



NYANDENI

LOCAL MUNICIPALITY

Building a better future with the people

Nyandeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 - 5
Accounting Officer's Responsibilities and Approval	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of changes in net assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 16
Accounting Policies	17 - 45
Notes to the Annual Financial Statements	46 - 89

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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
ORTDM	OR Tambo District 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 2023

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	The Constitution of the Republic of South Africa, 1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Division of Revenue Act (Act 1 of 2007)
Mayor and chairperson of executive committee	
Portfolio	Councillor
Honourable Mayor and chairperson of mayoral committee	Cllr B. V. Ndamase (Newly elected 09-02-2023) Cllr T. Matika-Mcube (Last day in office 08-02-2023)
Speaker	Cllr M. R. Mtobela
Council WIP	Cllr N. Yehana
Portfolio Head Budget & Treasury	Cllr N. Jim
Portfolio Head Planning, Research and IGR	Cllr A. M. Vuthela
Portfolio Head Infrastructure Development	Cllr Z. Mevana
Portfolio Head Community Services & Public Safety	Cllr T. Matika-Mcube (Newly elected 09-02-2023) Cllr P. Matinise - (Last day in office 08-02-2023)
Portfolio Head Corporate Services	Cllr S. Mbiyozo
Portfolio Head LED & Rural Development	Cllr P. Matinise (Newly elected 09-02-2023) Cllr S. Ntsasela (Last day in office 31-01-2023)
Portfolio Head Human Settlement, Spatial Planning & Disaster Management	Cllr N. Tyopo
Portfolio Head Special Programs Unit	Cllr S. Ntinta
Mayor's Office	Cllr Z. Nondlevu
Section 79 Councillors	Cllr F. Gaxeni Cllr Z. Hlthane Cllr Z. Mchithakali Cllr N. Nonkothama

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

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	M
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 Mbusi	V. G
13	Cllr Matomela	Z	14	Cllr Mavume	S
15	Cllr Mbiyozo	S	16	Cllr Mbodloyi	F
17	Cllr Mrawushe	Z	18	Cllr Mketi	L. M
19	Cllr Mdlungu	N	20	Cllr Nodaza	P
21	Cllr Mfakanye	G	22	Cllr Mhlana	N
23	Cllr Mjabubana	N. G	24	Cllr Mkwelanga	N. G
25	Cllr Ngangaza	S. N	26	Cllr Noxaka	D
27	Cllr Nazo	C	28	Cllr Ntoza	N. P
29	Cllr Ntsasela (Resigned)-31-01-2023	S	30	Cllr Tatani	K
31	Cllr Diko	N. E	32	Cllr Vanda	L. M
33	Cllr Vuthela	A. M	34	Cllr Zondani	V. B
35	Cllr Mjabubana	N	36	Cllr Yolwa	P. P
37	Cllr Nomatiti	A	38	Cllr Mkhosana	M. T
39	Cllr Gebhu	M	40	Cllr Mpongwana	L
41	Cllr Ntshunguzi	A	42	Cllr Jiba	N
43	Cllr Tshatshela	L	44	Cllr Molose	N
45	Cllr Nomandela	M. Z	46	Cllr Mjulwa	A
47	Cllr Zihlangu	N	48	Cllr Matiwane	Z. R
49	Cllr Mkentane	C. N	50	Cllr Peter	N
51	Cllr Nonkonyana	N	52	Chief Ndamase	H
53	Chief Malahla	N			

Senior Management

Position

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

Name

Ms. Z. Masumpa
Mr. B. K. Benxa
Rev. J. Sikhuni (Start date: 01-02-2023)
Mr. S. Mvunelo
Mrs. N. Mqoqi - Mondl
Mr. S. V. Poswa

Members of the Audit Committee

Chairperson
Member
Member
Member

Mrs. N. Ntshanga
Mr. C. Sparg
Mr. S. Ntapane
Ms. S. Lehlehla

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

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	Luzipho Attorneys Tonise Attorneys Talení Godi Kupiso Incorporated

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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.

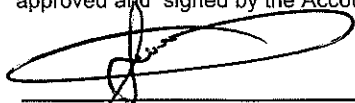
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent management judgements and estimates.

I, as the Accounting Officer acknowledges 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 MSCO 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 32 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 7 to 89, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer:



G N Cekwana
Acting Municipal Manager

Thursday, 31 August 2023

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

	Note(s)	2023 R	2022 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	429 961 778	383 856 004
Receivables from exchange transactions	4	488 931	128 043
Statutory receivables	5	5 606 885	8 036 126
Inventories	6	1 544 589	606 091
VAT Receivable	7	9 904 879	8 026 933
		447 507 062	400 653 197
Non-Current Assets			
Investment property	8	85 656 000	81 089 600
Property, plant and equipment	9	761 970 390	703 311 344
Intangible assets	11	2 135 396	2 029 691
		849 761 786	786 430 635
Total Assets		1 297 268 848	1 187 083 832
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	7 462 933	3 726 594
Unspent conditional grant	14	5 728 784	8 249 234
Income received in advance	15	1 044 406	1 433 541
Retentions	16	19 574 628	14 449 237
Financial lease liabilities	17	361 169	145 752
Employee benefits	18	19 408 995	18 009 112
Provisions	19	862 832	490 280
		54 443 747	46 503 750
Non-Current Liabilities			
Financial lease liabilities	17	630 890	-
Employee benefits	18	6 551 000	7 375 000
Provisions	19	5 974 269	3 946 640
		13 156 159	11 321 640
Total Liabilities		67 599 906	57 825 390
Net Assets		1 229 668 942	1 129 258 442
Net assets presented by:			
Accumulated surplus		1 229 668 942	1 129 258 442

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

	Note(s)	2023 R	2022 Restated* R
Revenue			
Exchange Revenue			
Services charges - Waste management	20	590 575	412 851
Rental of facilities, land and equipment	21	192 001	182 600
Interests received - investment	22	30 552 163	16 742 849
Interest earned from receivables	23	196 265	118 745
Licences or permits	24.1	3 089 955	2 903 983
Agency services	25	454 471	1 576 436
Operating revenue	26	4 482 832	3 418 055
Sales of goods and rendering of services	27	432 284	464 766
Total Exchange Revenue		39 990 546	25 820 285
Non-Exchange Revenue			
Property rates	28	19 128 602	18 317 406
Transfers and subsidies	29	406 548 616	382 183 661
Fines, penalties and forfeits	30	343 430	515 484
Interest earned from receivables	23	3 211 257	1 846 133
Total Non-Exchange Revenue		429 231 905	402 862 684
Total Revenue		469 222 451	428 682 969
Expenditure			
Employee related cost	31	161 824 987	158 738 566
Remuneration of councillors	32	24 525 915	24 463 806
Irrecoverable Debts Written Off	33	12 301 736	-
Depreciation and amortisation	34	53 696 540	46 456 402
Impairment losses on property plant & equipment	35	3 578 264	3 796 088
Finance costs	36	1 405 030	1 099 194
Inventory consumed	37	4 927 134	5 481 114
Contracted services	38	43 189 164	30 157 769
Transfers and subsidies	39	13 685 119	7 879 663
General expenses	40	47 774 795	49 718 497
Operating leases	41	138 649	208 423
Total Expenditure		367 047 333	327 999 522
Operating Surplus		102 175 118	100 683 447
Gain/losses on disposal of assets	42	(8 048 887)	(121 888)
Fair value adjustments	43	4 566 400	2 796 569
Inventories (write-down)	44	(1 411)	(29 241)
Actuarial gain/losses	45	1 526 000	1 748 000
Surplus for the year		100 217 220	105 076 887

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of changes in net assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 022 190 593	1 022 190 593
Adjustments		
Correction of errors	1 827 926	1 827 926
Balance at 01 July 2021 as restated*	1 024 018 519	1 024 018 519
Surplus for the year	105 076 887	105 076 887
Transfers to / from accumulated surplus for the year	(125 764)	(125 764)
Total changes	104 951 123	104 951 123
Opening balance as previously reported	1 129 066 285	1 129 066 285
Adjustments		
Correction of errors	288 800	288 800
Restated* Balance at 01 July 2022 as restated*	1 129 355 085	1 129 355 085
Surplus for the year	100 217 220	100 217 220
Total changes	100 217 220	100 217 220
Adjustments		
Prior period correction of errors posted in current year	96 637	96 637
Balance at 30 June 2023	1 229 668 942	1 229 668 942

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

	Note(s)	2023 R	2022 Restated* R
Cash flows from operating activities			
Receipts			
Property rates	28	19 128 602	17 528 967
Service charges	20	590 575	-
Operational revenue	26	2 466 049	7 133 403
Transfers and Subsidies – Capital	29.3	80 033 515	74 664 467
Transfers and Subsidies – Operational	29.2	326 515 101	315 768 428
Interest	22	30 552 163	16 742 849
Payments			
Suppliers and employees	31	(279 584 204)	(270 919 367)
Finance charges	36	(1 405 029)	(410 194)
Transfers and subsidies	39	(13 685 119)	(7 879 663)
Net cash from(used) operating activities	47	164 611 653	152 628 890
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets	9&11	(2 484 353)	-
Payments			
Capital assets	9	(121 232 468)	(110 389 246)
Intangible assets	11	(371 621)	(723 227)
Net cash flows from investing activities		(124 088 442)	(111 112 473)
Cash flows from financing activities			
Receipts			
Increase in borrowing long-term	17	846 307	-
Payments			
Decrease in short term loans		-	(250 872)
Decrease in borrowing long-term		-	(693 700)
Decrease in consumer deposits		(389 135)	410 891
Decrease in other liabilities		5 125 391	1 954 248
Net cash flows from financing activities		5 582 563	1 420 567
Net increase/(decrease) in cash		46 105 774	42 936 984
Cash and cash equivalents at beginning of the year		383 856 004	340 919 022
Cash and cash equivalents at end of the year		429 961 778	383 856 006

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Difference between final budget and actual as a percentage %	Reference
	R	R	R	R	R		

Statement of Financial Performance

Revenue

Revenue from non-exchange transactions

Property rates	17 785 627	2 279 744	20 065 371	19 128 602	(936 769)	(5)	1
Transfers and Subsidies	322 274 000	11 499 003	333 773 003	326 515 101	(7 257 902)	(2)	2
Fines, penalties and forfeits	420 716	-	420 716	343 430	(77 286)	(18)	3
Gains	-	3 822 662	3 822 662	-	(3 822 662)	(100)	
Total revenue from non-exchange transactions	340 480 343	17 601 409	358 081 752	345 987 133	(12 094 619)		

Revenue from exchange transactions

Services charges - Waste management	293 621	-	293 621	590 575	296 954	101	5
Rental of facilities, land and equipment	20 000	-	20 000	192 001	172 001	860	6
Interests received - investment	17 980 725	6 178 852	24 159 577	30 552 163	6 392 586	26	7
Interest and outstanding debtors	1 262 072	1 785 540	3 047 612	3 407 522	359 910	12	8
Licences or permits	5 219 593	-	5 219 593	3 089 955	(2 129 638)	(41)	9
Agency services	1 300 000	-	1 300 000	454 471	(845 529)	(65)	10
Operational revenue	1 070 045	-	1 070 045	4 915 116	3 845 071	359	11
Total revenue from exchange transactions	27 146 056	7 964 392	35 110 448	43 201 803	8 091 355		
Total revenue	367 626 399	25 565 801	393 192 200	389 188 936	(4 003 264)		

Expenditure

Employee related cost	(188 499 265)	(3 198 311)	(191 697 576)	(161 824 987)	29 872 589	(16)	13
Remuneration of councillors	(27 685 417)	2 682 659	(25 002 758)	(24 525 915)	476 843	(2)	14
Bad debts written off	(6 755 578)	-	(6 755 578)	(12 301 736)	(5 546 158)	82	15
Depreciation and asset impairment	(58 610 511)	-	(58 610 511)	(53 696 540)	4 913 971	(8)	16
Impairment losses on property plant & equipment	-	-	-	(3 578 264)	(3 578 264)	-	16
Inventory consumed	(8 459 051)	2 521 071	(5 937 980)	(4 927 134)	1 010 846	(17)	17
Contracted services	(75 381 155)	(25 193 709)	(100 574 864)	(43 189 164)	57 385 700	(57)	18
Transfers and subsidies	(15 318 178)	(7 571 485)	(22 889 663)	(13 685 119)	9 204 544	(40)	19

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Finance charges	-	-	-	(1 405 030)	(1 405 030)	- 20
Operating costs	(78 956 052)	5 299 196	(73 656 856)	(47 774 795)	25 882 061	(35) 21
Operating leases	-	-	-	(138 649)	(138 649)	- 22
Total expenditure	(459 665 207)	(25 460 579)	(485 125 786)	(367 047 333)	118 078 453	
Operating surplus	(92 038 808)	105 222	(91 933 586)	22 141 603	114 075 189	
Loss on disposal of assets and liabilities	-	-	-	(8 048 887)	(8 048 887)	-
Fair value adjustments	-	-	-	4 566 400	4 566 400	-
Transfers and Subsidies - Capital	65 968 000	10 133 722	76 101 722	76 961 662	859 940	1 24
Actuarial gain/losses	(50 000)	3 338 000	3 288 000	1 526 000	(1 762 000)	(54)
Inventories (write-down)	-	-	-	(1 411)	(1 411)	- 25
	65 918 000	13 471 722	79 389 722	75 003 764	(4 385 958)	
Surplus before taxation	(26 120 808)	13 576 944	(12 543 864)	97 145 367	109 689 231	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(26 120 808)	13 576 944	(12 543 864)	97 145 367	109 689 231	

3. There were vacancies for Examiners and Traffic Officers were requested to assist on examining. However, in the last quarter vacancies were filled to strengthen law enforcement

5. The municipality entered into a new contract with St. Barnabas Hospital for refuse collection

6. Demand of the utilisation of the hall has increased and bill board's rental.

7. The municipality received additional grants during the year and generated interest on short term call deposit accounts

8. The municipality implements credit control policy and charge interest on arrear accounts.

9. There has been a decrease in a number of customers applying for learners and driving licences

10. Due to fire damage occurred in the Registering Offices which resulted for the office to stop operating

11. The municipality received insurance claim pay-outs which were not budgeted for.

13. There were vacant posts during the year due to resignation and retirement of employees.

15. The municipality performed an assessment of collection and there an increase in a number of customers exposed on non-payment.

17. Due to implementation of cost containment measures, expenditures were reduced.

18. Due to implementation of cost containment measures, expenditures were reduced.

19. There has been in a number of indigent household beneficiaries.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference	
	R	R	R	R	R		
Statement of Financial Position							
Assets							
Current Assets							
Cash	153 210 130	(188 974 756)	(35 764 626)	55 676 199	91 440 825	(256)	1
Consumer debtors	6 683 042	(2 226 773)	4 456 269	488 931	(3 967 338)	(89)	2
Other debtors	9 039 280	12 477 569	21 516 849	5 606 885	(15 909 964)	(74)	3
Inventories	1 024 848	(418 757)	606 091	1 544 589	938 498	155	4
Call investment	99 974 385	212 651 578	312 625 963	374 285 579	61 659 616	20	6
VAT receivable	-	-	-	9 904 879	9 904 879	-	5
	269 931 685	33 508 861	303 440 546	447 507 062	144 066 516		
Non-Current Assets							
Investment property	78 249 031	2 551 769	80 800 800	85 656 000	4 855 200	6	6
Property, plant and equipment	720 902 630	72 379 601	793 282 231	761 970 390	(31 311 841)	(4)	7
Intangible assets	(18 502 150)	19 619 137	1 116 987	2 135 396	1 018 409	91	8
	780 649 511	94 550 507	875 200 018	849 761 786	(25 438 232)		
Total Assets	1 050 581 196	128 059 368	1 178 640 564	1 297 268 848	118 628 284		
Liabilities							
Current Liabilities							
Trade and other payables	18 162 560	37 012 799	55 175 359	54 400 581	(774 778)	(1)	9
Borrowings	64 764	80 988	145 752	361 169	215 417	148	11
Provisions	25 680 836	(22 629 929)	3 050 907	862 832	(2 188 075)	(72)	12
	43 908 160	14 463 858	58 372 018	55 624 582	(2 747 436)		
Non-Current Liabilities							
Borrowings	-	1 326	1 326	630 890	629 564	47 478	15
Employee benefits	-	-	-	6 551 000	6 551 000	-	16
Provisions	10 428 820	35 820	10 464 640	5 974 269	(4 490 371)	(43)	17
	10 428 820	37 146	10 465 966	13 156 159	2 690 193		
Total Liabilities	54 336 980	14 501 004	68 837 984	68 780 741	(57 243)		
Net Assets	996 244 216	113 558 364	1 109 802 580	1 228 488 107	118 685 527		
Net Assets							
Net Assets Attributable to Owners of Controlling Entity							
Reserves							
Reserves	5 394 300	-	5 394 300	-	(5 394 300)	(100)	
Accumulated surplus	990 849 916	113 558 364	1 104 408 280	1 228 488 107	124 079 827	11	
Total Net Assets	996 244 216	113 558 364	1 109 802 580	1 228 488 107	118 685 527		

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

1. The municipality adjusted the budget and shift the figures to call investment account. It was expected that the funds in the current accounts will be fully spent at the end of financial year.

2. The municipality did not collect as anticipated

3. The municipality did not consume all the inventory at the of financial year.s

6. Due to additional conditional grants received during the year, where separate call accounts opened for them

8. There were new additions during the year

11. Municipality entered into a new lease agreement for photocopy machines

12. Due to increase in the provision of employees for long service bonus

15. Due to new lease agreement for photocopy machines

17. Provision for landfill site has been reviewed to cater for the old dump site and new landfill site which is operating

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	8 919 164	(15 865 543)	(6 946 379)	19 128 602	26 074 981	(375)
Sale of goods and services	171 811	(582 000)	(410 189)	432 284	842 473	(205)
Grants	322 100 331	(8 179 000)	313 921 331	326 515 101	12 593 770	4
Interest income	-	-	-	30 552 163	30 552 163	-
Other revenue	8 030 354	-	8 030 354	2 327 403	(5 702 951)	(71)
transfer capital	65 968 000	-	65 968 000	80 033 515	14 065 515	21
	<u>405 189 660</u>	<u>(24 626 543)</u>	<u>380 563 117</u>	<u>458 989 068</u>	<u>78 425 951</u>	

Payments

Suppliers and employees	(385 908 600)	230 331 195	(155 577 405)	(280 578 654)	(125 001 249)	80
Transfers and grants	(8 598 553)	-	(8 598 553)	(13 685 119)	(5 086 566)	59
Finance charges	-	-	-	(1 405 030)	(1 405 030)	-
	<u>(394 507 153)</u>	<u>230 331 195</u>	<u>(164 175 958)</u>	<u>(295 668 803)</u>	<u>(131 492 845)</u>	

Net cash flows from operating activities	10 682 507	205 704 652	216 387 159	163 320 265	(53 066 894)	
---	-------------------	--------------------	--------------------	--------------------	---------------------	--

Cash flows from investing activities

Purchase of property, plant and equipment	(112 178 000)	-	(112 178 000)	(121 232 468)	(9 054 468)	8	CF5
Proceeds from sale of property, plant and equipment	-	-	-	(2 484 353)	(2 484 353)	-	
Purchase of other intangible assets	-	-	-	(371 621)	(371 621)	-	CF6
Net cash flows from investing activities	(112 178 000)	-	(112 178 000)	(124 088 442)	(11 910 442)		

Cash flows from financing activities

Repayment on other financial liabilities	-	-	-	(389 135)	(389 135)	-	CF6
Finance lease receipts	-	-	-	846 307	846 307	-	
Decrease in other liabilities	-	-	-	5 125 391	5 125 391	-	
Net cash flows from financing activities	-	-	-	5 582 563	5 582 563		

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net increase/(decrease) in cash and cash equivalents	(101 495 493)	205 704 652	104 209 159	46 105 774	(59 394 773)	(57)
Cash and cash equivalents at the beginning of the year	-	-	-	383 856 004	383 856 004	-
Cash and cash equivalents at the end of the year	(101 495 493)	205 704 652	104 209 159	429 961 778	324 461 231	

Reasons for adjustment of approved budget

It was reallocations within the budget based on performance

The accounting policies on pages 17 to 45 and the notes on pages 46 to 89 form an integral part of the annual financial statements.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

The annual financial statements of Nyandeni Local Municipality for the year ended 30 June 2023 were authorised for issue by the Accounting Officer on 31 August 2023.

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, 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 2023

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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 exchange rates, inflation, interest, etc.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 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 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 2023

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 2023

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

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

- 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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Intangible assets (continued)

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

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

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

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 economic benefits (inflows of cash or other assets) are expected.

An asset is identifiable if it either:

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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 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.

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.

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
Receivable from exchange transactions	Financial assets at amortised cost
Statutory receivables	Financial assets at amortised cost
Cash and cash equivalents	Financial assets at amortised cost

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

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 liabilities

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

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

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

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

Type of financial liability	Classification
Payable from exchange transactions	Financial liability at amortised cost
Payable from non exchange transactions	Financial liability at amortised cost
Income received in advance	Financial liability at amortised cost
Retentions	Financial liability at amortised cost
Financial lease liabilities	Financial liability at amortised cost
Provisions	
Employee benefits	

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

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

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.

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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

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 liabilities

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).

Any other financial lease liabilities 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

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

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 liabilities

The municipality derecognises financial lease liabilities 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.

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

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

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

- Rates debtors
- Traffic fine debtors

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Statutory receivables (continued)

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.

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;

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Statutory receivables (continued)

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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Inventories (continued)

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.

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

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

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 2023

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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

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

Value in use

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

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

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

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

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

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

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

1.13 Employee benefits

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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

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.

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

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

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

The 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 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

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.

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-measures 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Provisions (continued)

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 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 Financial statements.

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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue (continued)

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 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.

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

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue (continued)

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.

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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue (continued)

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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Fruitless and wasteful expenditure (continued)

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 52.2

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.

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 52.1.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.23 Segment information (continued)

Measurement

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

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

1.24 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.

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 2022/07/01 to 2023/06/30.

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 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 an 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Related parties and related party transactions (continued)

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 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.

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.26 Events after reporting date (continued)

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 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for Department of Transport. 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 has 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Principal-agent arrangements (continued)

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.

1.29 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.

1.30 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 2023

Notes to the Annual Financial Statements

	2023 R	2022 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 2023 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	1 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	1 April 2023	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	55 676 184	45 999 335
Call deposits and investments		
Short term investments	374 285 579	337 856 654
Cash on hand	15	15
Total cash and cash equivalents	429 961 778	383 856 004

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

				2023 R	2022 R	
3. Cash and cash equivalents (continued)						
3.2 Difference between cash book and bank statement						
	Cash book	30 June 2023 Bank statement	Difference	Cash book	30 June 2022 Bank statement	Difference
Standard bank - Call Acc 388655305405 - HSG	798 979	748 200	50 779	-	-	-
First National Bank - Call Acc - 62159915704 MIG Call	34 735 009	34 735 009	-	39 550 965	39 550 965	-
Standard bank - 48 hour notice deposit - 388655305	7 107 388	7 107 388	-	10 469 776	10 469 776	-
First National Bank - Call Acc - 74182161238 NLM	11 663 161	11 561 699	101 462	10 871 331	10 838 122	33 209
First National Bank Call Account - 62159922551- Property Valuation	224 769	224 769	-	211 683	211 683	-
First National Bank - Call Account - 62396357298 - EPWP	1 866 238	2 041 302	(175 064)	1 718 739	1 893 802	(175 063)
Nedbank - Fixed Deposit - 03/7881143126	77 971 901	77 971 901	-	54 162 721	54 162 721	-
First National Bank - Call Account - 74634166463	45 767	46 341	(574)	43 094	43 668	(574)
Standard Bank - 548736855-001	1 012 589	1 012 589	-	966 505	966 505	-
First National Bank - 32 Day Interest - 72399019737	2 662 138	2 662 260	(122)	19 229	19 351	(122)
Nedbank - Fixed Deposit - 03/7881138173	8 403 763	8 403 763	-	7 850 196	7 850 196	-
Nedbank - 7881161760 - Disaster Relief	7 538 395	7 538 395	-	895 445	895 445	-
First National Bank Rates call - 74808491951	1 247 216	1 247 216	-	1 167 691	1 167 691	-
Nedbank - 7881156317	130 745 478	130 745 478	-	121 774 655	121 774 655	-
First National Bank - Investment Acc - 74187331349	29 187 886	29 187 886	-	27 484 321	27 484 321	-
First National Bank - Call Account - 62582905710	653 321	754 210	(100 889)	2 447 627	2 480 263	(32 636)
Nedbank - 037881138254	28 796 257	28 796 257	-	26 899 412	26 899 412	-
First National Bank - Call Account - 62396356539 - INEG	12 769 101	12 704 308	64 793	15 860 729	15 796 420	64 309
FNB Call Account - 62159915340 - LG SETA call account	91 402	91 402	-	86 081	86 081	-
First National Bank - Call Account - 621599121751	5 457 601	5 457 601	-	4 759 388	4 758 903	485
First National Bank - Call Account - 62159915853	1 933 879	1 933 879	-	1 821 290	1 821 290	-
Standard Bank - Money Call Account no. 388680237-002	6 895 855	6 895 855	-	6 462 775	6 462 775	-
Standard Bank - Call Deposit - 388655305-403	393 296	393 296	-	377 478	377 478	-
Standard Bank - Tiered Rates 388680172-002	3 818	3 818	-	3 692	3 692	-
Standard Bank - 32 Day Call 388655305-004	1 591 435	1 591 435	-	1 484 402	1 484 402	-
Standard Bank - Stanlib - 54781067	33 815	33 815	-	33 815	33 815	-
Standard Bank - Revolving Fund - 388655305-002	317 425	317 425	-	304 659	304 659	-

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

					2023 R	2022 R
3. Cash and cash equivalents (continued)						
Standard Bank - Call Deposit - 388680237-001	137 733	137 733	-	128 955	128 955	-
First National Bank- Current Account No 62152951614	38 581 396	48 294 524	(9 713 128)	43 581 580	-	43 581 580
Standard Bank - Current Account no. 80847978	17 094 788	2 469 170	14 625 618	2 417 755	-	2 417 755
	429 961 799	425 108 924	4 852 875	383 855 989	337 967 046	45 888 943

4. Receivables from exchange transactions

Consumer receivables from exchange transactions

		4.1				
Waste management				487 696		125 874
Service charges				1 235		2 169
				488 931		128 043

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

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Waste management	2 419 898	(1 932 202)	487 696	1 794 668	(1 668 794)	125 874
Service charges	1 235	-	1 235	2 169	-	2 169
Total consumer receivables from exchange transactions	2 421 133	(1 932 202)	488 931	1 796 837	(1 668 794)	128 043

Nyandeni Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from exchange transactions (continued)

4.1.1 Ageing of consumer receivables

2023

	Not due		Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							Interest
Total by debt type							
Waste management	2 419 898	94 919	47 278	93 595	60 476	37 675	1 571 887
Service charges	1 235	-	-	-	-	-	514 068
Total by debt type	2 421 133	94 919	47 278	93 595	60 476	37 675	1 571 887
							515 303

2022

	Not due		Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							Interest
Total by debt type							
Waste management	1 794 668	49 613	256 833	47 713	84 572	14 550	937 677
Service charges	2 169	-	-	-	-	-	403 710
Total by debt type	1 796 837	49 613	256 833	47 713	84 572	14 550	939 846
							403 710

Nyandeni Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from exchange transactions (continued)

4.1.2 Impairment reconciliation of consumer receivables

		2023			2022		
		Opening balance	Impairment reversed / debt written off	Closing balance	Opening balance	Closing balance	
Consumer receivables from exchange transactions							
Waste management		(1 668 794)	(263 408)	(1 932 202)	(1 668 794)	(1 668 794)	

5. Statutory receivables

Consumer receivables

Property rates	5.1	3 302 223	5 910 496				
Other receivables							
Fines	5.1	2 304 662	2 125 630				
Total receivables		5 606 885	8 036 126				

5.1 Statutory receivables

		2023			2022		
		Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables							
Property rates		37 870 303	(34 568 080)	3 302 223	28 372 322	(22 461 826)	5 910 496
Other receivables							
Fines		2 236 802	67 860	2 304 662	2 125 697	(67)	2 125 630
Total		40 107 105	(34 500 220)	5 606 885	30 498 019	(22 461 893)	8 036 126

Nyandeni Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

5. Statutory receivables (continued)

5.1.1 Ageing of statutory receivables

2023

	Total	Not due			Past due		
		Current	60 days	90 days	120 days	120+ days	Interest
Consumer receivables							
Property rates	37 870 303	249 307	718 029	146 013	236 013	28 859 616	7 661 325
Other receivables							
Fines	2 304 662	-	-	-	-	-	-
	40 174 965	249 307	718 029	146 013	236 013	28 859 616	7 661 325

2022

	Total	Not due			Past due		
		Current	60 days	90 days	120 days	120+ days	Interest
Consumer receivables							
Property rates	28 372 322	2 482 271	210 737	417 004	85 597	20 233 176	4 943 537
Other receivables							
Fines	2 125 630	-	-	-	-	-	-
	30 497 952	2 482 271	210 737	417 004	85 597	20 233 176	4 943 537

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
5. Statutory receivables (continued)		
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.		
Financial asset receivables included in receivables from non exchange transaction above		
Property rates	3 302 223	5 910 496
Fines	2 304 662	2 125 630
	5 606 885	8 036 126
6. Inventories		
Consumables	1 544 589	606 091
Reconciliation of Consumables		
Consumables	1 546 000	635 332
Write-offs	(1 411)	(29 241)
	1 544 589	606 091
Stock at year end amounted R 1 491 598 (2022: R 606 091). Stock amounting to -R 1411 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	9 904 879	8 026 933
The municipality is registered for VAT on the payment/ cash basis.		
8. Investment property		
8.1 Reconciliation of carrying value		
Cost	81 089 600	78 004 231
Fair Value Adjustments	4 566 400	3 085 369
Closing carrying value	85 656 000	81 089 600
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		

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
--	-----------	-----------

8. Property, plant and equipment (continued)

The effective date of the revaluations was 30 June 2023. 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 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

9.1 Summary

	2023		2022	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
			depreciation and accumulated impairment	Carrying value
Land and buildings	134 728 625	(27 827 663)	106 900 962	135 561 436
Transport Assets	29 712 008	(12 032 506)	17 679 502	21 614 071
Leased assets	1 146 986	(146 830)	1 000 156	1 805 577
Machinery and Equipment	19 759 726	(9 867 836)	9 891 890	19 065 940
Furniture and Office Equipment	8 879 922	(5 454 651)	3 425 271	7 904 743
Computer Equipment	8 752 639	(5 594 296)	3 158 343	8 460 277
Infrastructure	732 912 725	(273 909 470)	459 003 255	663 924 445
Community Assets	37 701 756	(13 934 487)	23 767 269	36 200 938
Construction Work-in-progress	137 143 742	-	137 143 742	117 693 148
Total	1 110 738 129	(348 767 739)	761 970 390	1 012 230 575
			(308 919 231)	703 311 344

Nyandeni Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Transfer to operations	Depreciation	Impairment loss	Total
Land and Buildings	116 260 282	240 869	(696 396)	-	-	(6 412 731)	(2 491 062)	106 900 962
Transport Assets	6 842 153	14 462 263	(1 203 044)	-	-	(2 421 870)	-	17 679 502
Leased assets	196 935	1 205 577	(6 200)	-	-	(396 156)	-	1 000 156
Machinery and Equipment	9 885 097	1 415 844	(39 787)	-	-	(1 369 264)	-	9 891 890
Furniture and Office Equipment	2 791 668	1 351 442	(31 904)	-	-	(685 935)	-	3 425 271
Computer Equipment	2 788 900	1 376 491	(104 312)	-	-	(902 736)	-	3 158 343
Infrastructure	421 634 633	-	(7 520 720)	82 185 668	2 507 322	(38 858 801)	(944 847)	459 003 255
Community Assets	25 218 528	-	(169 555)	1 243 782	-	(2 383 131)	(142 355)	23 767 269
Construction Work-in-progress	117 693 148	111 900 103	-	(83 301 146)	(9 148 363)	-	-	137 143 742
	703 311 344	131 952 589	(9 771 918)	128 304	(6 641 041)	(53 430 624)	(3 578 264)	761 970 390

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	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	383 620 797	21 219	(2 496 689)	1 744 220	74 250 754	(34 190 360)	(1 315 308)	421 634 633
Community Assets	17 909 761	1 662 673	-	-	7 737 331	(2 091 237)	-	25 218 528
Construction Work-in-progress	121 716 438	119 846 732	-	(1 744 220)	(122 125 802)	-	-	117 693 148
	627 398 628	126 004 557	(2 618 577)	-	-	(46 157 956)	(1 315 308)	703 311 344

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 2023

Notes to the Annual Financial Statements

	2023 R	2022 R	
9. Property, plant and equipment (continued)			
9.2 Property, plant and equipment under construction			
2023			
	Included within Infrastructure assets	Included within Buildings	Total
Of which:			
Opening balance	117 653 127	-	117 653 127
Additional/capital expenditure	107 645 808	-	107 645 808
Other movement [Retention on WIP]	4 486 981	-	4 486 981
Transfer to operations	(9 148 363)	-	(9 148 363)
Transfer to completed items	(83 301 146)	-	(83 301 146)
	137 336 407	-	137 336 407
2022			
	Included within Infrastructure assets	Included within Buildings	Total
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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
9. Property, plant and equipment (continued)		
<p>The following projects are still in progress, there were delays which caused the projects not to be completed in time and these delays were beyond the control of the contractors. Extension of time was granted by the municipality for the contractor to cover the lost time, the extension per project is outlined below and projected to be completed in the following financial year.</p>		
1. Tholeni Access road		
<ul style="list-style-type: none">- Delay caused by abnormal climate conditions- Delay due to the approval of contractual obligation by the engineer- Delay in sourcing quotations to relocate Eskom poles		
2. Libode Internal road (Thabo Mbeki)		
<ul style="list-style-type: none">- Delay due to a dispute between the contractor and the municipality which is still not yet resolved		
3. Ngqeleni Sports field		
<ul style="list-style-type: none">- Delay caused by abnormal rain- Delay caused by local protest action which effected progress on site- Delay caused by engineers not issuing construction drawings		
4. D301 Road upgrade		
<ul style="list-style-type: none">-Delays are due to encroachment to the project during planning stage that resulted to an increase on the original cost of the project, as a result the OTP could not afford to fund the construction of the project-Also, delays are due to the fact that the municipality is sourcing funding for the construction of the project		
5.Mvilo bridge and access road		
<ul style="list-style-type: none">-The project was planned for designs in 2022-2023 financial year with the intention to start construction in 202-/2024 financial year		
6. Ntshazini access road and bridge		
<ul style="list-style-type: none">-There were delays in this project as it was planned to be implemented on a multi year approach		
7. Animal feed procissing plant		
<ul style="list-style-type: none">-The project was delayed due to National Treasury processes, the project was funded for designs and when the designs were completed, the application was sent to National Treasury for the funding of the construction		
8. Electrification program of Mandileni to Ludaka Ward 17 Villages		
<ul style="list-style-type: none">-This project is a multi year project and the last transfer fund from the DMRE delayed which affected the progress of the project-There were delays from Eskom to energise the project		
9. Electrification program of Emnyameni and Njimaza Ward 19 Village		
<ul style="list-style-type: none">-This project is a multi year project and the last transfer fund from the DMRE delayed which affected the progress of the project-There were delays from Eskom to energise the projects		
10. Electrification program Nkanunu (Ntsundwana) Ward 20 Villages		
<ul style="list-style-type: none">-This project is a multi year project and the last transfer fund from the DMRE delayed which affected the progress of the project-There were delays from Eskom to energise the projects		

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
9. Property, plant and equipment (continued)		
9.3 Property, plant and equipment pledged as security		
There is no Property Plant and Equipment pledged for security:		
10. Repairs and maintenance		
Maintenance of buildings and facilities	1 597 272	2 197 822
Maintenance of equipment	1 642 080	2 054 083
Maintenance of unspecified assets	7 907 084	4 364 445
	11 146 436	8 616 350

11. Intangible assets

11.1 Reconciliation of carrying value

2023

		Computer software	Intangible Assets under Development	Total
Opening carrying value as at 01 July 2022				
Cost		1 655 940	1 090 350	2 746 290
Accumulated amortisation and impairment		(794 651)	-	(794 651)
		861 289	1 090 350	1 951 639
Additions from acquisitions		449 673	-	449 673
Amortisation	34	(265 916)	-	(265 916)
		183 757	-	183 757
Closing carrying value as at 30 June 2023		1 045 046	1 090 350	2 135 396
Cost		2 105 613	1 090 350	3 195 963
Accumulated amortisation and impairment		(1 060 567)	-	(1 060 567)
		1 045 046	1 090 350	2 135 396

2022

		Computer software	Intangible Assets under Development	Total
Opening carrying value as at 01 July 2021				
Cost		1 681 306	1 090 350	2 771 656
Accumulated amortisation and impairment		(893 192)	-	(893 192)
		788 114	1 090 350	1 878 464
Additions from acquisitions		449 673	-	449 673
Amortisation	34	(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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
--	-----------	-----------

11. Intangible assets (continued)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of financial performance (see Note 34).

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

The intangible assets have not been pledged as security.

Intangible assets under development: The project was not completed during 2022-2023 financial year due to the supply and installation of Microsoft Exchange project that was non-responsive on procurement processes. The new servers are being deployed and expecting the provision of Hosted Email Solution project will be completed by 30 June 2024.

12. 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 2022-2023 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 484 429,46 in the current year.

Depreciation	2023	2024	2025	Total
Depreciation before change	748 151	748 151	748 151	2 244 453
Depreciation after change	(263 721)	(263 721)	(263 721)	(791 163)
	484 430	484 430	484 430	1 453 290

13. Trade and other payables from exchange transactions

Other payables	13.1	7 462 933	3 726 588
----------------	------	-----------	-----------

Current		7 462 933	3 726 588
---------	--	-----------	-----------

13.1 Other payables

Sundry suppliers	25 796	25 796
Unallocated deposits	210 926	369 623
Trade payables	3 125 138	653 786
Creditors accrual	4 101 073	2 677 383
Total	7 462 933	3 726 588

Nyandeni Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

14. Unspent conditional grant

		2023				2022			
		Opening balance	Funds received	Funds utilised	Closing balance	Funds received	Funds utilised	Closing balance	
Capital									
Monetary allocations	14.1	(36 838)	83 394 722	(78 515 472)	4 842 412	85 673 500	(85 710 338)	(36 838)	
Operational									
Monetary allocations	14.2	8 286 072	4 820 806	(12 220 506)	886 372	17 107 433	(8 821 361)	8 286 072	
Total		8 249 234	88 215 528	(90 735 978)	5 728 784	102 780 933	(94 531 699)	8 249 234	

Nyandeni Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

14. Unspent conditional grant (continued)

14.1 Capital monetary allocations

	2023			2022		
	Opening balance	Funds received	Funds utilised	Closing balance	Funds received	Funds utilised
Departmental agencies and accounts						
National departmental agencies	(36 838)	-	152 935	116 097	-	(36 838)
						(36 838)
National government						
Integrated National Electrification Programme Grant	-	8 000 000	(8 000 000)	-	16 067 000	(16 067 000)
Municipal Infrastructure Grant	-	65 968 000	(65 968 000)	-	69 606 500	(69 606 500)
Municipal Disaster Relief Grant	-	7 293 000	(2 578 454)	4 714 546	-	-
Human Settlement Grant	-	2 133 722	(2 386 567)	(252 845)	-	-
Total	-	83 394 722	(78 933 021)	4 461 701	85 673 500	(85 673 500)
						-
Provincial government						
Eastern Cape	-	-	264 614	264 614	-	-
Total capital monetary allocations	(36 838)	83 394 722	(78 515 472)	4 842 412	85 673 500	(85 710 338)
						(36 838)

Nyandeni Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

14. Unspent conditional grant (continued)

14.2 Operational monetary allocations

	2023			2022		
	Opening balance	Funds received	Funds utilised	Closing balance	Funds received	Funds utilised
						Closing balance
National government						
Expanded Public Works Programme Integrated Grant	-	1 859 000	(2 119 728)	(260 728)	1 716 000	(1 716 000)
Local Government Financial Management Grant	-	1 650 000	(1 650 472)	(472)	1 650 000	(1 650 000)
Municipal Infrastructure Grant	-	3 472 000	(3 471 373)	627	3 663 500	(3 663 500)
Neighbourhood Development Partnership Grant	8 286 072	(3 160 194)	(4 563 098)	562 780	10 077 933	(1 791 861)
Total	8 286 072	3 820 806	(11 804 671)	302 207	17 107 433	(8 821 361)
Provincial government						
Eastern Cape	-	1 000 000	(415 835)	584 165	-	-
Total operational monetary allocations	8 286 072	4 820 806	(12 220 506)	886 372	17 107 433	(8 821 361)
15. Income received in advance						
Advance payments		1 044 406	1 433 541			

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R	
16. Retentions			
Contractors	19 574 628	14 449 237	
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 projects is certified as complete.			
17. Financial lease liabilities			
17.1 Finance lease payable			
Minimum lease payments			
Within 1 year	444 119	148 806	
2 to 5 years	683 395	-	
Less: Unearned finance revenue	(135 455)	(3 054)	
Total minimum lease payments	992 059	145 752	
Present value of minimum lease payments			
Within 1 year	361 169	145 752	
2 to 5 years	630 890	-	
	992 059	145 752	
Non-current liability	630 890	-	
Current liability	361 169	308 134	
It is municipality policy to lease certain office equipment under finance leases.			
The average lease term was 3 years and the average effective borrowing rate was 4% (2022: 4%).			
18. Employee benefits			
Non-current employee benefits			
Long-service awards benefits	18.1	6 551 000	7 375 000
Current employee benefits			
Long-service awards benefits	18.1	2 083 000	917 000
Bonus	18.2	3 237 493	3 028 375
Accrued leave pay	18.3	13 449 489	13 538 888
Overtime	18.4	639 013	524 849
		19 408 995	18 009 112
Total employee benefits		25 959 995	25 384 112
18.1 Long-service awards benefits			
Provision for long-service awards		8 868 000	9 178 000
Long-service awards payable		(234 000)	(886 000)
Total liability		8 634 000	8 292 000
Less: Transfer to current portion		(2 083 000)	(917 000)
Total non-current benefit		6 551 000	7 375 000
Non-current		6 551 000	7 375 000
Current		2 083 000	917 000
Total liability		8 634 000	8 292 000

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
18. Employee benefits (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	8 292 000	8 321 000
Net expense recognised in the statement of financial performance	342 000	(29 000)
Total benefit liability	8 634 000	8 292 000

Amounts recognised in the statement of financial performance

Current service cost	1 007 000	1 030 000
Interest cost	861 000	689 000
Actuarial losses / (gains) recognised	(609 000)	(288 000)
Expected current portion of liability (due within 12 months)	(917 000)	(1 460 000)
Total expense included in employee related costs	342 000	(29 000)

Long-service awards

The most actuarial valuations were carried out as at 30 June 2023 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:

Discount rates used	11.20 %	10.98 %
General earnings inflation rate (long-term)	6.52 %	7.33 %
Net effective discount rate	4.39 %	3.40 %

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

Liability has increased by 1%, current service cost increased by 10% and interest cost by 30%

Defined benefit plan opening balance	8 292 000	8 321 000
Current service cost	1 007 000	1 030 000
Interest cost	861 000	689 000
Actuarial gain	(1 526 000)	(1 748 000)
	8 634 000	8 292 000

	2023	2022	2021	2020	2019
Long service bonus award	8 634 000	8 292 000	8 321 000	7 098 000	7 100 000

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R	
18. Employee benefits (continued)			
18.2 Bonus			
Provision for bonus	(11 482)	-	
Bonus payable	3 248 975	3 028 375	
Total liability	3 237 493	3 028 375	
Less: Transfer to current portion	(3 237 493)	(3 028 375)	
Total non-current benefit	-	-	
Current	3 237 493	3 028 375	
18.3 Staff leave			
Provision for staff leave	45 990	-	
Leave accrual	13 403 499	13 538 888	
Total liability	13 449 489	13 538 888	
Less: Transfer to current portion	(13 449 489)	(13 538 888)	
Total non-current benefit	-	-	
Current	13 449 489	13 538 888	
18.4 Other benefits			
Other benefits payable			
Overtime	639 013	524 849	
Current	639 013	524 849	
19. Provisions			
Landfill sites	19.1	6 837 101	4 436 920
Transferred to current provisions		(862 832)	(490 280)
Total non-current provision		5 974 269	3 946 640
Non-current		5 974 269	3 946 640
Current		862 832	490 280
Total		6 837 101	4 436 920
19.1 Landfill sites			
Opening Balance		4 436 920	3 794 464
Increases		372 552	642 456
Increases (Passage of Time/Discounted Rate)		2 027 629	-
Closing balance		6 837 101	4 436 920
Transferred to current provisions		(862 832)	(490 280)
Total non-current provision		5 974 269	3 946 640

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
19. Provisions (continued)		
The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2023		
The landfill site is operational and is receiving general waste from Libode CBD, Ngqeleni, nearby townships and periurban areas. The waste is brought in by municipality-operated refuse vehicles as well as private company-owned waste collection trucks. The weighbridge is not yet operational as it awaits an electricity connection, therefore, there is limited information with regard to the amount of waste deposited at the landfill site. The landfill was initially designed with an estimated useful life of 20 years, which means that there are currently 19 years remaining in its lifespan		
Key assumptions used at the reporting date:		
Discount rate (D)	12.62 %	11.05 %
Consumer price inflation (C)	7.39 %	7.23 %
Net discount rate $((1+D)/(1+H)-1)$	4.87 %	3.56 %
20. Service charges		
Waste management		
Waste management	590 575	412 851
21. Rental of facilities, land and equipment		
Rent on land	192 001	182 600
22. Interests received - investment		
Bank accounts	5 708 388	3 550 134
Short-term investments and call accounts	24 843 775	13 192 715
Total	30 552 163	16 742 849
23. Interest earned from receivables		
Exchange receivables	23.1 196 265	118 745
Non-exchange receivables	3 211 257	1 846 133
Total	3 407 522	1 964 878
23.1 Interest earned from exchange receivables		
Consumer receivables		
Waste management	196 265	118 745
Total	196 265	118 745
24. Licences or permits		
Exchange revenue	24.1 3 089 955	2 903 983
24.1 Licenses and permits - Exchange revenue		
Road and transport	2 992 553	2 795 175
Trading	97 402	108 808
Total	3 089 955	2 903 983

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
25. Agency services		
Provincial	454 471	1 576 436

The amount of R 454 471 (2022: R1 576 436) 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.

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

26. Operating revenue

Bad Debts Recovered	-	1 848 917
Commission	272 835	287 734
Insurance Refund	1 732 933	949 134
Staff and Councillors Recoveries	2 477 064	332 270
Total	4 482 832	3 418 055

27. Sales of goods and rendering of services

Advertisements	50 652	4 034
Application Fees for Land Usage	5 817	3 850
Building Plan Approval	128 016	81 039
Cemetery and Burial	11 204	12 165
Clearance Certificates	6 370	5 730
Entrance Fees	3 931	1 352
Removal of Restrictions	3 033	11 787
Tender Documents	223 261	344 809
Total	432 284	464 766

28. Property rates

Agricultural property	1 656	1 587
Business and commercial properties	1 852 335	1 595 946
Public benefit organisations	3 905	273 820
Public service infrastructure properties	202	192
Residential properties	1 636 030	1 558 124
State-owned properties	15 634 474	14 887 737
Total	19 128 602	18 317 406

Valuation as at 30 June 2023

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
29. Transfers and subsidies - Revenue			
Operational			
Allocations in-kind	29.1	122 162	282 492
Monetary allocations	29.2	326 392 939	310 863 364
Total transfers and subsidies: Operational		326 515 101	311 145 856
Capital			
Allocations in-kind		2 430 000	-
Monetary allocations	29.3	77 603 515	71 037 805
Total transfers and subsidies: Capital		80 033 515	71 037 805
Total		406 548 616	382 183 661
29.1 Allocations in-kind: Operational			
Departmental agencies and accounts		122 162	282 492
29.2 Monetary allocations: Operational			
National governments		12 248 718	23 270 364
National revenue fund		313 293 000	286 893 000
Provincial government		851 221	700 000
Total		326 392 939	310 863 364
Revenue recognised per grant			
Energy Efficiency and Demand Side Management Grant		1 043 964	16 067 000
Expanded Public Works Programme Integrated Grant		2 119 728	1 716 000
Local Government Financial Management Grant		1 650 472	1 650 000
Municipal Disaster Relief Grant		336 320	-
Municipal Infrastructure Grant		3 471 373	3 663 500
Neighbourhood Development Partnership Grant		3 626 861	173 864
Total		12 248 718	23 270 364
29.3 Monetary allocations: Capital			
National government		75 166 170	71 037 805
Provincial governments		2 437 345	-
Total		77 603 515	71 037 805
Revenue recognised per grant			
Integrated National Electrification Programme Grant		6 956 036	-
Municipal Infrastructure Grant		65 968 000	69 606 500
Neighbourhood Development Partnership Grant		-	1 431 305
Municipal Disaster Relief Grant		2 242 134	-
Total		75 166 170	71 037 805
30. Fines, penalties and forfeits			
Fines	30.1	343 430	515 484

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
30. Fines, penalties and forfeits (continued)			
30.1 Fines			
Other fines			
Law enforcement		271 100	469 600
Pound fees		72 330	45 884
		343 430	515 484
31. Employee related cost			
Senior management	31.1	7 774 090	6 688 568
Municipal staff	31.2	154 050 897	152 049 998
Total		161 824 987	158 738 566

Nyandeni Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

31. Employee related cost (continued)

31.1 Senior management costs

2023

	Municipal manager	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	992 404	954 459	993 122	748 834	397 413	847 219	803 711	5 737 162
Acting allowance	-	-	-	-	14 953	-	-	14 953
Allowance	391 648	160 783	121 049	160 783	136 969	214 378	321 566	1 507 176
Bargaining council	130	130	130	130	-	130	130	780
Medical	65 275	-	-	102 761	68 804	-	53 594	290 434
Pension	-	-	-	102 761	-	53 594	53 594	209 949
Unemployment insurance	2 125	2 125	2 125	2 125	886	2 125	2 125	13 636
	1 451 582	1 117 497	1 116 426	1 117 394	619 025	1 117 446	1 234 720	7 774 090

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
Allowances	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	19 092	34 037	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	1 084 507	1 045 748	6 688 568

During 2022-2023 financial year Ms F. Mgwedane was the Acting Senior Manager Community Services until the 31-01-2023.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
31. Employee related cost (continued)		
31.2 Municipal staff costs		
Basic salary	89 261 273	87 382 773
Bonuses	8 168 949	6 982 620
Service-related benefits	10 696 989	12 966 998
Allowances	11 195 423	11 837 101
Bargaining council	40 047	37 876
Group life insurance	6 697 164	5 720 093
Medical	9 671 610	9 315 616
Skills Development Fund Levy	1 553 883	1 551 135
Pension	15 102 839	14 557 444
Current service cost	1 007 000	1 030 000
Unemployment insurance	655 720	668 342
Total	154 050 897	152 049 998
Services related benefits		
Acting and Post Related Allowances	(24 340)	400 924
Danger allowance	179 436	2 320 216
Long service award	487 971	647 510
Standby Allowance	971 147	1 046 876
Overtime structured	7 569 339	7 041 939
Shift Additional Remuneration	934 636	942 059
Night Shift	578 800	567 474
	10 696 989	12 966 998
Allowance		
Cellular and Telephone	-	21 413
Rental Subsidy	3 395 041	3 406 009
Travel or Motor Vehicle	7 800 382	8 409 679
	11 195 423	11 837 101
32. Remuneration of councillors		
Mayor	32.1 931 085	931 085
Council Whip	32.2 709 415	709 415
Speaker	32.3 753 749	753 749
Full Time Executive committee members	32.4 2 798 399	2 824 299
Part time Executive committee members	32.5 2 509 202	2 492 393
Part-time councillors	32.6 16 824 065	16 752 865
Total	24 525 915	24 463 806
32.1 Mayor		
Allowances and service related benefits		
Basic salary	886 685	886 685
Cell phone allowance	44 400	44 400
	931 085	931 085

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R	
32. Remuneration of councillors (continued)			
32.2 Council Whip			
Allowances and service related benefits			
Basic salary	665 015	665 015	
Cell phone allowance	44 400	44 400	
	709 415	709 415	
32.3 Speaker			
Allowances and service related benefits			
Basic salary	709 349	709 349	
Cell phone allowance	44 400	44 400	
	753 749	753 749	
32.4 Full Time Executive committee members			
Allowances and service related benefits			
Basic salary	2 646 699	2 646 699	
Cell phone allowance	151 700	177 600	
	2 798 399	2 824 299	
32.5 Part time Executive committee members			
Allowances and service related benefits			
Basic salary	2 216 902	2 225 994	
Cell phone allowance	292 300	266 399	
	2 509 202	2 492 393	
32.6 Part-time councillors			
Allowances and service related benefits			
Basic salary	14 559 665	14 488 465	
Cell phone allowance	2 264 400	2 264 400	
	16 824 065	16 752 865	
In kind benefits			
The Mayor, Speaker, Council 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.			
Cllr. T. Matika-Mcube: Mayor from 1 July 2022 up to 08 February 2023			
Cllr. V. Ndamase: Mayor from 09 February 2023 to 30 June 2023			
33. Debt impairment			
Debt impairment	12 301 736	-	
34. Depreciation and amortisation			
Amortisation			
Intangible assets	11.1	265 916	298 446

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
34. Depreciation and amortisation (continued)			
Depreciation			
Property, plant and equipment		53 430 624	46 157 956
Total		53 696 540	46 456 402
35. Impairment losses on property plant & equipment			
Property, plant and equipment		3 578 264	3 796 088
Impairment loss was due to deteriorations to the roads and bridge caused by severe floods that occurred during the year and wear and tear.			
36. Finance costs			
Interest	36.1	1 405 030	1 099 194
36.1 Interest cost			
Finance leases	17.1	53 750	33 024
Interest costs non-current provisions	19	490 280	377 170
Long service awards		861 000	689 000
Total		1 405 030	1 099 194
37. Inventory consumed			
Consumables		1 290 706	818 558
Materials and supplies		3 068 600	4 662 556
Water		567 828	-
Total		4 927 134	5 481 114
38. Contracted services			
Consultants and professional services	38.1	8 096 304	5 513 489
Contractors	38.2	20 440 375	12 446 621
Outsourced services	38.3	14 652 485	12 197 659
Total		43 189 164	30 157 769
38.1 Consultants and professional services			
Business advisory services			
Accounting and auditing		1 739 693	767 791
Actuaries		18 800	-
Audit committee		152 464	17 217
Business and financial management		-	125 909
Communications		240 491	36 123
Human resources		1 106 804	1 401 797
Occupational health and safety		204 610	-
Quality control		59 457	26 500
Research and advisory		1 410 614	228 669
Total business advisory services		4 932 933	2 604 006
Laboratory services			
Medical		8 696	-
Legal services			
Legal advice and litigation		1 349 271	1 091 285

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
38. Contracted services (continued)		
Engineering services		
Electrical engineering	-	1 619 121
Infrastructure and planning services		
Land and quantity surveyors infrastructure and planning	242 361	85 577
Town planner infrastructure and planning	1 563 043	113 500
Total infrastructure and planning services	1 805 404	199 077
Total consultants and professional services	8 096 304	5 513 489
38.2 Contractors		
General services		
Artists and performers	26 000	43 500
Audio-visual services	76 800	540 070
Building	-	171 468
Electrical	8 122 159	2 327 284
Employee wellness	74 500	333 022
Interior decorator	63 000	42 350
Plants, flowers and other decorations	148 780	140 457
Safeguard and security	652 200	189 020
Sports and recreation	101 500	-
Stage and sound crew	29 000	43 100
Total general services	9 293 939	3 830 271
Maintenance services		
Maintenance of buildings and facilities	1 597 272	2 197 822
Maintenance of equipment	1 642 080	2 054 083
Maintenance of unspecified assets	7 907 084	4 364 445
Total maintenance service	11 146 436	8 616 350
Total contractor	20 440 375	12 446 621
38.3 Outsourced services		
Business and advisory services		
Accounting and Auditing	355 317	757 291
Business and Financial Management	613 599	830 381
Commissions and Committees	77 962	66 000
Human Resources	1 779 270	694 262
Organisational	-	205 000
Qualification Verification	19 179	100 021
Research and Advisory	801 679	661 451
Valuer	1 177 257	3 553
Total business and advisory services	4 824 263	3 317 959
General services		
Burial Services	27 800	18 550
Catering Services	2 962 286	1 391 557
Clearing and Grass Cutting Services	18 200	75 428
Drivers Licence Cards	479 660	512 868
Illegal Dumping	823 395	192 013
Personnel and Labour	2 735 975	4 340 896
Professional Staff	40 320	19 666
Translators, Scribes and Editors	249 840	400 868
Transport Services	820 034	302 732
Veterinary Services	211 401	199 796
Total general services	8 368 911	7 454 374

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
38. Contracted services (continued)			
Trading services			
Security Services		1 459 311	1 425 326
Total outsourced services		14 652 485	12 197 659
39. Transfers and subsidies - Expenditure			
Operational			
Allocations in-kind	39.1	2 346 566	3 420 238
Monetary allocations	39.2	7 807 892	1 813 809
Total transfers and subsidies: Operational		10 154 458	5 234 047
Capital			
Allocations in-kind	39.3	3 530 661	2 645 616
Total		13 685 119	7 879 663
39.1 Allocations in-kind: Operational			
Households		2 346 566	3 420 238
39.2 Monetary allocations: Operational			
Households		7 807 892	1 813 809
39.3 Allocations in-kind: Capital			
Households		3 530 661	2 645 616
40. General expenses			
Advertising, Publicity and Marketing		2 194 302	2 534 330
Bank Charges, Facility and Card Fees		26 452	74 990
Bargaining Council		2 296 319	3 913 630
Communication		2 098 413	4 665 120
Courier and Delivery Services		5 535	3 885
Eskom Connection Fees		1 318 569	2 793 871
External Audit Fees		4 474 233	3 686 251
External Computer Service		2 737 442	1 647 483
Hire Charges		4 372 654	2 441 121
Insurance Underwriting		2 719 426	685 372
Learnerships and Internships		475 000	483 000
Licences		372 651	238 541
Printing, Publications and Books		280 660	246 499
Professional Bodies, Membership and Subscription		33 449	99 410
Registration Fees (Conference and seminars)		105 313	94 864
Remuneration to Ward Committees		5 687 340	4 855 650
Sitting Allowance for Traditional Leaders		108 000	310 500
Signage		37 740	239 598
Transport Provided as Part of Departmental Activit		8 600	30 600
Travel and Subsistence		10 605 228	12 922 598
Uniform and Protective Clothing		1 857 886	2 255 227
Vehicle Tracking		133 238	102 494
Wet Fuel		5 181 114	4 650 525
Workmen's Compensation Fund		645 231	742 938
Total		47 774 795	49 718 497

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
41. Operating leases		
Furniture and Office Equipment	138 649	208 423
42. Gain/(Loss) on disposal of fixed and intangible assets		
Gains/(losses) on disposals	42.1 (8 048 887)	(121 888)
42.1 Gains/(losses) on disposals		
Property, plant and equipment	(8 048 887)	(121 888)
43. Fair value adjustment		
Investment property	4 566 400	2 796 569
44. Inventory (write down)		
Inventory	(1 411)	(29 241)
45. Actuarial Gains and Losses		
Actuarial Gains and Losses	1 526 000	1 748 000
46. Auditor's remuneration		
External Audit Fees	4 474 233	3 686 251
47. Net cash from/(used) operating activities		
Surplus for the year	100 217 226	105 076 887
Adjustments for:		
Depreciation and amortisation	53 696 540	46 456 402
Bad debts written off	12 301 736	-
Actuarial Gain/Loss	(1 526 000)	-
(Gains) / Losses on disposal of assets	8 048 887	121 888
Fair value adjustment	(4 566 400)	(2 796 569)
Finance costs	1 405 030	18 546
Increase / (Decrease) in provisions	2 400 181	-
Impairment loss	3 578 264	3 796 088
Inventory losses	1 411	29 241
Movements in retirement benefits assets and liabilities	575 884	1 223 000
Movement in Acc surplus	314 237	-
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	-	(3 150 056)
(Increase) / Decrease in inventory	(939 909)	389 516
(Increase) / Decrease in receivables from exchange transactions	(10 233 383)	(95 117)
(Decrease) / Increase VAT	(1 877 946)	(4 869 348)
Increase / (Decrease) in trade and other payables	3 736 345	(4 185 961)
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(2 520 450)	8 249 234
Increase / (Decrease) in retention	-	1 954 248
Increase / (Decrease) Income received in advance	-	410 891
Net cash flows from operating activities	164 611 653	152 628 890

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

				2023 R	2022 R
48. Financial instruments					
48.1 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. Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:					
		2023		2022	
		Carrying amount	Amortised cost	Carrying amount	Amortised cost
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	4	488 931	488 931	128 043	128 043
Cash and cash equivalents	3	429 961 778	429 961 778	383 856 006	383 856 006
		430 450 709	430 450 709	383 984 049	383 984 049
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Lease liabilities		630 890	630 890	1 326	1 326
Trade and other payables:					
Trade and other payables from exchange transactions	13	7 462 933	7 462 933	3 726 588	3 726 588
Current portion of lease liabilities	17	361 169	361 169	145 752	145 752
Income received in advance	15	1 044 406	1 044 406	1 433 541	1 433 541
		8 868 508	8 868 508	5 305 881	5 305 881
Total financial liabilities		9 499 398	9 499 398	3 873 666	3 873 666
Total financial instruments		420 951 311	420 951 311	380 110 383	380 110 383

48.2 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.3 below). No formal policy exists to hedge volatilities in the interest rate market.

48.3 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%.

48.4 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Notes to the Annual Financial Statements

	2023 R	2022 R
--	-----------	-----------

48. Contingent liabilities (continued)

48.5 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 payable 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	488 931	128 043
Bank and cash balances	3	429 961 778	383 856 004
Maximum credit and interest risk exposure		430 450 709	383 984 047

48.6 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.

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 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
49. Contingent liabilities		
1. Makateko Tobile Wilson Ngendle vs Nyandeni Local Municipality (Case no. 2298/2019)	20 000 000	11 060 692
The municipality is being sued by the Plaintiff for the registration of a servitude on plaintiff's property and construction or installation of a pipeline drainage system on the plaintiff's property. The municipality has filed its Notice of Intention to Defend and the parties are currently exchanging pleadings.		
2. Nonkumbulo Buso vs Nyandeni Local Municipality (Case no. EC/MTHA/RC425/2019).	-	400 000
In this matter had been finalised and judgement give in favour of the municipality		
3. Tiny Mandisa Gusha vs Nyandeni Local Municipality (Case no. 3803/2019). The municipality is being 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. The municipality is defending the matter as the damage was caused by a natural disaster.	200 000	200 000
4. Vuyisile Alex Notayi vs Nyandeni Local Municipality (Case no. 3805/2019) The municipality is being 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. The municipality is defending the matter as the damage was caused by a natural disaster.	200 000	200 000
5. Zukisani Mpeto vs Nyandeni Local Municipality (Case no EC/Mthatha/RC58/2021) The municipality is being sued for injuries suffered by the Plaintiff while allegedly on duty. The municipality is defending the matter while pointing out to the Plaintiff that it is the duty of the compensation commissioner to compensate any person who suffers injury while on duty.	400 000	400 000
6. Pumzile Tokwe vs Nyandeni Local Municipality (Case no EC/Mthatha/RC57/2021) The municipality is being sued for injuries suffered by the Plaintiff while allegedly on duty. The municipality is defending the matter while pointing out to the Plaintiff that it is the duty of the compensation commissioner to compensate any person who suffers injury while on duty.	400 000	400 000
7. Zameka Golode vs Nyandeni Local Municipality and Others (Case no. 115/2018) The municipality is being sued for an alleged unlawful arrest by the officers of the Municipality of a person who was caught vandalizing municipal property. The municipality is defending the matter and the parties are still exchanging pleadings.	200 000	200 000
8. Ndikuphiwe Qaku vs Nyandeni Local Municipality (Case no. 3804/2019) The municipality is being sued 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. The municipality is defending the matter as the damage was caused by natural disaster.	200 000	200 000

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
49. Contingent liabilities (continued)		
9. Nokwanda Mahlathi vs Nyandeni Local Municipality (Case no. 2344/2020)	2 000 000	2 000 000
The municipality is being sued for a sum of R2 000 000. The municipality is defending the matter.		
10. Nyandeni Councillors vs The Trustees for the time being Municipal Councillors Pension Fund Sophie Thabang Kekana and others vs Nyandeni Local Municipality and Others (Case no. 1551/2019)	-	-
The municipality is suing the Pension Fund for the release of pension monies that are held by the fund on behalf of Nyandeni Councillors		
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.		
13. Hercules Salmon Hudson vs Nyandeni Local Municipality (Case no. 31/2022)	28 737	28 737
The municipality is being sued for damages to the Plaintiff's motorcycle which allegedly caused by a pothole at or near the R61, Canzibe.		
This is not municipal road and as such the municipality does not have a duty to maintain same.		
The municipality has filed its intention to defend the matter while pointing out that this is not a municipal road.		
14. Atmose Trading (Pty) Ltd vs Nyandeni Local Municipality (Case no. 2207/2022)	2 000 000	2 000 000
The municipality is being sued for an alleged loss of income because of a car that was impounded in 2019 and which was allegedly used for business.		
The municipality is defending the matter, even though the applicant has been informed that the motor vehicle is available for collection		
15. Thabisa Joyce Mqoboli vs Nyandeni Local Municipality (Case no. 4504/2022)	1 800 000	-
The plaintiffs are suing the municipality for general damages as a result of an alleged assault by the members of the municipality		
16. Chule Consulting Engineers CC vs Nyandeni Local Municipality (Case no. 2993/2022)	29 210 191	-
The Plaintiff is suing the municipality for an alleged breach of contract stemming from a service level agreement between the parties and the non-payment of invoices		
17. Sibusiso Kotana vs Nyandeni Local Municipality (Case no. 93/2022)	26 939	-
The municipality is being sued for damages due to an accident of the plaintiff's motor vehicle caused by a pothole in an unknown road.		
18. Michael Thobile Mkhosana vs Nyandeni Local Municipality (Case no. 3392/2021)	600 000	-
The Plaintiff is suing the municipality for general damages for defamation.		
	57 265 867	17 089 429

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
50. Contingent assets		
1. Nyandeni Local Municipality vs Silulami Vusumzi Poswa (Case no. 1463/2022)	-	-
The municipality instructed T.L. Luzipho Attorneys to launch disciplinary hearing proceedings for Mr. Poswa who is an employee of the municipality.		
	-	-

51. 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

52. Unauthorised, irregular, fruitless and wasteful expenditure

52.1 Irregular expenditure

Add: Irregular expenditure - current	56 540 636	111 789 064
Less: Amounts written-off – current	(39 243 155)	(111 789 064)
Closing balance	17 297 481	-

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. A portion of irregular expenditure should be written off. Further investigation is underway for the outstanding irregular expenditure

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

52.2 Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure – current	278 088	3 797
Less: Amounts written-off – current	-	(3 797)
Closing balance	278 088	-

Amounts written-off

In the prior 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 overdue account	5 646	3 797
Suppliers who did not supply goods and services according to the requirements	272 442	-
Total	278 088	3 797

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R	
53. Additional disclosure in terms of Municipal Finance Management Act			
Contributions to SALGA			
Current year subscription / fee	1 942 120	1 956 815	
Amount paid - current year	(1 942 120)	(1 956 815)	
	-	-	
Audit fees			
Current year subscription / fee	4 474 233	3 686 251	
Amount paid - current year	(4 474 233)	(3 686 251)	
	-	-	
PAYE and UIF			
Current year subscription / fee	28 254 490	27 273 957	
Amount paid - current year	(28 254 490)	(27 273 957)	
	-	-	
Pension and Medical Aid Deductions			
Current year subscription / fee	41 114 752	24 267 103	
Amount paid - current year	(41 114 752)	(24 267 103)	
	-	-	
The prior year amount only had pension. This year the amount includes both Pension and Medical Aid deductions			
VAT			
VAT receivable	9 990 089	8 026 933	
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:			
30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. Yehana. N	515	8 607	9 122
30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. Yehana. N	182	9 652	9 834
Cllr. Matanda. NP	82	543	625
	264	10 195	10 459

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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
54. Related party disclosures		
54.1 Nature of related party relationships		
Related party		Nature of relationship
Accounting officer		Refer to accounting officer's report page 7
Councillors		Refer to note 32
Members of key management		Refer to Note 31.1
Close family member of key management		There were no transactions between close family members of key management
Joint ventures		None
Associates		None
55. 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	10 970 534	8 822 416
56. Capital commitments		
Authorised capital expenditure		
Approved and contracted for:		
Infrastructure	43 659 772	66 899 754
57. Prior year error and reclassification		
The following restatements and adjustments occurred which are set out below:		

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

57.1 Adjustments of Statement of financial position items

2023

	Note	As previously reported	Correction of error	Restated
Assets				
Current assets				
Cash and cash equivalents	3	383 856 004	-	383 856 004
Receivables from exchange transactions	4	128 043	-	128 043
Statutory receivables	5	8 036 126	-	8 036 126
VAT Receivable	7	8 026 933	-	8 026 933
Inventories	6	606 091	96 639	702 730
		400 653 197	96 639	400 749 836
Non-current assets				
Investment property	8	80 800 800	288 800	81 089 600
Property, plant and equipment	9	703 311 344	-	703 311 344
Intangible assets	11	2 029 691	-	2 029 691
		786 141 835	288 800	786 430 635
Total assets		1 186 795 032	385 439	1 187 180 471
Net assets and liabilities				
Current liabilities				
Financial lease liabilities	17	145 752	-	145 752
Payables from exchange transactions	13	3 726 588	-	3 726 588
Unspent conditional grant	14	8 249 234	-	8 249 234
Employee benefits	18	18 009 112	-	18 009 112
Provisions	19	490 280	-	490 280
Income received in advance	15	1 433 541	-	1 433 541
Retentions	16	14 449 237	-	14 449 237
		46 503 744	-	46 503 744
Non-current liabilities				
Financial lease liabilities	17	1 326	(1 326)	-
Employee benefits	18	7 375 000	-	7 375 000
Provisions	19	3 946 640	-	3 946 640
		11 322 966	(1 326)	11 321 640
Total net assets				
Accumulated surplus		1 128 968 316	290 126	1 129 258 442
Total net assets and liabilities		1 186 795 026	288 800	1 187 083 826

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

57.2 Adjustments of Statement of financial performance items

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Property rates	28	18 317 406	-	-	18 317 406
Transfers and subsidies	29	382 183 661	-	-	382 183 661
Fines, penalties and forfeits	30	515 484	-	-	515 484
Interest on receivables	23	1 846 133	-	-	1 846 133
		402 862 684	-	-	402 862 684
Exchange revenue					
Services charges - Electricity	20	412 851	-	-	412 851
Services charges - Waste management	20	182 600	-	-	182 600
Rental of facilities, land and equipment	21	16 742 849	-	-	16 742 849
Interest on investments	22	118 745	-	-	118 745
Dividends		2 903 983	-	-	2 903 983
Licences or permits	24	1 576 436	-	-	1 576 436
Agency services	25	3 418 055	-	-	3 418 055
Operating revenue	26	464 766	-	-	464 766
		25 820 285	-	-	25 820 285
Total revenue		428 682 969	-	-	428 682 969
Expenditure					
Employee related cost	31	(159 427 566)	689 000	-	(158 738 566)
Remuneration of councillors	32	(24 463 806)	-	-	(24 463 806)
Depreciation and amortisation		(46 456 402)	-	-	(46 456 402)
Impairment	34	(3 796 088)	-	-	(3 796 088)
Finance costs	36	(410 194)	(689 000)	-	(1 099 194)
Inventory consumed	37	(5 481 114)	-	-	(5 481 114)
Contracted services	38	(30 157 769)	-	-	(30 157 769)
Transfers and subsidies	39	(7 879 663)	-	-	(7 879 663)
General expenses	40	(49 718 497)	-	-	(49 718 497)
Operating leases	41	(208 423)	-	-	(208 423)
Total expenditure		(327 999 522)	-	-	(327 999 522)
Gains and losses					
Gain on disposal of assets	42	(121 888)	-	-	(121 888)
Fair value adjustment	43	2 796 569	-	-	2 796 569
Inventories (write-down)	44	(29 241)	-	-	(29 241)
Actuarial gain/losses	45	1 748 000	-	-	1 748 000
		4 393 440	-	-	4 393 440

57.3 Correction of errors

The following prior period errors adjustments occurred:

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

Investment property

During 2021/2022 audit, five (5) properties were identified which were not included in the municipality investment register and adjustment was not done in the AFS.

Nature of error

Include the adjustment and the financial effect of the error	-	288 800
--	---	---------

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

58. 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

2023

	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
Segment revenue						
External revenue from non-exchange transactions	3 216 161	77 394 998	7 027 856	-	338 381 633	426 020 648
External revenue from exchange transactions	3 462 159	240 638	590 575	-	4 948 746	9 242 118
Interests on investments	-	-	-	-	30 552 163	30 552 163
Interest earned from receivables	-	-	196 265	-	3 211 257	3 407 522
Fair value adjustment	-	-	-	-	4 566 400	4 566 400
Actuarial gain/loss	-	-	-	-	1 526 000	1 526 000
Total	6 678 320	77 635 636	7 814 696	-	383 186 199	475 314 851

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

58. Segment information (continued)

Segment expenses						
Total segment expenses	46 646 527	51 963 397	31 145 025	2 185 258	176 427 292	308 367 499
Depreciation and amortisation	-	-	-	-	53 696 540	53 696 540
Disposal of fixed and intangibles assets	-	-	-	-	8 048 887	8 048 887
Inventory gain/loss	-	-	-	-	1 411	1 411
Impairment losses on financial assets	-	-	-	-	3 578 264	3 578 264
Interest expense	-	-	490 280	-	914 750	1 405 030
Total	46 646 527	51 963 397	31 635 305	2 185 258	242 667 144	375 097 631
Surplus for the year	(39 968 207)	25 672 239	(23 820 609)	(2 185 258)	140 519 055	100 217 220
Other information						
Segment assets	15 919 020	(95 848 949)	(19 401 681)	(1 325 546)	1 397 926 004	1 297 268 848
Segment liabilities	(72 596 825)	(22 382 937)	13 774 550	876 366	147 928 750	67 599 904
Total capital expenditure	-	113 556 816	-	-	18 845 446	132 402 262
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
Fair value adjustment	-	-	-	-	2 796 569	2 796 569
Actuarial gain/losses	-	-	-	-	1 748 000	1 748 000
Total	5 600 612	76 802 383	6 100 831	-	344 723 712	433 227 538
Segment expenses						
Total segment expenses	45 061 727	40 352 799	29 454 191	2 035 370	159 743 751	276 647 838
Depreciation and amortisation	-	-	-	-	46 456 402	46 456 402
Disposal of fixed and intangibles assets	-	-	-	-	121 888	121 888
Inventory gain/loss	-	-	-	-	29 241	29 241
Impairment losses on financial assets	-	-	-	-	3 796 088	3 796 088
Interest expense	-	-	377 170	-	722 024	1 099 194
Total	45 061 727	40 352 799	29 831 361	2 035 370	210 869 394	328 150 651
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)	1 255 541 149	1 187 083 832
Segment liabilities	10 777 162	(47 458 610)	6 514 757	1 045 814	86 946 261	57 825 384
Total capital expenditure	-	3 745 777	-	-	139 758 209	143 503 986

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
--	-----------	-----------

59. Events after the reporting date

The Accounting Officer (Ms. Z. Masumpa) and the Chief Financial Officer (Mr. B. K. Benxa) resigned after year end on the 31 July 2023.

The Senior Manager: Technical Services Mrs. N. Mqoqi - Mondl resigned after year end on the 31 August 2023.