,446) | - | (298,446) |
| | | 151,227 | - | 151,227 |
| Closing carrying value as at 30 June 2022 | | | | |
| | | 939,341 | 1,090,350 | 2,029,691 |
| | | | | |
| Cost | | 2,130,979 | 1,090,350 | 3,221,329 |
| Accumulated amortisation and impairment | | (1,191,638) | - | (1,191,638) |
| | | 939,341 | 1,090,350 | 2,029,691 |
| 2021 | | | | |
| | | Computer software | Other assets | Total |
| Opening carrying value as at 01 July 2020 | | | | |
| Cost | | 1,273,316 | 518,350 | 1,791,666 |
| Accumulated depreciation and impairment | | (656,788) | - | (656,788) |
| | | 616,528 | 518,350 | 1,134,878 |
| Additions from acquisitions | | 449,673 | - | 449,673 |
| Amortisation | 35 | (236,404) | - | (236,404) |
| | | 213,269 | - | 213,269 |
| Closing carrying value as at 30 June 2021 | | | | |
| | | 829,797 | 518,350 | 1,348,147 |
| | | | | |
| Cost | | 1,722,989 | 518,350 | 2,241,339 |
| Accumulated amortisation and impairment | | (893,192) | - | (893,192) |
| | | 829,797 | 518,350 | 1,348,147 |

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of financial performance (see Note 35).

The amortisation method and useful life of intangible assets is set out in the accounting policy note of intangible assets system

The intangible assets have not been pledged as security

Intangible under development: The municipality acquired a hosted email solution for software and email branding in May 2021. The municipality had to access the current MS environment and transfer emails from the current email system to the proposed email ingestion , those activities were not yet completed as at 30 June 2022 due to the supply and installation of microsoft exchange programmes tha were non responsive on procurement processess

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-----------|-----------|
|--|-----------|-----------|

11. Changes in estimates

Property plant and equipment

The management of municipality realised, during their annual assessment of useful lives and residual values, in the beginning of 2021-2022 financial period that the pattern of service potential derived from depreciable assets has changed from that in previous periods. These depreciable assets are currently depreciated using the straight-line method over a useful life. As a result, management decided to change the remaining useful life of the depreciable assets. The following information relates to the depreciable assets. The effect of the change in useful life is the decrease in depreciation by R 58 475 in the current year.

Additional text

| Depreciation | 2022 | 2023 | 2024 | Total |
|----------------------------|----------------|----------------|----------------|------------------|
| Depreciation before change | 1,662,007 | 1,662,007 | 1,662,007 | 4,986,021 |
| Depreciation before change | (1,076,532) | (1,076,532) | (1,076,532) | (3,229,596) |
| | 585,475 | 585,475 | 585,475 | 1,756,425 |

12. Repairs and maintenance

| | | |
|----------------------------|-----------|------------|
| Property plant & equipment | 8,359,587 | 11,087,102 |
|----------------------------|-----------|------------|

13. Trade and other payables from exchange transactions

| | | | |
|----------------|------|-----------|---------|
| Other payables | 13.1 | 3,726,588 | 929,145 |
|----------------|------|-----------|---------|

13.1 Other payables

| | | |
|----------------------|------------------|----------------|
| Sundry suppliers | 25,796 | 25,796 |
| Unallocated deposits | 369,623 | - |
| Trade payables | 653,986 | 803,696 |
| Creditors accrual | 2,677,183 | 99,653 |
| Total | 3,726,588 | 929,145 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

14. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies

| | | 2022 | | | 2021 | |
|----------------------|------|--------------------|---------------------|------------------|------------------|--------------------|
| | | Funds received | Funds utilised | Closing balance | Opening balance | Funds utilised |
| Capital | | | | | | |
| Monetary allocations | 14.1 | 85,673,500 | (85,710,338) | (36,838) | 5,025,744 | (5,025,744) |
| Operational | | | | | | |
| Monetary allocations | 14.2 | 17,107,433 | (8,821,361) | 8,286,072 | 834,000 | (834,000) |
| Total | | 102,780,933 | (94,531,699) | 8,249,234 | 5,859,744 | (5,859,744) |

14.1 Capital monetary allocations

| | | 2022 | | | 2021 | |
|---|--|-------------------|---------------------|-----------------|------------------|--------------------|
| | | Funds received | Funds utilised | Closing balance | Opening balance | Funds utilised |
| Departmental agencies and accounts | | | | | | |
| National departmental agencies | | - | (36,838) | (36,838) | - | - |
| National government | | | | | | |
| Integrated National Electrification Programme Grant | | 16,067,000 | (16,067,000) | - | - | - |
| Municipal Infrastructure Grant | | 69,606,500 | (69,606,500) | - | 5,025,744 | (5,025,744) |
| Total | | 85,673,500 | (85,673,500) | - | 5,025,744 | (5,025,744) |
| Total capital monetary allocations | | 85,673,500 | (85,710,338) | (36,838) | 5,025,744 | (5,025,744) |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|---|---|--------------------------------|
| 14. Trade and other payables from exchange transactions (continued) | | |
| 14.2 Operational monetary allocations | | |
| | 2022 | 2021 |
| | Funds received Funds utilised Closing balance | Opening balance Funds utilised |
| Departmental agencies and accounts | | |
| National departmental agencies | - - - | 834,000 (834,000) |
| National government | | |
| Expanded Public Works Programme Integrated Grant | 1,716,000 (1,716,000) - | - - - |
| Local Government Financial Management Grant | 1,650,000 (1,650,000) - | - - - |
| Municipal Infrastructure Grant | 3,663,500 (3,663,500) - | - - - |
| Neighbourhood Development Partnership Grant | 10,077,933 (1,791,861) 8,286,072 | - - - |
| Total | 17,107,433 (8,821,361) 8,286,072 | - - - |
| Total operational monetary allocations | 17,107,433 (8,821,361) 8,286,072 | 834,000 (834,000) |
| 15. Income received in advance | | |
| Income received in advance | 1,433,541 | 1,022,650 |
| 16. Retention | | |
| Contractors | 14,449,237 | 12,494,989 |
| Amounts withheld as surety on construction projects completed by awarded contractors. These amounts are recognised on payment certificates on stages of completion that have been paid to the contractors. The release of retentions is normally done 3 - 12 months after the project is certified as complete. | | |
| 17. Financial lease obligation | | |
| 17.1 Finance lease payable | | |
| Minimum lease payments | | |
| Within 1 year | 148,806 | 333,838 |
| 2 to 5 years | - | 90,341 |
| Less: Unearned finance revenue | (3,054) | (26,229) |
| Total minimum lease payments | 145,752 | 397,950 |
| Present value of minimum lease payments | | |
| Within 1 year | 145,752 | 308,134 |
| 2 to 5 years | 1,326 | 89,816 |
| | 147,078 | 397,950 |
| Non-current liability | 1,326 | 89,816 |
| Current liability | 145,752 | 308,134 |

It is municipality policy to lease certain office equipment under finance leases.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R |
|---|--------|-------------------|-------------------|
| 17. Financial lease obligation (continued) | | | |
| The average lease term was 3.8 years and the average effective borrowing rate was 4% (2021: 4%). | | | |
| 18. Employee benefits | | | |
| Non-current employee benefits | | | |
| Long-service awards benefits | 18.1 | 7,375,000 | 6,861,000 |
| Current employee benefits | | | |
| Long-service awards benefits | 18.1 | 917,000 | 1,460,000 |
| Bonus | 18.2 | 3,028,375 | 2,830,738 |
| Accrued leave pay | 18.3 | 13,538,888 | 13,492,898 |
| Danger allowance | 18.4 | - | 2,496,200 |
| Overtime | 18.5 | 524,849 | 413,411 |
| | | 18,009,112 | 20,693,247 |
| Total employee benefits | | 25,384,112 | 27,554,247 |
| In 2020-2021 financial year, the municipality approved a Covid-19 danger allowance for municipal employees and a current year provision of R2 496 200 was raised. In the current year that provision was fully paid | | | |
| 18.1 Long-service awards benefits | | | |
| Provision for long-service awards | 18.1.1 | 9,178,000 | 13,379,000 |
| Long-service awards payable | | (886,000) | (5,058,000) |
| Total liability | | 8,292,000 | 8,321,000 |
| Less: Transfer to current portion | | (917,000) | (1,460,000) |
| Total non-current benefit | | 7,375,000 | 6,861,000 |
| Non-current | | 7,375,000 | 6,861,000 |
| Current | | 917,000 | 1,460,000 |
| Total liability | | 8,292,000 | 8,321,000 |
| Changes in the present value of the defined benefit obligation are as follows: | | | |
| Opening balance | | 8,321,000 | 7,098,000 |
| Net expense recognised in the statement of financial performance | | (29,000) | 1,223,000 |
| Total benefit liability | | 8,292,000 | 8,321,000 |
| Amounts recognised in the statement of financial performance | | | |
| Current service cost | | 1,030,000 | 934,000 |
| Interest cost | | 689,000 | 504,000 |
| Actuarial losses / (gains) recognised | | (1,748,000) | (215,000) |
| Total expense included in employee related costs | | (29,000) | 1,223,000 |
| Long-service awards | | | |

The most actuarial valuations were carried out as at 30 June 2022 by ARCH Actuarial Consulting. The present value of the obligation and related current cost and past service cost were determined using the projected unit credit method.

Assumptions used at the reporting date:

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-----------|-----------|
|--|-----------|-----------|

18. Employee benefits (continued)

| | | |
|---|---------|--------|
| Discount rates used | 10.98 % | 9.06 % |
| General earnings inflation rate (long-term) | 7.33 % | 5.76 % |
| Net effective discount rate | 3.40 % | 3.12 % |

The effect of a percentage increase and decrease is as follows:

Liability has decreased by 0,3%, current service cost increased by 10% and interest cost by 30%

| | | |
|---------------------------------|------------------|------------------|
| Employer's accrued liability | 8,232,000 | 8,321,000 |
| Employer's current service cost | 1,030,000 | 934,000 |
| Employer's interest cost | 689,000 | 504,000 |
| | 9,951,000 | 9,759,000 |

| | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Long service bonus award | <u>8,292,000</u> | <u>8,321,000</u> | <u>7,098,000</u> | <u>7,100,000</u> | <u>5,730,000</u> |

The municipality budgeted for a 4.9% increase as at 1 July 2022, and the earnings used in this valuation include this assumed general increase. The next general earnings increase was assumed to take place on 1 July 2023

Sensitivity Analysis

The extent to which the actual liability faced in the future by the municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- The general earnings inflation rate assumption;
- The discount rate assumption;
- The average retirement age of employees; and assumed rates of withdrawal of employees from service.

18.1.1 Provision for long service awards

Movements in the present value of the defined benefit obligation

| | | |
|---|------------------|------------------|
| Opening Balance | 8,321,000 | 7,098,000 |
| Increases | 1,030,000 | 934,000 |
| Increases (Passage of Time/Discounted Rate) | 689,000 | 504,000 |
| Reductions (Payments, remeasurement etc.) | (1,748,000) | (215,000) |
| Closing balance | 8,292,000 | 8,321,000 |

18.2 Bonus

| | | |
|-----------------------------------|-------------|-------------|
| Bonus payable | 3,028,375 | 2,830,738 |
| Less: Transfer to current portion | (3,028,375) | (2,830,738) |
| Total non-current benefit | - | - |
| Current | 3,028,375 | 2,830,738 |

18.3 Staff leave

| | | |
|-----------------------------------|--------------|--------------|
| Leave accrual | 13,538,888 | 13,492,898 |
| Less: Transfer to current portion | (13,538,888) | (13,492,898) |
| Total non-current benefit | - | - |
| Current | 13,538,888 | 13,492,898 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R |
|--|------|------------------|------------------|
| 18. Employee benefits (continued) | | | |
| 18.4 Staff parity | | | |
| Provision for staff parity | | - | 2,496,200 |
| Less: Transfer to current portion | | - | (2,496,200) |
| Total non-current benefit | | - | - |
| Current | | - | 2,496,200 |
| 18.5 Other benefits | | | |
| Other benefits payable | | | |
| Overtime | | 524,849 | 413,411 |
| Current | | 524,849 | 413,411 |
| 19. Provisions | | | |
| Landfill sites | 19.1 | 4,436,920 | 3,794,464 |
| Transferred to current provisions | | (490,280) | (377,170) |
| Total non-current provision | | 3,946,640 | 3,417,294 |
| Non-current | | 3,946,640 | 3,417,294 |
| Current | | 490,280 | 377,170 |
| Total | | 4,436,920 | 3,794,464 |
| 19.1 Landfill sites | | | |
| Opening Balance | | 3,794,464 | 9,735,120 |
| Increases | | 642,456 | 253,781 |
| Reversals | | - | (6,194,437) |
| Closing balance | | 4,436,920 | 3,794,464 |
| Transferred to current provisions | | (490,280) | (377,170) |
| Total non-current provision | | 3,946,640 | 3,417,294 |

The municipality has a landfill site where it will need to rehabilitate the land at the end of its useful life. The rehabilitation cost determined are an estimate of the cost that will be incurred in order to meet the operational requirements of the site. The provision for landfill sites has increased in the current year as a result of the old landfill site that has been used to its full capacity and has been discontinued and the land needs to be restored.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2022

Key assumptions used at the reporting date:

| | | |
|-------------------------------------|---------|--------|
| Discount rate (D) | 11.05 % | 9.94 % |
| Consumer price inflation (C) | 7.23 % | 6.03 % |
| Net discount rate $((1+D)/(1+H)-1)$ | 3.56 % | 3.69 % |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|---|----------------------|----------------------|
| 20. Danger allowance | | |
| Danger allowance provision | - | 693,700 |
| In 2020-2021 financial year, the municipality approved a Covid-19 danger allowance for municipal employees and a current year provision of R693 700 was raised (in the current year) that provision was fully paid. | | |
| 21. Property rates | | |
| Agricultural property | 1,587 | 1,449 |
| Business and commercial properties | 1,595,946 | 1,476,199 |
| Public benefit organisations | 273,820 | (25,803) |
| Public service infrastructure properties | 192 | 181 |
| Residential properties | 1,558,124 | 1,318,008 |
| State-owned properties | 14,887,737 | 13,816,677 |
| Total | 18,317,406 | 16,586,711 |
| Residential properties | | |
| Residential Properties | 1,558,124 | 1,511,409 |
| Less: Income forgone | - | (193,401) |
| | 1,558,124 | 1,318,008 |
| Valuation as at 30 June 2022 | | |
| Business and commercial properties | 129,324,400 | 117,182,400 |
| Municipal properties | 430,075,000 | 430,075,000 |
| Church | 28,628,000 | 28,771,000 |
| Public service purposes properties | 14,000 | 14,000 |
| Residential properties | 178,042,400 | 178,042,400 |
| State-owned properties | 1,071,060,200 | 1,071,060,200 |
| Less: Income forgone | (22,230,000) | (22,230,000) |
| Total property valuations | 1,814,914,000 | 1,802,915,000 |
| Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. | | |
| 22. Transfers and subsidies - Revenue | | |
| Operational | | |
| Allocations in-kind | 22.1 | 282,492 |
| Monetary allocations | 22.2 | 310,863,364 |
| Total transfers and subsidies: Operational | | 311,145,856 |
| Capital | | |
| Monetary allocations | 22.3 | 71,037,805 |
| Total | | 382,183,661 |
| 22.1 Allocations in-kind: Operational | | |
| Departmental agencies and accounts | | 282,492 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R |
|--|------|--------------------|--------------------|
| 22. Transfers and subsidies - Revenue (continued) | | | |
| 22.2 Monetary allocations: Operational | | | |
| National governments | | 23,270,364 | 9,383,000 |
| National revenue fund | | 286,893,000 | 331,405,744 |
| Provincial government | | 700,000 | 18,024,421 |
| Total | | 310,863,364 | 358,813,165 |
| Revenue recognised per grant | | | |
| Energy Efficiency and Demand Side Management Grant | | 16,067,000 | 5,150,000 |
| Expanded Public Works Programme Integrated Grant | | 1,716,000 | 1,699,000 |
| Local Government Financial Management Grant | | 1,650,000 | 1,700,000 |
| Municipal Disaster Relief Grant | | - | 834,000 |
| Municipal Infrastructure Grant | | 3,663,500 | - |
| Neighbourhood Development Partnership Grant | | 173,864 | - |
| | | 23,270,364 | 9,383,000 |
| 22.3 Monetary allocations: Capital | | | |
| National government | | 71,037,805 | 74,699,000 |
| Revenue recognised per grant | | | |
| Municipal Infrastructure Grant | | 69,606,500 | 74,699,000 |
| Neighbourhood Development Partnership Grant | | 1,431,305 | - |
| | | 71,037,805 | 74,699,000 |
| 23. Fines, penalties and forfeits | | | |
| Fines | 23.1 | 515,484 | 329,392 |
| 23.1 Fines | | | |
| Other fines | | | |
| Law enforcement | | 469,600 | 292,000 |
| Pound fees | | 45,884 | 37,392 |
| | | 515,484 | 329,392 |
| 24. Interest and rent on land | | | |
| Exchange receivables | 24.1 | 118,745 | 84,558 |
| Non-exchange receivables | 24.2 | 1,846,133 | 1,788,755 |
| Total | | 1,964,878 | 1,873,313 |
| 24.1 Interest earned from exchange receivables | | | |
| Consumer receivables | | | |
| Waste management | | 118,745 | 84,558 |
| Total | | 118,745 | 84,558 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R |
|--|------|-------------------|-------------------|
| 24. Interest and rent on land (continued) | | | |
| 24.2 Interest earned from non-exchange receivables | | | |
| Consumer receivables | | | |
| Property rates | | 1,846,133 | 1,788,755 |
| 25. Service charges | | | |
| Waste management | | | |
| Other - Waste management | | 412,851 | 441,158 |
| 26. Rental of facilities and equipment | | | |
| Rent on land | | 182,600 | 78,554 |
| 27. Interests received - investment | | | |
| Bank accounts | | 3,550,134 | 2,793,962 |
| Short-term investments and call accounts | | 13,192,715 | 9,657,689 |
| Total | | 16,742,849 | 12,451,651 |
| 28. Licences or permits | | | |
| Exchange revenue | 28.1 | 2,903,983 | 4,124,134 |
| 28.1 Licenses and permits - Exchange revenue | | | |
| Road and transport | | 2,795,175 | 4,037,288 |
| Trading | | 108,808 | 86,846 |
| Total | | 2,903,983 | 4,124,134 |
| 29. Agency services | | | |
| Provincial | | 1,576,436 | 1,221,762 |
| <p>The amount of R 1 576 436 (2021: R1 221 762) is the amount of revenue collected on behalf of the Department of Transport for vehicle registration. The municipality is entitled to 19% of the fees collected as per the agreement as compensation for the transactions carried out. There are no liabilities that has been incurred on behalf of the Department of Transport relating to the above arrangement.</p> <p>The timing of the remittance received from the Department of Transport Eastern Cape is received on a monthly basis and there are no risks transferred from the principal to the agency</p> | | | |
| 30. Operating revenue | | | |
| Bad Debts Recovered | | 1,848,917 | - |
| Commission | | 287,734 | 251,444 |
| Insurance Refund | | 949,134 | 14,280 |
| Staff and Councillors Recoveries | | 332,270 | 38,455 |
| Total | | 3,418,055 | 304,179 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R |
|----------------------------------|------|--------------------|--------------------|
| 31. Sales of goods | | | |
| Advertisements | | 4,034 | 33,592 |
| Application Fees for Land Usage | | 3,850 | - |
| Building Plan Approval | | 81,039 | 94,758 |
| Cemetery and Burial | | 12,165 | 12,278 |
| Clearance Certificates | | 5,730 | 3,581 |
| Entrance Fees | | 1,352 | 2,141 |
| Removal of Restrictions | | 11,787 | 4,136 |
| Sale of Goods | | 344,809 | 457,243 |
| Total | | 464,766 | 607,729 |
| 32. Employee related cost | | | |
| Senior management | 32.1 | 6,688,568 | 11,073,681 |
| Municipal staff | 32.2 | 152,738,998 | 141,431,930 |
| Total | | 159,427,566 | 152,505,611 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

32. Employee related cost (continued)

32.1 Senior management costs

2022

| | Chief financial officer | Senior Manager Corporate services | Senior Manager infrastructure | Senior Manager Community services | Senior Manager operations | Senior Manager planning and development | Total |
|------------------------|-------------------------|-----------------------------------|-------------------------------|-----------------------------------|---------------------------|---|------------------|
| Basic salary | 903,202 | 930,505 | 800,533 | 637,555 | 797,518 | 637,554 | 4,706,867 |
| Acting allowance | - | - | - | 307,446 | - | - | 307,446 |
| Car allowance | 159,389 | 120,000 | 159,389 | 318,778 | 212,518 | 318,778 | 1,288,852 |
| Bargaining council | 124 | 124 | 124 | 124 | 124 | 124 | 744 |
| Medical | - | - | 53,130 | 53,130 | - | 53,129 | 159,389 |
| Pension | - | - | 53,130 | 53,130 | 53,130 | 53,130 | 212,520 |
| Unemployment insurance | 2,125 | 2,125 | 2,125 | 2,125 | 2,125 | 2,125 | 12,750 |
| | 1,064,840 | 1,052,754 | 1,068,431 | 1,372,288 | 1,065,415 | 1,064,840 | 6,688,568 |

2021

| | Municipal manager | Chief financial officer | Senior Manager Corporate services | Senior Manager infrastructure | Senior Manager Community services | Senior Manager operations | Senior Manager planning and development | Senior Manager acting infrastructure | Total |
|------------------|-------------------|-------------------------|-----------------------------------|-------------------------------|-----------------------------------|---------------------------|---|--------------------------------------|-------------------|
| Basic salary | 895,957 | 903,202 | 982,752 | 472,035 | 637,554 | 796,943 | 637,554 | 661,077 | 5,987,074 |
| Acting allowance | - | - | - | - | 153,723 | - | - | - | 153,723 |
| Settlement | 2,067,751 | - | - | - | - | - | - | - | 2,067,751 |
| Allowances | 425,704 | 161,202 | 316,222 | 430,733 | 426,848 | 267,460 | 426,848 | 410,116 | 2,865,133 |
| | 3,389,412 | 1,064,404 | 1,298,974 | 902,768 | 1,218,125 | 1,064,403 | 1,064,402 | 1,071,193 | 11,073,681 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|--------------------|--------------------|
| 32. Employee related cost (continued) | | |
| 32.2 Municipal staff costs | | |
| Basic salary | 87,382,773 | 82,715,887 |
| Bonuses | 6,982,620 | 6,449,059 |
| Service-related benefits | 12,966,998 | 11,511,976 |
| Allowances | 11,837,101 | 11,770,095 |
| Bargaining council | 37,876 | 35,254 |
| Group life insurance | 5,720,093 | 3,760,637 |
| Medical | 9,315,616 | 8,707,610 |
| Skills Development Fund Levy | 1,551,135 | 1,165,271 |
| Pension | 14,557,444 | 13,301,660 |
| Post-retirement benefit: Medical | 1,030,000 | - |
| Post-retirement benefit: Pension | 689,000 | 1,438,000 |
| Post-retirement benefit: Other benefits | - | 24,820 |
| Unemployment insurance | 668,342 | 551,661 |
| Total | 152,738,998 | 141,431,930 |
| Service related benefits | | |
| Acting and Post Related Allowances | 400,924 | 511,883 |
| Danger allowance | 2,320,216 | 2,496,200 |
| Long service award | 647,510 | 289,589 |
| Standby Allowance | 1,046,876 | 903,185 |
| Overtime non structured | - | 2,707 |
| Overtime structured | 7,041,939 | 5,893,890 |
| Shift Additional Remuneration | 942,059 | 901,787 |
| Night Shift | 567,474 | 512,735 |
| | 12,966,998 | 11,511,976 |
| Allowances | | |
| Cellular and Telephone | 21,413 | 49,653 |
| Rental Subsidy | 3,406,009 | 3,312,769 |
| Travel or Motor Vehicle | 8,409,679 | 8,407,673 |
| | 11,837,101 | 11,770,095 |
| 33. Remuneration of councillors | | |
| Mayor | 33.1 931,085 | 905,259 |
| Chief whip | 33.2 709,415 | 690,046 |
| Speaker | 33.3 753,749 | 733,088 |
| Full Time Executive committee members | 33.4 2,824,299 | 2,747,212 |
| Part time Executive committee members | 33.5 2,492,393 | 2,427,558 |
| Part-time councillors | 33.6 16,752,865 | 16,449,243 |
| Total | 24,463,806 | 23,952,406 |
| 33.1 Mayor | | |
| Allowances and service related benefits | | |
| Basic salary | 886,685 | 860,859 |
| Cell phone allowance | 44,400 | 44,400 |
| | 931,085 | 905,259 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R |
|--|------|-------------------|-------------------|
| 33. Remuneration of councillors (continued) | | | |
| 33.2 Chief whip | | | |
| Allowances and service related benefits | | | |
| Basic salary | | 665,015 | 645,646 |
| Cell phone allowance | | 44,400 | 44,400 |
| | | 709,415 | 690,046 |
| 33.3 Speaker | | | |
| Allowances and service related benefits | | | |
| Basic salary | | 709,349 | 688,688 |
| Cell phone allowance | | 44,400 | 44,400 |
| | | 753,749 | 733,088 |
| 33.4 Full Time Executive committee members | | | |
| Allowances and service related benefits | | | |
| Basic salary | | 2,646,699 | 2,569,612 |
| Cell phone allowance | | 177,600 | 177,600 |
| | | 2,824,299 | 2,747,212 |
| 33.5 Part time Executive committee members | | | |
| Allowances and service related benefits | | | |
| Basic salary | | 2,225,994 | 2,161,158 |
| Cell phone allowance | | 266,399 | 266,400 |
| | | 2,492,393 | 2,427,558 |
| 33.6 Part-time councillors | | | |
| Allowances and service related benefits | | | |
| Basic salary | | 14,488,465 | 14,204,313 |
| Cell phone allowance | | 2,264,400 | 2,244,930 |
| | | 16,752,865 | 16,449,243 |
| In kind benefits | | | |
| The Mayor, Speaker, Chief Whip and three Executive Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council. | | | |
| The Mayor and Speaker have access to Council owned vehicles for ceremonial and official functions. | | | |
| 34. Debt impairment | | | |
| Debt impairment | | - | 6,755,578 |
| 35. Depreciation and amortisation | | | |
| Amortisation | | | |
| Intangible assets | 10.1 | 298,446 | 236,404 |
| Depreciation | | | |
| Property, plant and equipment | 9 | 46,157,956 | 39,681,108 |
| Total | | 46,456,402 | 39,917,512 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R |
|---|------|-------------------|-------------------|
| 36. Impairment losses on property plant & equipment | | | |
| Impairment loss | | | |
| Property, plant and equipment | 9 | 3,796,088 | - |
| Impairment loss was due to deteriorations to the roads and bridge caused by sever floods that occurred during the year and and wear and tear. | | | |
| 37. Finance costs | | | |
| Interest | 37.1 | 410,194 | 18,546 |
| 37.1 Interest cost | | | |
| Finance leases | 17.1 | 33,024 | 18,546 |
| Interest costs non-current provisions | 19 | 377,170 | - |
| Total | | 410,194 | 18,546 |
| 38. Inventory consumed | | | |
| Consumables | | 818,558 | 498,478 |
| Materials and supplies | | 4,662,556 | 6,803,556 |
| Total | | 5,481,114 | 7,302,034 |
| 38.1 Inventory adjustments | | | |
| Inventory | | (29,241) | (215,423) |
| 39. Contracted services | | | |
| Consultants and professional services | 39.1 | 5,513,489 | 13,668,841 |
| Contractors | 39.2 | 12,446,621 | 16,000,396 |
| Outsourced services | 39.3 | 12,197,659 | 11,776,707 |
| Total | | 30,157,769 | 41,445,944 |
| 39.1 Consultants and professional services | | | |
| Business advisory services | | | |
| Accounting and auditing | | 767,791 | 2,919,457 |
| Audit committee | | 17,217 | 37,333 |
| Business and financial management | | 125,909 | 354,767 |
| Communications | | 36,123 | 130,278 |
| Human resources | | 1,401,797 | 1,889,129 |
| Medical examinations | | - | 3,200 |
| Occupational health and safety | | - | 440,216 |
| Quality control | | 26,500 | 236,500 |
| Research and advisory | | 228,669 | 238,148 |
| Total business advisory services | | 2,604,006 | 6,249,028 |
| Legal services | | | |
| Legal advice and litigation | | 1,091,285 | 1,644,791 |
| Engineering services | | | |
| Electrical engineering | | 1,619,121 | 4,610,192 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|---|-------------------|-------------------|
| 39. Contracted services (continued) | | |
| Infrastructure and planning services | | |
| Geoinformatic services infrastructure and planning | - | 587,013 |
| Land and quantity surveyors infrastructure and planning | 85,577 | 282,500 |
| Landscape designer infrastructure and planning | - | 41,600 |
| Town planner infrastructure and planning | 113,500 | 253,717 |
| Total infrastructure and planning services | 199,077 | 1,164,830 |
| Total consultants and professional services | 5,513,489 | 13,668,841 |
| 39.2 Contractors | | |
| General services | | |
| Artists and performers | 43,500 | 91,700 |
| Audio-visual services | 540,070 | 347,350 |
| Building | 171,468 | 25,962 |
| Electrical | 2,327,284 | 4,035,287 |
| Employee wellness | 333,022 | 239,321 |
| Interior decorator | 42,350 | - |
| Plants, flowers and other decorations | 140,457 | 50,994 |
| Safeguard and security | 189,020 | 113,680 |
| Stage and sound crew | 43,100 | 9,000 |
| Total general services | 3,830,271 | 4,913,294 |
| Maintenance services | | |
| Maintenance of buildings and facilities | 2,197,822 | 1,080,583 |
| Maintenance of equipment | 2,054,083 | 848,305 |
| Maintenance of unspecified assets | 4,364,445 | 9,158,214 |
| Total maintenance service | 8,616,350 | 11,087,102 |
| Total contractor | 12,446,621 | 16,000,396 |
| 39.3 Outsourced services | | |
| Business and advisory services | | |
| Accounting and Auditing | 362,355 | 246,197 |
| Business and Financial Management | 830,381 | 1,130,943 |
| Commissions and Committees | 66,000 | 65,850 |
| Human Resources | 694,262 | 299,224 |
| Organisational | 205,000 | 205,000 |
| Project Management | - | 3,116,148 |
| Qualification Verification | 100,021 | 44,673 |
| Research and Advisory | 661,451 | 1,213,117 |
| Valuer | 3,553 | 288,925 |
| Total business and advisory services | 2,923,023 | 6,610,077 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | | 2022 R | 2021 R |
|---|------|-------------------|-------------------|
| 39. Contracted services (continued) | | | |
| General services | | | |
| Burial Services | | 18,550 | 55,218 |
| Catering Services | | 1,391,557 | 861,662 |
| Clearing and Grass Cutting Services | | 75,428 | 13,650 |
| Drivers Licence Cards | | 512,868 | 573,619 |
| Hygiene Services | | - | 6,000 |
| Illegal Dumping | | 192,013 | 953,363 |
| Internal Auditors | | 394,936 | 349,802 |
| Personnel and Labour | | 4,340,896 | 1,094,192 |
| Professional Staff | | 19,666 | 38,333 |
| Translators, Scribes and Editors | | 400,868 | 518,348 |
| Transport Services | | 302,732 | 134,573 |
| Veterinary Services | | 199,796 | - |
| Total general services | | 7,849,310 | 4,598,760 |
| Trading services | | | |
| Electrical | | - | 37,997 |
| Security Services | | 1,425,326 | 529,873 |
| Total trading services | | 1,425,326 | 567,870 |
| Total outsourced services | | 12,197,659 | 11,776,707 |
| 40. Transfers and subsidies - Expenditure | | | |
| Operational | | | |
| Allocations in-kind | 40.1 | 3,420,238 | 4,702,183 |
| Monetary allocations | 40.2 | 1,813,809 | 650,261 |
| Total transfers and subsidies: Operational | | 5,234,047 | 5,352,444 |
| Capital | | | |
| Allocations in-kind | 40.3 | 2,645,616 | 1,754,090 |
| Total | | 7,879,663 | 7,106,534 |
| 40.1 Allocations in-kind: Operational | | | |
| Households | | 3,420,238 | 4,702,183 |
| 40.2 Monetary allocations: Operational | | | |
| Households | | 1,813,809 | 650,261 |
| 40.3 Allocations in-kind: Capital | | | |
| Households | | 2,645,616 | 1,754,090 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|---|-------------------|-------------------|
| 41. General expenses | | |
| Advertising, Publicity and Marketing | 2,534,330 | 2,606,885 |
| Bank Charges, Facility and Card Fees | 74,990 | 55,743 |
| Bargaining Council | 3,913,630 | 1,841,917 |
| Communication | 4,665,120 | 4,307,508 |
| Courier and Delivery Services | 3,885 | 400 |
| Eskom Connection Fees | 2,793,871 | 1,743,697 |
| External Audit Fees | 3,686,251 | 3,406,125 |
| External Computer Service | 1,647,483 | 1,190,848 |
| Hire Charges | 2,441,121 | 1,840,687 |
| Insurance Underwriting | 685,372 | 1,164,862 |
| Learnerships and Internships | 483,000 | 345,000 |
| Licences | 238,541 | - |
| Printing, Publications and Books | 246,499 | 187,553 |
| Professional Bodies, Membership and Subscription | 99,410 | 29,285 |
| Registration Fees (Conference and seminars) | 94,864 | 49,097 |
| Remuneration to Ward Committees | 4,855,650 | 5,414,360 |
| Sitting Allowance for Traditional Leaders | 310,500 | 616,500 |
| Signage | 239,598 | 30,000 |
| Transport Provided as Part of Departmental Activit | 30,600 | 59,730 |
| Travel and Subsistence | 12,922,598 | 6,771,603 |
| Uniform and Protective Clothing | 2,255,227 | 330,476 |
| Vehicle Tracking | 102,494 | 272,601 |
| Wet Fuel | 4,650,525 | 2,973,467 |
| Workmen's Compensation Fund | 742,938 | 709,334 |
| Total | 49,718,497 | 35,947,678 |
| 42. Lease rentals on operating lease | | |
| Furniture and Office Equipment | 208,423 | 379,561 |
| 43. Gain/(Loss) on disposal of fixed and intangible assets | | |
| Gains/(losses) on disposals | 43.1 (121,888) | (943,192) |
| 43.1 Gains/(losses) on disposals | | |
| Property, plant and equipment | (121,888) | (943,192) |
| 44. Fair value adjustment | | |
| Investment property | 2,796,569 | 4,514,081 |
| 45. Inventory (write down) | | |
| Inventory | (29,241) | (215,423) |
| 46. Actuarial Gains and Losses | | |
| Actuarial Gains and Losses | 1,748,000 | 215,000 |
| 47. Auditor's remuneration | | |
| External Audit Fees | 3,686,251 | 3,406,125 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|--------------------|--------------------|
| 48. Net cash from/(used) operating activities | | |
| Surplus after capital transfers and contributions | 105,076,887 | 159,954,784 |
| Adjustments for: | | |
| Depreciation and amortisation | 46,456,402 | 39,917,512 |
| Bad debts written off | (1,848,917) | 6,755,578 |
| (Gains) / Losses on disposal of assets | 121,888 | 943,192 |
| Fair value adjustment | (2,796,569) | (4,514,081) |
| Finance cost - finance leases | - | 18,546 |
| Increase / (Decrease) in provisions | 642,456 | 682,587 |
| Increase / (Decrease) employee benefit | (29,123) | - |
| Impairment loss | 3,796,088 | - |
| Inventory losses | 29,241 | - |
| Movements in retirement benefits assets and liabilities | - | 1,223,000 |
| Movement in working capital | | |
| (Increase) / Decrease in statutory receivables | (3,150,056) | (282,843) |
| (Increase) / Decrease in inventory | 389,516 | (651,248) |
| (Increase) / Decrease in receivables from exchange transactions | (95,117) | (6,765,284) |
| (Increase) / Decrease in VAT | (4,869,348) | 2,174,492 |
| Increase / (Decrease) in trade and other payables | 656,308 | 3,664,588 |
| Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions | 8,249,234 | (5,859,744) |
| Net cash flows from operating activities | 152,628,890 | 197,261,079 |

49. Financial instruments

49.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

| | | 2022 | | 2021 | |
|--|----|--------------------|--------------------|--------------------|--------------------|
| | | Carrying amount | Amortised cost | Carrying amount | Amortised cost |
| Financial assets | | | | | |
| Amortised cost | | | | | |
| Trade and other receivables from exchange transactions | 4 | 128,043 | 128,043 | 32,926 | 32,926 |
| Cash and cash equivalents | 3 | 383,856,006 | 383,856,006 | 340,919,022 | 340,919,022 |
| | | 383,984,049 | 383,984,049 | 340,951,948 | 340,951,948 |
| Financial liabilities | | | | | |
| Amortised cost | | | | | |
| Unsecured bank facilities: | | | | | |
| Lease liabilities | | 1,326 | 1,326 | 89,816 | 89,816 |
| Trade and other payables: | | | | | |
| Trade and other payables from exchange transactions | 13 | 3,726,588 | 3,726,588 | 929,145 | 929,145 |
| Current portion of borrowings | | 145,752 | 145,752 | 308,134 | 308,134 |
| | | 3,872,340 | 3,872,340 | 1,237,279 | 1,237,279 |
| Total financial liabilities | | 3,873,666 | 3,873,666 | 1,327,095 | 1,327,095 |
| Total financial instruments | | 380,110,383 | 380,110,383 | 339,624,853 | 339,624,853 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-----------|-----------|
|--|-----------|-----------|

49. Financial instruments (continued)

49.2 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.3 below). No formal policy exists to hedge volatilities in the interest rate market.

49.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates not applicable to the municipality, there were no loans during the year.

Interest rate risk is not applicable to the municipality as there were no loans taken during the year and the penalty interest on outstanding debtors is fixed at 10%.

49.4 Liquidity risk

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

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

49.5 Credit risk management

Credit risk is the risk that a counterparty to a financial asset will fail to discharge an obligation and cause the municipality to incur a financial. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and refuse.

Nyandeni Local Municipality endeavours to collect all debts owed to the municipality by sending statements monthly to remind debtors, levying of penalty charges and as a last resort hand over debtors to the debt collection agent. All rates and services are payables within 30 days from invoice date, refer to notes 4 & 5 for all balances outstanding longer than 30 days. These debtors represent all debtors at year end which defaulted on their credit terms.

Cash and cash equivalents consist of short term investments and the primary bank account of the municipality. Short term investments are held in two banking institutions namely First National Bank and Standard Bank, this ensures that the municipality enjoys diversified interest rates.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

| | | | |
|--|---|--------------------|--------------------|
| Trade and other receivables from exchange transactions | 4 | 128,043 | 32,926 |
| Bank and cash balances | 3 | 383,856,006 | 340,919,022 |
| Maximum credit and interest risk exposure | | 383,984,049 | 340,951,948 |

49.6 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those caused by interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 | 2021 |
|--|------|------|
| | R | R |

49. Financial instruments (continued)

The price risk is not applicable to the municipality as the municipality does not have financial assets with prices dependent on the market prices.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|------------|------------|
| 50. Contingent liabilities | | |
| 1. Makateko Tobile Wilson vs Nyandeni Local Municipality (Case no. 2298/2019). | 11,060,692 | 11,000,000 |
| In this matter the municipality is being sued for a sum of Eleven Million Sixty thousand six hundred and ninety two rands (R11 060 692) for an alleged construction of a drainage system on the Plaintiff's property and thereby depriving the Plaintiff of the use of the property. | | |
| 2. Nonkumbulo Buso vs Nyandeni Local Municipality (Case no. EC/MTHA/RC425/2019). | 400,000 | 400,000 |
| In this matter the municipality is being sued for a sum of R400 000.00 for damages incurred as a result of the flooding of the Plaintiff's homestead and damage to his goods. The municipality is alleged to have failed to install a proper drainage system. | | |
| 3. Tiny Mandisa Buso vs Nyandeni Local Municipality (Case no. 3803/2019). | 200,000 | 200,000 |
| In this matter the municipality is being sued for a sum of R200 000.00 for damages incurred as a result of the flooding of the Plaintiff's homestead and damage to his goods. The municipality is alleged to have failed to install a proper drainage system. | | |
| 4. Vuyisile Alex Notay vs Nyandeni Local Municipality (Case no. 3805/2019). | 200,000 | 200,000 |
| In this matter the municipality is being sued for a sum of R200 000.00 for damages incurred as a result of the flooding of the Plaintiff's homestead and damage to his goods. The municipality is alleged to have failed to install a proper drainage system. | | |
| 5. Zukisani Zukile Mpeto vs Nyandeni Local Municipality (Case no. RC/58/2021) | 400,000 | 400,000 |
| This is a claim for a sum of R400 000, for injuries that occurred to the Plaintiff while he was temporarily employed by the municipality and he was on guard at the pound. | | |
| 6. Phumzile Tokwe vs Nyandeni Local Municipality (Case no. Rc/57/2021). | 400,000 | 400,000 |
| This is a claim for a sum of R400 000, for injuries that occurred to the Plaintiff while he was temporarily employed by the municipality and he was on guard at the pound. | | |
| 7. Zameka Golode vs Nyandeni Local Municipality (Case no. 115/18) | 200,000 | 200,000 |
| The municipality is being sued for a sum of R200 000 for alleged unlawful arrest by the municipality of a person who was caught vandalising municipal property. | | |
| 8. Ndikuphiwe Qaku vs Nyandeni Local Municipality (Case no. 3804/2019) | 200,000 | 200,000 |
| The municipality is being sued for a sum of R200 000 for damages incurred as a result of the flooding of the Plaintiff's homestead and damage to his goods. The municipality is alleged to have failed to install a proper drainage system. | | |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-------------------|-------------------|
| 50. Contingent liabilities (continued) | | |
| 9. Xhathalaza Mzontsundu vs Nyandeni Local Municipality (Case no. 3743-2018) | - | 300,000 |
| The matter has been finalised with judgement in favour of the applicant. The two municipalities were ordered to fix the drainage at an amount of R300 000. | | |
| 10. Nokwanda Mahlathi vs Nyandeni Local Municipality (Case no. 2344/2020) | 2,000,000 | 300,000 |
| The municipality is being sued for a sum of R2 000 000. The municipality is defending the matter and the parties are still exchanging pleadings. | | |
| 11. Nyandeni Councillors vs The Trustees For The Time Being: Municipal Councillors Pension Fund, Sophie Thabang Kekana & Others vs Nyandeni Local Municipality & Others (Case no. 1551/2019) | - | - |
| Nyandeni Local Municipality is suing the Pension Fund for the release of pension monies that are held by the fund of Nyandeni Councilors. The reason for this is that the Councilors have ceased to be members of the Pension fund and since joined another fund. The matter is currently awaiting a date for the hearing of an interlocutory application filed by the respondents in the South Gauteng High Court. There is a counter Application filed by the Trustees and the fund out of the Mtatha High Court. The amount is not liquidated and has to be determined by the Court or by the agreement between the two parties | | |
| 12. Hercules Salmon Hudson vs Nyandeni Local Municipality (Case no. 31/2022) | 28,737 | - |
| Nyandeni Local Municipality is being sued for a sum of R28 737.01 for damage to the Plaintiff's motorcycle. The Municipality has filed its intention to defend the matter while pointing out that this not the Municipal road. | | |
| 13. Atmos Trading (PTY) LTD vs Nyandeni Local Municipality (Case no. 2207/2022) | 2,000,000 | - |
| Nyandeni Local Municipality is being sued for a sum of R200 000 for alleged loss of income of a car that was impounded. The Municipality is defending the matter as there is no truth to the claim that the impounded vehicle was used for business. | | |
| | - | - |
| | 17,089,429 | 13,600,000 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-----------|------------------|
| 51. Contingent assets | | |
| Nyandeni Local Municipality vs Municipal Councillors Pension Fund | - | 3,396,486 |
| The municipality has lodged legal proceedings against the pension fund to release the municipal councillors pension monies that is worth R 3 396 486 of the municipality and the case is now to be enrolled on the opposed roll for argument | | |
| Siyaphambili Trading vs Nyandeni Local Municipality and Others (Case no.1454/13) | - | - |
| An application was brought against the municipality, the Municipal Manager and Alexander Maintenance for the review and setting aside of the decision of the Municipal Manager to award the tender of Nothintsila to Mvilo access road to Alexander Maintenance. The decision was first taken on appeal to the Executive Committee which upheld the decision of the Municipal Manager. The municipality opposed the matter and the matter has been decided in favour of the municipality with costs. | | |
| | <u>-</u> | <u>3,396,486</u> |

52. Going concern

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

53. Unauthorised, irregular, fruitless and wasteful expenditure

53.1 Irregular expenditure

| | | |
|--|---------------|---------------|
| Opening balance as previously reported | - | 103,504,260 |
| Add: Irregular expenditure - current | 111,789,064 | 147,797,249 |
| Less: Amounts written-off – current | (111,789,064) | (147,797,249) |
| Less: Amounts written-off – prior period | - | (103,504,260) |
| Closing balance | <u>-</u> | <u>-</u> |

The irregular expenditure relates to the non-compliance on composition of the bid adjudication committee in line with the supply chain management regulation 29. The municipality investigated the irregular expenditure and it was recommended that it should be written off.

There were no disciplinary steps taken for the irregular expenditure for the current year.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|--|-----------|-----------|
|--|-----------|-----------|

53. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

53.2 Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure – current

Less: Amounts written-off – current

Closing balance

| | |
|----------|-------------|
| 3,797 | 2,069,789 |
| (3,797) | (2,069,789) |
| <u>-</u> | <u>-</u> |

Amounts written-off

During the financial year, the municipality incurred interest on overdue accounts to an amount of R3 797 that resulted in fruitless and wasteful expenditure which was written off by the council

Incident

Interest charged on late payments

Settlement

Total

| | |
|--------------|------------------|
| 3,797 | 2,037 |
| - | 2,067,752 |
| <u>3,797</u> | <u>2,069,789</u> |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|---|------------------|------------------|
| 54. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to SALGA | | |
| Current year subscription / fee | 1,956,815 | 1,841,916 |
| Amount paid - current year | (1,956,815) | (1,841,916) |
| | <u>-</u> | <u>-</u> |
| Audit fees | | |
| Current year subscription / fee | 3,686,251 | 3,406,125 |
| Amount paid - current year | (3,686,251) | (3,406,125) |
| | <u>-</u> | <u>-</u> |
| PAYE and UIF | | |
| Current year subscription / fee | 27,273,957 | 24,705,474 |
| Amount paid - current year | (27,273,957) | (24,705,474) |
| | <u>-</u> | <u>-</u> |
| Pension and Medical Aid Deductions | | |
| Current year subscription / fee | 24,267,103 | 22,920,348 |
| Amount paid - current year | (24,267,103) | (22,920,348) |
| | <u>-</u> | <u>-</u> |
| VAT | | |
| VAT receivable | <u>8,222,810</u> | <u>3,157,585</u> |

Councillors' arrear consumer accounts

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

| 30 June 2022 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|-------------------|--|--|---------------|
| Cllr N. Yehana | 182 | 9,652 | 9,834 |
| Cllr NP. Mathanda | 82 | 543 | 625 |
| | <u>264</u> | <u>10,195</u> | <u>10,459</u> |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| | 2022 R | 2021 R |
|---|--|--|
| 54. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| 30 June 2021 | | |
| | Outstanding less than 90 days R | Outstanding more than 90 days R |
| | | Total R |
| Cllr S. Qaqa | 618 | 11,242 |
| Cllr P. Godongwana | 104 | 1,928 |
| Cllr F. Gaxeni | 104 | 1,055 |
| Cllr Z. Mevana | - | 238 |
| Cllr L. Mziba | 2,218 | 64,531 |
| Cllr N. Devete | 104 | 310 |
| Cllr N. Yehana | 778 | 17,881 |
| Cllr N. Gqetywa | 104 | 32,729 |
| Cllr T. H. Mbiko | 95 | 2,633 |
| | 4,125 | 132,547 |
| | | 136,672 |

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

55. Related party disclosures

55.1 Nature of related party relationships

| | |
|---|---|
| Related party | Nature of relationship |
| Accounting officer | Refer to accounting officer's report page 7 |
| Councillors | Refer to note 33 |
| Members of key management | Refer to Note 30.1 |
| Close family member of key management | There were no transactions between close family members of key management |
| Joint ventures | None |
| Associates | None |
| Post employment benefit plan for employees of entity and/or other related parties | Refer to note |

56. Deviations from SCM regulations - SCM Regulation 36

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

| | | |
|--|-----------|-----------|
| Impractical to follow official procurement processes | 8,822,416 | 4,438,572 |
|--|-----------|-----------|

57. Capital commitments

Authorised capital expenditure

Already contracted but not provided for

| | | |
|-------------------------------|------------|------------|
| Property, plant and equipment | 66,899,754 | 52,826,254 |
|-------------------------------|------------|------------|

The committed expenditure relates to property, plant and equipment and will be financed by existing cash resources and funds internally generated

58. Prior year error and reclassification

The municipality has changed its template in preparing the annual financial statements this financial year in accordance with the prescripts issued by National Treasury. In doing so multiple naming conventions has changed and consequently reclassifications have been passed in terms of GRAP 1 para 49. No other reclassifications took place in the current financial year.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

58. Prior year error and reclassification (continued)

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has been in compliance with the mSCOA ever since adoption but this year it also voluntarily adopted to partially implement the NT mSCOA AFS Template, which aligns the item segment as per mSCOA to the AFS of a municipality. This did not result in the municipality changing any accounting policies, accounting estimates or the correction of prior period errors but did give rise to a process of reclassification and re-naming of items in the financial statements in terms of mSCOA item classification, as per the NT mSCOA Template. The reclassification of 2021 audited amounts is summaries in the reclassification column below.

The following restatements and adjustments occurred which are set out below:

58.1 Adjustments of Statement of financial position items

2022

| | Note | Previously reported | Correction of error | Restated |
|---|------|----------------------|---------------------|----------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 3 | 340,475,110 | 443,912 | 340,919,022 |
| Receivables from exchange transactions | 4 | 32,926 | - | 32,926 |
| Statutory receivables | 5 | 3,037,153 | - | 3,037,153 |
| Inventories | 6 | 1,024,848 | - | 1,024,848 |
| VAT receivable | 7 | 3,157,585 | - | 3,157,585 |
| | | 347,727,622 | 443,912 | 348,171,534 |
| Non-current assets | | | | |
| Investment property | 8 | 78,249,031 | (244,800) | 78,004,231 |
| Property, plant and equipment | 9 | 647,484,846 | (4,104,416) | 643,380,430 |
| Intangible assets | 10 | 1,348,147 | - | 1,348,147 |
| | | 727,082,024 | (4,349,216) | 722,732,808 |
| Total assets | | 1,074,809,646 | (3,905,304) | 1,070,904,342 |
| Net assets and liabilities | | | | |
| Current liabilities | | | | |
| Financial lease obligation | 17 | 64,764 | 243,370 | 308,134 |
| Payables from exchange transactions | 13 | 20,162,392 | (19,233,247) | 929,145 |
| Employee benefits | 18 | 1,460,000 | 19,233,247 | 20,693,247 |
| Provisions | 19 | - | 377,170 | 377,170 |
| Retention | 16 | 12,494,989 | - | 12,494,989 |
| Income received in advance | 15 | 1,022,650 | - | 1,022,650 |
| | | 35,204,795 | 620,540 | 35,825,335 |
| Non-current liabilities | | | | |
| Financial lease obligation | 17 | - | 89,816 | 89,816 |
| Employee benefits | 18 | 6,861,000 | - | 6,861,000 |
| Provisions | 19 | 9,735,120 | (6,317,826) | 3,417,294 |
| Danger Allowance | | 693,700 | - | 693,700 |
| | | 17,289,820 | (6,228,010) | 11,061,810 |
| Total net assets | | | | |
| Accumulated surplus | | 1,022,315,031 | 1,702,156 | 1,024,017,187 |
| Total net assets and liabilities | | 1,074,809,646 | (3,905,314) | 1,070,904,332 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

58. Prior year error and reclassification (continued)

58.2 Adjustments of Statement of financial performance items

2022

| | Note | Previously reported | Re-classification | Restated |
|---|------|----------------------|-------------------|----------------------|
| Revenue | | | | |
| Non-exchange revenue | | | | |
| Property rates | 21 | 16,586,711 | - | 16,586,711 |
| Transfers and subsidies | 22 | 433,697,139 | - | 433,697,139 |
| Fines, penalties and forfeits | 23 | 329,392 | - | 329,392 |
| Interest on receivables | 24 | 1,873,313 | (84,558) | 1,788,755 |
| | | 452,486,555 | (84,558) | 452,401,997 |
| Exchange revenue | | | | |
| Services charges - Waste management | 25 | 441,158 | - | 441,158 |
| Rental of facilities and equipment | 26 | 78,554 | - | 78,554 |
| Interest on investments | 27 | 12,451,651 | - | 12,451,651 |
| Interest on receivables | 24 | - | 84,558 | 84,558 |
| Licences or permits | 28 | 4,124,134 | - | 4,124,134 |
| Agency services | 29 | 1,221,762 | - | 1,221,762 |
| Operating revenue | 30 | 304,179 | - | 304,179 |
| Sales of goods | 31 | 607,729 | - | 607,729 |
| | | 19,229,167 | 84,558 | 19,313,725 |
| Total revenue | | 471,715,722 | - | 471,715,722 |
| Expenditure | | | | |
| Employee related cost | 32 | (151,064,488) | (1,441,123) | (152,505,611) |
| Remuneration of councillors | 33 | (23,952,406) | - | (23,952,406) |
| Debt impairment | | (6,755,578) | - | (6,755,578) |
| Depreciation, amortisation and impairment | 35 | (39,917,512) | - | (39,917,512) |
| Finance costs | | (18,546) | - | (18,546) |
| Inventory consumed | 39 | (5,210,215) | (2,091,819) | (7,302,034) |
| Contracted services | 40 | (40,918,662) | (527,282) | (41,445,944) |
| Transfers and subsidies | 41 | (8,547,651) | 1,441,117 | (7,106,534) |
| Operating costs | 42 | (38,566,780) | 2,619,102 | (35,947,678) |
| Operating leases | | (379,561) | - | (379,561) |
| Total expenditure | | (315,331,399) | (5) | (315,331,404) |
| Gains and losses | | | | |
| Gain on disposal of assets | 43 | (943,192) | - | (943,192) |
| Impair | 36 | 4,514,081 | - | 4,514,081 |
| Inventories (write-down) | 44 | (215,423) | - | (215,423) |
| Fair value adjustment | 45 | 215,000 | - | 215,000 |
| | | 3,570,466 | - | 3,570,466 |

58.3 Correction of errors

The following prior period errors adjustments occurred:

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

58. Prior year error and reclassification (continued)

Cash and Cash equivalents

Nature of error

| | | |
|--|---|--------------------|
| Include the adjustment and the financial effect of the error | - | 340,475,110 |
| | - | 443,912 |
| | - | 340,919,022 |

FNB Call Account deposit interest were only captured in the cashbook but not allocated and posted in the general ledger as at 30 June 2021. Upon allocated them, and updated, the short term call account deposit has changed and been adjusted accordingly as a result of a correction of error.

Investment Property

Nature of error

| | | |
|--|---|-------------------|
| Include the adjustment and the financial effect of the error | - | 78,249,031 |
| | - | (244,800) |
| | - | 78,004,231 |

In the previous year, 5 erven were incorrectly included in the investment property whilst these erven do not belong to nyandeni local municipality.

Property, plant and equipment

Nature of error

| | | |
|--|---|--------------------|
| Include the adjustment and the financial effect of the error | - | 647,484,846 |
| | - | (4,104,416) |
| | - | 643,380,430 |

In the previous year, the municipality incorrectly provided the provision for rehabilitation of the new landfill site which is not yet operational. That has led to a recognition of an asset. There is no area that has been utilised or contaminated that contributes towards rehabilitation. The municipality has no obligation to rehabilitate environmental damaged to the land.

Financial liabilities

Nature of error

| | | |
|--|---|----------------|
| Include the adjustment and the financial effect of the error | - | 64,764 |
| | - | 333,186 |
| | - | 397,950 |

There were photocopy machines that were not removed from the general ledger although the term of lease expired. Also, some of the photocopy machines had a lease term that expired but still in existence and used by the municipality. Those machines had their useful life adjusted, and such adjustments resulted to the correction of the prior year error.

Provisions

Reclassification

| | | |
|--|---|------------------|
| Include the adjustment and the financial effect of the error | - | 9,735,120 |
| | - | (6,317,826) |
| | - | 3,417,294 |

In the previous year, the municipality incorrectly provided the provision for rehabilitation of the new landfill site which is not yet operational. There was no area that has been utilised or contaminated that contributes towards rehabilitation. The municipality had no obligation to rehabilitate environmental damaged to the land. The adjustment has been effected as a result of the correction of the prior year error.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

58. Prior year error and reclassification (continued)

Inventory consumed

Reclassification

| | | |
|-----------|---|-----------|
| Packaging | - | 2,091,820 |
|-----------|---|-----------|

In the previous year, the municipality classified packaging under general expenses (operational costs). Because of mSCOA implementation the municipality has realised that the nature of packaging is inventory consumed and not general expense (operational costs)

Contracted services

Reclassification

| | | |
|------------------------|---|----------------|
| Consulting fees | - | 587,013 |
| Departmental transport | - | (59,730) |
| | - | 527,283 |

In the previous year, the municipality classified consulting fees under general expenses (operational costs). Currently has been moved to contracted services.

Departmental transport was previously classified under contracted services, currently has been moved to operational cost.

Because of the mSCOA implementation the municipality has realised that the nature of the items above were misclassified.

Operating costs (General expenses)

Reclassification

| | | |
|---------------------------------------|---|--------------------|
| Consulting fees (Contracted services) | - | (587,013) |
| Packaging (Inventory consumed) | - | (2,091,820) |
| Departmental transport | - | 59,730 |
| | - | (2,619,103) |

In the previous year, the municipality classified consulting fees under general expenses (operational costs). Currently has been moved to contracted services.

Departmental transport was previously classified under contracted services, currently has been moved to operational cost

Inventory consumed was previously classified under packaging. It is now classified as inventory consumed.

Because of the mSCOA implementation the municipality has realised that the nature of the items above were misclassified.

Interest and rent on land

| | | |
|--|------------------|------------------|
| Interest and rent on land (non-exchange) | 1,846,133 | 1,788,755 |
| Interest and rent on land (exchange) | 118,745 | 84,558 |
| | 1,964,878 | 1,873,313 |

Because of the mSCOA implementation the municipality has realised that the nature of the items disclosed above have been split between exchange and non-exchange.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

59. Segment information

General information

Identification of segments

The municipality is organised and reports to management based on the primary functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes. Aggregated segments were identified as the segments that generate economic benefits or service potential, and such segments are community and public safety, economic and environmental services, and trading services. Other segments were identified as those that do not generate service economic benefits but are of support services to other segments. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

Below are the segments:

Community and Public Safety

- Community and social services
- Sport and recreation
- Public safety
- Housing
- Health

Economic and environmental services

- Planning and development
- Road transport

Trading services

- Energy sources
- Waste management
- Additional text

2022

| | Community and public safety | Economic and environmental services | Trading services | Other | Unallocated | Total |
|---|-----------------------------|-------------------------------------|------------------|----------|--------------------|--------------------|
| Segment revenue | | | | | | |
| External revenue from non-exchange transactions | 1,215,484 | 76,591,169 | 5,569,235 | - | 317,640,663 | 401,016,551 |
| External revenue from exchange transactions | 4,385,128 | 211,214 | 412,851 | - | 3,949,498 | 8,958,691 |
| Interests on investments | - | - | - | - | 16,742,849 | 16,742,849 |
| Interest earned from receivables | - | - | 118,745 | - | 1,846,133 | 1,964,878 |
| Gain on disposal of assets | - | - | - | - | 2,645,440 | 2,645,440 |
| Total | 5,600,612 | 76,802,383 | 6,100,831 | - | 342,824,583 | 431,328,409 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

59. Segment information (continued)

Segment expenses

| | | | | | | |
|---------------------------------------|------------|------------|------------|-----------|-------------|-------------|
| Total segment expenses | 45,061,727 | 40,352,799 | 29,454,191 | 2,035,370 | 158,684,751 | 275,588,838 |
| Depreciation and amortisation | - | - | - | - | 46,456,402 | 46,456,402 |
| Impairment losses on financial assets | - | - | - | - | 3,796,088 | 3,796,088 |
| Interest expense | - | - | 377,170 | - | 33,024 | 410,194 |

| | | | | | | |
|--------------|-------------------|-------------------|-------------------|------------------|--------------------|--------------------|
| Total | 45,061,727 | 40,352,799 | 29,831,361 | 2,035,370 | 208,970,265 | 326,251,522 |
|--------------|-------------------|-------------------|-------------------|------------------|--------------------|--------------------|

| | | | | | | |
|-----------------------------|---------------------|-------------------|---------------------|--------------------|--------------------|--------------------|
| Surplus for the year | (39,461,115) | 36,449,584 | (23,730,530) | (2,035,370) | 133,854,318 | 105,076,887 |
|-----------------------------|---------------------|-------------------|---------------------|--------------------|--------------------|--------------------|

Other information

| | | | | | | |
|---------------------------|--------------|--------------|-------------|-----------|---------------|---------------|
| Segment assets | (50,475,777) | (12,162,458) | (5,168,919) | (650,163) | 1,256,765,084 | 1,188,307,767 |
| Segment liabilities | 10,777,162 | (47,458,610) | 6,514,757 | 1,045,814 | 84,796,820 | 55,675,943 |
| Total capital expenditure | - | 3,745,777 | - | - | 139,758,209 | 143,503,986 |

Reconciliation of non-cash items

| | |
|----------------------------|------------------|
| Loss on disposal of assets | (121,888) |
| Fair value adjustments | 2,796,569 |
| Inventories (write-down) | (29,241) |
| Actuarial gain/losses | 1,748,000 |
| | 4,393,440 |

2021

| | Community and public safety | Economic and environmental services | Trading services | Other | Unallocated | Total |
|---|-----------------------------|-------------------------------------|---------------------|--------------------|--------------------|--------------------|
| Segment revenue | | | | | | |
| External revenue from non-exchange transactions | 18,353,813 | 76,398,000 | 5,150,000 | - | 350,711,429 | 450,613,242 |
| External revenue from exchange transactions | 5,273,469 | 189,321 | 441,158 | - | 873,568 | 6,777,516 |
| Interests on investments | - | - | - | - | 12,451,651 | 12,451,651 |
| Interest earned from receivables | - | - | 84,558 | - | 1,788,755 | 1,873,313 |
| Gain on disposal of assets | - | - | - | - | 3,355,466 | 3,355,466 |
| Total | 23,627,282 | 76,587,321 | 5,675,716 | - | 369,180,869 | 475,071,188 |
| Segment expenses | | | | | | |
| Total segment expenses | 46,142,721 | 44,512,858 | 24,259,708 | 1,599,273 | 158,665,784 | 275,180,344 |
| Depreciation and amortisation | - | - | - | - | 39,917,512 | 39,917,512 |
| Interest expense | - | - | - | - | 18,546 | 18,546 |
| Total | 46,142,721 | 44,512,858 | 24,259,708 | 1,599,273 | 198,601,842 | 315,116,402 |
| Surplus for the year | (22,515,439) | 32,074,463 | (18,583,992) | (1,599,273) | 170,579,027 | 159,954,786 |
| Other information | | | | | | |
| Segment assets | 11,076,699 | 86,621,811 | 3,731,262 | (461,652) | 973,771,877 | 1,074,739,997 |
| Segment liabilities | 45,654,983 | 134,826,827 | 25,831,793 | 1,137,621 | (156,728,424) | 50,722,800 |
| Total capital expenditure | 1,408,729 | (21,249) | - | - | 105,492,690 | 106,880,170 |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

59. Segment information (continued)

Reconciliation of non-cash items

| | |
|----------------------------|------------------|
| Loss on disposal of assets | (943,192) |
| Fair value adjustments | 4,514,081 |
| Inventories (write-down) | (215,423) |
| Actuarial gain/losses | 215,000 |
| | 3,570,466 |

Segment surplus or deficit, assets and liabilities

By function

2022

| | Statement of financial performance | | | Statement of financial position |
|--|------------------------------------|---------------------------|----------------------------------|-----------------------------------|
| | Total segment revenue | Total segment expenditure | Total segment surplus/ (Deficit) | Total segment capital expenditure |
| Governance and administration | | | | |
| Executive and council | - | 66,703,260 | (66,703,260) | 29,070 |
| Finance and administration | 341,805,244 | 139,900,076 | 201,905,168 | 176,743,388 |
| Internal audit | - | 2,396,169 | (2,396,169) | - |
| Community and public safety | | | | |
| Community and social services | 712,165 | 13,365,215 | (12,653,050) | - |
| Sport and recreation | 1,352 | - | 1,352 | - |
| Public safety | 4,887,095 | 27,893,260 | (23,006,165) | - |
| Housing | - | 3,492,881 | (3,492,881) | - |
| Health | - | 310,368 | (310,368) | - |
| Economic and environmental services | | | | |
| Planning and development | 1,816,383 | 15,520,764 | (13,704,381) | - |
| Road transport | 74,986,000 | 24,832,033 | 50,153,967 | 1,387,481 |
| Trading services | | | | |
| Energy sources | 5,569,235 | 9,509,020 | (3,939,785) | - |
| Waste management | 531,596 | 20,322,340 | (19,790,744) | - |
| Other | | | | |
| Other | - | 2,035,371 | (2,035,371) | - |
| Total | 430,309,070 | 326,280,757 | 104,028,313 | 178,159,939 |

2021

| | Statement of financial performance | | | Statement of financial position |
|--------------------------------------|------------------------------------|---------------------------|----------------------------------|-----------------------------------|
| | Total segment revenue | Total segment expenditure | Total segment surplus/ (Deficit) | Total segment capital expenditure |
| Governance and administration | | | | |
| Executive and council | - | 68,778,089 | (68,778,089) | - |
| Finance and administration | 369,180,869 | 129,240,494 | 239,940,375 | 690,725,235 |
| Internal audit | - | 583,262 | (583,262) | - |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

59. Segment information (continued)

Community and public safety

| | | | | |
|-------------------------------|------------|------------|--------------|-----------|
| Community and social services | 712,278 | 15,900,793 | (15,188,515) | - |
| Sport and recreation | 2,141 | - | 2,141 | - |
| Public safety | 5,588,443 | 25,989,583 | (20,401,140) | 1,408,729 |
| Housing | 17,324,421 | 2,950,951 | 14,373,470 | - |
| Health | - | 702,582 | (702,582) | - |

Economic and environmental services

| | | | | |
|--------------------------|------------|------------|--------------|----------|
| Planning and development | 189,320 | 16,931,654 | (16,742,334) | - |
| Road transport | 76,398,000 | 27,559,207 | 48,838,793 | (21,249) |

Trading services

| | | | | |
|------------------|-----------|------------|--------------|---|
| Energy sources | 5,150,000 | 11,842,704 | (6,692,704) | - |
| Waste management | 525,716 | 12,417,004 | (11,891,288) | - |

Other

| | | | | |
|-------|---|-----------|-------------|---|
| Other | - | 1,599,273 | (1,599,273) | - |
|-------|---|-----------|-------------|---|

| | | | | |
|--------------|--------------------|--------------------|--------------------|--------------------|
| Total | 475,071,188 | 314,495,596 | 160,575,592 | 692,112,715 |
|--------------|--------------------|--------------------|--------------------|--------------------|

60. Events after the reporting date

1. An amount of R21 092 463 on note 53 which is irregular expenditure was written off on the 31st August 2022 as per council resolution 3039.

2. On the 13 September 2022, the municipal town hall which includes the Registration Authority and Revenue unit offices, situated in ERF 51 in Ngqeleni were burnt out. A case of arson was opened in the Ngqeleni police station with Case number 80/09/2022. Most of the items in the building were not rescued, which include receipts books and Registration Authority computers. The carrying amount of the building and its contents was R886 000 and R52 040.76 respectively.

61. Other reporting events - COVID-19

At the end of March 2020, the COVID19 virus was declared a pandemic by the World Health Organisation and by the South African Government. South Africa entered into lockdown on 26th March 2020, which meant that businesses that were not seen as essential had to shut down. The municipality incurred the following expenses relating to COVID-19 pandemic.

The municipality did not incur any expenditure in the current year relating to COVID-19.

COVID-19 Related Expenditure

| | | |
|---|---|------------------|
| Resealable plastic bag | - | 3,204 |
| Rolls of kitchen towel | - | 102 |
| 20 litre step one | - | 5,378 |
| Litter swinging steel reduce drums | - | 171,500 |
| Wheelie bins for Ngqeleni | - | 139,400 |
| Refuse Wheelie bins for Libode | - | 165,000 |
| Foot pedal sanitiser stand | - | 2,940 |
| Infrared no contact digital thermometer | - | 7,200 |
| Masks 3 ply, face masks | - | 43,794 |
| Alcohol based hand sanitizer | - | 10,617 |
| Disposable litter picker | - | 17,500 |
| Covid Relief Subsidy | - | 534,000 |
| | - | 1,100,635 |

62. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled B BBEE Compliance Performance Information.