



NYANDENI

LOCAL MUNICIPALITY

Building a better future with the people

Nyandeni Local Municipality
(Demarcation code EC155)
Annual Financial Statements
for the year ended 30 June 2024

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Abbreviations

DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
LED	Local Economic Development
MIG	Municipal Infrastructure Grant
INEG	Integrated National Electrification Grant
NLM	Nyandeni Local Municipality
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SETA	Sector Education and Training Authority
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

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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 Honourable Mayor and chairperson of mayoral committee Speaker	Councillor Cllr B. V. Ndamase Cllr S. Gaxeni (Acting start date: 01-09-2023) Cllr S. Gaxeni (Newly elected 01-12-2023) Cllr M. R. Mtobela (Deceased: 01-09-2023) Cllr N. Yehana Cllr N. Jim Cllr A. M. Vuthela Cllr Z. Mevana Cllr T. Matika-Mcubane Cllr S. Mbiyozo Cllr P. Matinise Cllr N. Tyopo
Council WIP Portfolio Head Budget & Treasury Portfolio Head Planning, Research and IGR Portfolio Head Infrastructure Development Portfolio Head Community Services & Public Safety Portfolio Head Corporate Services Portfolio Head LED & Rural Development Portfolio Head Human Settlement, Spatial Planning & Disaster Management Portfolio Head Special Programs Unit Mayor's Office Section 79 Councillors	Cllr S. Ntinta Cllr Z. Nondlevu Cllr F. Gaxeni (Last day in office: 31-10-2023) Cllr M. Mketo (Newly elected: 01-11-2023) Cllr Z. Hibhane Cllr Z. Mchithakali Cllr N. Nonkothama

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 Mjajubana	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 Nonkonyana	N	30	Cllr Tatani	K
31	Cllr Diko	N. E	32	Cllr Vanda	L.M
33	Cllr Vutela	A. M	34	Cllr Zondani	V.B
35	Cllr Mjajubana	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	Chief Malahle	N	52	Chief Ndamase	H
53	Cllr Madwantsi (Newly elected 01-12-2023)	P			

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Senior Management

Position

Municipal Manager

Name

Ms. Z. Masumpa (End date: 31-07-2023)
Mr. G. N. Cekwana (Acting start date: 01-08-2023)
Mr. G. N. Cekwana (End date: 30-04-2024)
Mr. S. Mvunelo (Acting start date: 02-05-2024)
Mr. B. K. Benxa (End date: 31-07-2023)
Mrs. N. Tukela - Langa (Acting start date: 01-08-2023)
Mrs. N. Tukela - Langa (End date: date: 31-01-2024)
Ms. Z. Mkuzo (Acting start date: 01-02-2024)
Ms. Z. Mkuzo (End date: 03-04-2024)
Mr. Z. Z Madyibi (Acting start date: 04-04-2024)
Mr. L Manjingolo (start date: 03-06-2024)
Rev. J. Sikhuni
Mr. S. Mvunelo
Mrs. T. Ndamase-Tshisa (Acting start date: 02-05-2024)
Mrs. N. Mqoqi - Mondi (End date: 31-10-2023)
Mr. J. Yengane (Acting start date: 01-11-2023)
Mr A Zituta (Acting start date: 01-08-2023)
Mr A Zituta (End date: 30-04-2024)
Mr. G. N. Cekwana
Mr. S. V. Poswa

Chief Financial Officer

Senior Manager Community Services

Senior Manager Corporate Services

Senior Manager Infrastructure

Senior Manager Planning and Development

Senior Manager Operations

Members of the Audit Committee

Chairperson

Member

Member

Member

Member

Mrs. N. Ntshanga
Mr. C. Sparg
Mr. S. Ntapane
Ms. S. Lehlehlhla (End date: 19-07-2023)
Ms. B. Gova (Start date: 05-10-2023)

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
Teleni Godi Kupiso incorporated

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and 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 MSCOA version and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 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 99, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer:

S. Mvunelo
Acting Municipal Manager

31 August 2024

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

	Note(s)	2024 R	2023 R
Assets			
Current Assets			
Cash and cash equivalents	2	520 496 593	429 910 964
Receivables from exchange transactions	3	547 978	488 931
Statutory receivables	4	9 783 904	5 606 885
Inventories	5	1 870 888	1 447 952
VAT receivable	6	14 473 817	12 192 722
Total Current Assets		547 173 180	449 647 454
Non-Current Assets			
Investment property	8	90 776 900	85 432 100
Property, plant and equipment	9	804 521 243	726 146 783
Intangible assets	11	1 783 060	1 864 120
Total Non-Current Assets		897 081 203	813 443 003
Total Assets		1 444 254 383	1 263 090 457
Liabilities			
Current Liabilities			
Employee benefits	18	20 686 207	19 452 404
Payables from exchange transactions	13	14 910 290	7 848 688
Unspent conditional grant	14	62 437 251	5 989 875
Provision	19	898 450	862 832
VAT payable	7	2 704 716	2 264 406
Income received in advance	15	2 319 738	1 044 406
Retentions	16	26 845 108	21 217 566
Total Current Liabilities		130 801 760	58 680 177
Non-Current Liabilities			
Financial lease liabilities	17	684 009	992 060
Employee benefits	18	6 518 000	6 551 000
Provision	19	6 626 267	5 974 269
Total Non-Current Liabilities		13 828 276	13 517 329
Total Liabilities		144 630 036	72 197 506
Net Assets		1 299 624 347	1 190 892 951
Community Wealth / Equity			
Accumulated surplus		1 299 624 347	1 190 892 951

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

	Note(s)	2024 R	2023 R
Revenue			
Exchange Revenue			
Services charges - Waste management	20	647 043	590 575
Rental of facilities, land and equipment	21	40 660	192 001
Interests earned from investments	22	46 426 082	30 552 163
Interest earned from receivables	23	209 168	196 265
Licences or permits	24	2 623 072	3 089 955
Agency services	25	1 038 162	454 471
Operating revenue	26	1 612 429	4 482 832
Sales of goods and rendering of services	27	474 737	432 284
Total Exchange Revenue		53 071 353	39 990 546
Non-Exchange Revenue			
Property rates	28	20 114 155	19 128 602
Transfers and subsidies	29	445 167 668	406 236 746
Fines, penalties and forfeits	30	304 657	343 430
Interest earned from receivables	23	3 425 242	3 211 257
Total Non-Exchange Revenue		469 011 722	428 920 035
Total Revenue		522 083 075	468 910 581
Expenditure			
Employee related cost	31	169 770 181	161 403 714
Remuneration of councillors	32	26 415 660	24 525 915
Depreciation and amortisation	34	52 287 804	53 696 440
Impairment loss	35	1 909 484	3 578 264
Finance costs	36	1 847 802	1 405 030
Inventory consumed	37	5 800 685	4 927 134
Debt impairment	33	7 300 253	12 301 736
Contracted services	38	62 792 303	43 585 472
Transfers and subsidies	39	20 573 704	13 685 119
General expenses	40	63 195 485	47 720 795
Operating leases	41	258 425	138 649
Total Expenditure		412 151 786	366 968 268
Operating Surplus		109 931 289	101 942 313
Loss on disposal of assets	42	(11 045 429)	(8 048 887)
Fair value adjustments	43	5 344 800	4 566 400
Inventories (write-down)	44	(71 758)	(1 411)
Actuarial gains	45	1 528 000	1 526 000
Surplus for the year		105 686 902	99 984 415

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of changes in net assets

		Accumulated surplus R	Total net assets R
Opening balance as previously reported		1 129 255 085	1 129 255 085
Adjustments			
Correction of errors	57	(38 446 549)	(38 446 549)
Balance at 01 July 2022 as restated*		1 090 808 536	1 090 808 536
Surplus for the year		99 984 415	99 984 415
Total changes		99 984 415	99 984 415
Opening balance as previously reported		1 229 668 942	1 229 668 942
Adjustments			
Correction of errors		38 775 991	38 775 991
Balance at 01 July 2023 as restated*		1 190 892 951	1 190 892 951
Surplus for the year		105 686 902	105 686 902
Total changes		105 686 902	105 686 902
Balance at 30 June 2024		1 299 624 347	1 299 624 347

Note(s)

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

	Note(s)	2024 R	2023 R
Cash flows from operating activities			
Receipts			
Property rates		8 636 885	9 324 958
Service charges		8 149 209	160 838
Operational revenue		1 957 746	12 206 230
Transfers and Subsidies – Capital		142 289 602	78 767 341
Transfers and Subsidies – Operational		359 325 442	325 210 047
Interest		46 635 250	30 748 427
Payments			
Suppliers and employees		(311 152 588)	(308 735 262)
Finance charges		(84 960)	(53 750)
Transfers and subsidies		(20 573 703)	(13 685 118)
Taxes (VAT)		(2 281 095)	(2 491 498)
Net cash from(used) operating activities	47	232 901 788	131 452 213
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	-
Investment Property		1 528 000	1 526 000
Property, Plant and Equipment		(11 045 429)	(8 048 888)
Payments			
Capital assets		-	-
Investment Property		-	223 900
Property, Plant and Equipment		(132 185 979)	(79 844 231)
Intangible Assets		(304 711)	(100 346)
Net cash flows from investing activities		(142 008 119)	(86 243 564)
Cash flows from financing activities			
Payments			
Repayment of finance leases		(308 040)	846 311
Net cash flows from financing activities		(308 040)	846 311
Net increase/(decrease) in cash		90 585 629	46 054 960
Cash and cash equivalents at beginning of the year		429 910 964	383 856 004
		520 496 593	429 910 964

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	%	
2024							
Financial performance							
Revenue by source							
Exchange revenue							
Service charges - Waste Management	412 851	(1)	412 850	647 043	234 193	56.73 %	FinPerf1
Sale of goods and rendering of services	710 404	-	710 404	474 738	(235 666)	(33.17)%	FinPerf2
Agency services	1 659 987	-	1 659 987	1 038 162	(621 825)	(37.46)%	FinPerf3
Interest earned from receivables	105 300	-	105 300	209 168	103 868	98.64 %	FinPerf4
Interest earned from current and non current assets	18 081 582	21 918 418	40 000 000	46 426 083	6 426 083	16.07 %	FinPerf5
Rent on land	200 000	-	200 000	-	(200 000)	(100.00)%	FinPerf6
Rental from fixed assets	20 000	-	20 000	40 660	20 660	103.30 %	FinPerf7
Licence and permits	4 412 287	-	4 412 287	2 623 072	(1 789 215)	(40.55)%	FinPerf8
Operational revenue	300 000	1 182 079	1 482 079	1 612 430	130 351	8.80 %	FinPerf9
	25 902 411	23 100 496	49 002 907	53 071 356	4 068 449	108.30 %	
Non-exchange revenue							
Property rates by usage	20 051 699	-	20 051 699	20 114 155	62 456	0.31 %	
Fines, penalties and forfeits	440 364	-	440 364	304 657	(135 707)	(30.82)%	FinPerf10
Licences or permits	125 887	-	125 887	102 949	(22 938)	(18.22)%	FinPerf11
Transfer and subsidies - Operational	339 233 850	30 909 067	370 142 917	445 167 668	75 024 751	20.27 %	
Interest	1 162 072	390 168	1 552 240	3 425 242	1 873 002	120.66 %	FinPerf12
Gains on disposal of assets	-	-	-	(11 117 187)	(11 117 187)	- %	
Other gains	-	-	-	8 329 042	8 329 042	- %	
	361 013 872	31 299 235	392 313 107	466 326 526	74 013 419	18.87 %	
Total Revenue by source (excl. capital transfers and contributions)	386 916 283	54 399 731	441 316 014	519 397 882	78 081 868	17.69 %	
Expenditure							
Employee costs	(197 706 717)	5 466 011	(192 240 706)	(169 770 181)	22 470 525	(11.69)%	FinPerf13

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	%	
Remuneration of councillors	(29 152 745)	-	(29 152 745)	(26 415 660)	2 737 085	(9.39)%	FinPerf14
Inventory consumed	(10 732 377)	(57 780)	(10 790 157)	(5 799 004)	4 991 153	(46.26)%	FinPerf15
Debt impairment	(7 132 473)	(202 527)	(7 335 000)	(7 300 253)	34 747	(0.47)%	
Depreciation and amortisation	(61 716 868)	-	(61 716 868)	(52 287 804)	9 429 064	(15.28)%	FinPerf16
Finance charges	-	-	-	(1 847 802)	(1 847 802)	- %	FinPerf17
Contracted services	(90 156 510)	(41 639 196)	(131 795 706)	(62 540 614)	69 255 092	(52.55)%	FinPerf18
Transfers and grants	(13 664 119)	(2 770 187)	(16 434 306)	(20 573 704)	(4 139 398)	25.19 %	FinPerf19
Irrecoverable debts written off	(7 113 624)	(7 113 622)	(14 227 246)	-	14 227 246	(100.00)%	FinPerf20
Operational costs	(86 643 241)	(3 052 154)	(89 695 390)	(64 943 802)	24 751 588	(27.60)%	FinPerf21
Impairment loss	-	-	-	(1 909 484)	(1 909 484)	- %	
Total Expenditure	(504 018 674)	(49 369 455)	(553 388 124)	(413 388 308)	139 999 816	(25.30)%	
Surplus	(117 102 391)	5 030 276	(112 072 110)	106 009 574	218 081 684	(194.59)%	
Transfers and subsidies - capital (monetary allocations)	173 772 707	36 322 487	210 095 194	-	(210 095 194)	(100.00)%	FinPerf22
Surplus for the year	56 670 316	41 352 763	98 023 084	106 009 574	7 986 490	8.15 %	

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	%	
Financial position							
Assets							
Current assets							
Cash and cash equivalents	251 136 200	(22 532 833)	228 603 367	520 496 593	291 893 226	127.69 %	FinPos1
Trade and other receivables from exchange transactions	2 468 240	(109 199)	2 359 041	547 978	(1 811 063)	(76.77)%	FinPos2
Receivables from non-exchange transactions	(41 122)	9 840 810	9 881 932	9 783 904	(98 028)	(0.99)%	FinPos3
Current portion of non-current receivables	(109 199)	-	(109 199)	-	109 199	(100.00)%	FinPos4
Inventory	606 091	-	606 091	1 870 888	1 264 797	208.68 %	FinPos5
VAT	11 588 725	-	11 588 725	14 473 817	2 885 092	24.90 %	FinPos6
Other current assets	(419 923)	-	(419 923)	-	419 923	(100.00)%	FinPos7
Total current assets	265 229 012	(12 801 222)	252 510 034	547 173 180	294 663 146	116.69 %	
Non-current assets							
Investment property	80 800 800	-	80 800 800	90 776 900	9 976 100	12.35 %	FinPos8
Property, plant and equipment	894 220 322	62 076 367	956 296 689	804 521 243	(151 775 446)	(15.87)%	FinPos9
Intangible assets	2 742 150	(1 000 000)	1 742 150	1 783 060	40 910	2.35 %	FinPos11
Total non-current assets	977 763 272	61 076 367	1 038 839 639	897 081 203	(141 758 436)	(13.65)%	
Total assets	1 242 992 284	48 357 389	1 291 349 673	1 444 254 383	152 904 710	11.84 %	
Liabilities							
Current liabilities							
Financial liabilities	145 752	-	145 752	-	(145 752)	(100.00)%	FinPos12
Trade and other payables from exchange transactions	46 693 102	57 780	46 750 882	64 438 673	17 687 791	37.83 %	FinPos13
Trade and other payables from non-exchange transactions	(3 378 588)	(57 780)	(3 436 368)	62 437 251	65 873 619	(1 916.95)%	FinPos14
Provision	1 960 557	-	1 960 557	898 450	(1 062 107)	(54.17)%	FinPos15
VAT	1 512 735	7 113 623	8 626 358	2 704 716	(5 921 642)	(68.65)%	FinPos16
Total current liabilities	46 933 558	7 113 623	54 047 181	130 479 090	76 431 909	141.42 %	
Non-current liabilities							

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	%	
Financial liabilities	1 326	-	1 326	248 311	246 985	18 626.32 %	FinPos17
Other non-current liabilities	10 464 640	-	10 464 640	13 579 965	3 115 325	29.77 %	FinPos18
Total non-current liabilities	10 465 966	-	10 465 966	13 828 276	3 362 310	32.13 %	
Total liabilities	57 399 524	7 113 623	64 513 147	144 307 366	79 794 219	123.69 %	
Net assets	1 185 592 760	41 243 766	1 226 836 526	1 299 947 017	73 110 491	5.96 %	
Net Assets							
Accumulated Surplus/(Deficit)	1 180 198 460	141 178 512	1 321 376 977	1 299 947 017	(21 429 960)	(1.62)%	
Revaluation reserves	5 394 300	-	5 394 300	-	(5 394 300)	(100.00)%	
Total current net assets	1 185 592 760	141 178 512	1 326 771 277	1 299 947 017	(26 824 260)	(2.02)%	

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	%	
Cash flow							
Cash flow from operating activities							
Receipts							
Property rates	13 069 675	(2 621 585)	10 448 090	8 636 885	(1 811 205)	(17.34)%	C1
Service charges	365 580	(47 686)	317 894	8 149 209	7 831 315	2 463.50 %	C2
Operational revenue	7 868 929	(5 931 545)	1 937 384	1 957 746	20 362	1.05 %	
Transfers and Subsidies - Operational	339 142 998	30 944 426	370 087 424	359 325 442	(10 761 982)	(2.91)%	C3
Transfers and Subsidies - Capital	173 772 707	36 322 487	210 095 194	142 289 602	(67 805 592)	(32.27)%	C4
Interest	-	40 000 000	40 000 000	46 635 250	6 635 250	16.59 %	C5
	534 219 889	98 666 097	632 885 986	566 994 134	(65 891 852)	(10.41)%	
Payments							
Suppliers and employees	(428 020 350)	(31 298 508)	(459 318 858)	(313 433 682)	145 885 176	(31.76)%	C6
Finance charges	-	-	-	(84 960)	(84 960)	- %	
Transfers and subsidies	-	(10 790 157)	(10 790 157)	(20 573 703)	(9 783 546)	90.67 %	C7
	(428 020 350)	(42 088 665)	(470 109 015)	(334 092 345)	136 016 670	(28.93)%	
Net cash from/(used) operating activities	106 199 539	56 577 432	162 776 971	232 901 789	70 124 818	43.08 %	
Cash flow from investing activities							
Receipts							
Proceeds on disposal of PPE	-	78 538 091	78 538 091	(9 517 429)	(88 055 520)	(112.12)%	C8
Payments							
Capital assets	(243 258 885)	(61 776 367)	(305 035 252)	(132 490 690)	172 544 562	(56.57)%	C9
Net cash from/(used) investing activities	(243 258 885)	16 761 724	(226 497 161)	(142 008 119)	84 489 042	(37.30)%	
Cash flow from financing activities							
Payments							
Repayment of borrowing	-	(308 134)	(308 134)	(308 041)	93	(0.03)%	

Nyandeni Local Municipality

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Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	%	
Net Increase/ (Decrease) in cash held	(137 059 346)	73 031 022	(64 028 324)	90 585 629	154 613 953	(241.48)%	
Cash/cash equivalents at the year begin:	336 892 594	-	336 892 594	429 910 964	93 018 370	27.61 %	C10
Cash/cash equivalents at the year end:	199 833 248	73 031 022	272 864 270	520 496 593	247 632 323	90.75 %	C11

Variances are explained in note 58.

Nyandeni Local Municipality

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Accounting Policies

The annual financial statements of Nyandeni Local Municipality for the year ended 30 June 2024 were authorised for issue by the Accounting officer on 31 August 2024.

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 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.

1.2 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.

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 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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.

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.

1.3 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.3 Investment property (continued)

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.

1.4 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.

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

Nyandeni Local Municipality

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Accounting Policies

1.4 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land and Buildings	Straight-line	7-34 years
Machinery and Equipment	Straight-line	2-50 years
Transport assets	Straight-line	5-10 years
Furniture and Office equipment	Straight-line	2-17 years
Computer Equipment	Straight-line	2-14 years
Infrastructure	Straight-line	2-100 years
Community assets	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.

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

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

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

1.5 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:

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Intangible assets (continued)

- 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.
- here are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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.

1.6 Financial instruments

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

1.6.1 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
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Accounting Policies

1.6 Financial instruments (continued)

Receivables from exchange transaction

Financial assets at amortised cost

Cash and cash equivalents

Financial assets at amortised cost

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

Financial liabilities

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

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

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

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

Type of financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability at amortised cost
Payables from non exchange transactions	Financial liability at amortised cost
Retentions	Financial liability at amortised cost

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

1.6.2 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.

Accounting Policies

1.6 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 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 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.

1.6.3 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

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Accounting Policies

1.6 Financial instruments (continued)

1.6.4 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 liabilities

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

1.6.5 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.

1.7 Statutory receivables

1.7.1 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

1.7.2 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.

1.7.3 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

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Accounting Policies

1.7 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).

1.7.4 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.

1.7.5 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.

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Accounting Policies

1.7 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).

1.8 Leases

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

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

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

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.

1.9 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

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Accounting Policies

1.9 Inventories (continued)

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

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

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

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

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

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

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.

1.10 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.

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Accounting Policies

1.10 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.

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Accounting Policies

1.10 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.

Accounting Policies

1.10 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.

1.11 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.

Accounting Policies

1.11 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.

Accounting Policies

1.11 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.

1.12 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.

Accounting Policies

1.12 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.

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Accounting Policies

1.12 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.

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Accounting Policies

1.12 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.

1.13 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 2024

Accounting Policies

1.13 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 the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

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

1.14 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.

1.15 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.

1.16 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 2024

Accounting Policies

1.16 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.

1.16.1 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 2024

Accounting Policies

1.16 Revenue (continued)

1.16.2 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 2024

Accounting Policies

1.16 Revenue (continued)

Revenue recognition of unclaimed deposits

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

1.17 Investment income

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

1.18 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.

1.19 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.

1.20 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 2024

Accounting Policies

1.20 Fruitless and wasteful expenditure (continued)

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 51.2

1.21 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 51.1.

1.22 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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 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.

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

The approved budget covers the fiscal period from 01 Jul 2023 to 30 Jun 2024.

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.

1.24 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, Mayor, Mayoral Committee members, Municipal Manager, senior managers 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 2024

Accounting Policies

1.24 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.

1.25 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 2024

Accounting Policies

1.25 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.

1.26 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.

1.27 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 2024

Accounting Policies

1.27 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.

1.28 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.

1.29 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.

1.30 New standards and interpretations

1.30.1 Standards, amendments to standards and interpretations issued, but not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

Standard/ Interpretation:

Effective date: Years beginning on or after

Expected impact:

- | | | |
|--|---------------|--|
| • GRAP 2023: Improvements to the Standards of GRAP 2023 | 01 April 2099 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | 01 April 2099 | Unlikely there will be a material impact |
| • GRAP 103 (as revised): Heritage Assets | 01 April 2099 | Unlikely there will be a material impact |
| • GRAP 105: Transfer of Functions Between Entities Under Common Control | 01 April 2099 | Unlikely there will be a material impact |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.30 New standards and interpretations (continued)

- | | | |
|---|---------------|--|
| • GRAP 106: Transfer of Functions Between Entities Not Under Common Control | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 107: Mergers | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
2. Cash and cash equivalents		
2.1 Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Call deposits and investments		
Bank account	8 794 657	55 627 916
Cash at bank		
Short term investments	511 701 921	374 283 033
Cash on hand	15	15
Total cash and cash equivalents	520 496 593	429 910 964

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

				2024 R	2023 R	
2. Cash and cash equivalents (continued)						
2.2 Difference between cash book and bank statement						
	Cash book	30 June 2024 Bank statement	Difference	Cash book	30 June 2023 Bank statement	Difference
Standard bank - Call Acc 388655305405 - HSG	4 578 255	4 578 255	-	748 200	748 200	-
First National Bank - Call Acc - 62159915704 MIG Call	528 855	528 855	-	34 734 973	34 735 009	(36)
Standard bank - 48 hour notice deposit - 388655305	32 749 718	32 749 718	-	7 107 388	7 107 388	-
First National Bank - Call Acc - 74182161238 NLM	12 580 292	12 580 292	-	11 663 161	11 561 699	101 462
First National Bank Call Account - 62159922551- Property Valuation	242 268	242 268	-	224 769	224 769	-
First National Bank - Call Account - 62396357298 - EPWP	146 807	16 130	130 677	1 914 507	2 041 302	(126 795)
Nedbank - Fixed Deposit - 03/7881143126	85 173 579	85 173 579	-	77 971 901	77 971 901	-
First National Bank - Call Account - 74634166463	49 947	49 947	-	45 767	46 341	(574)
Standard Bank - 548736855-001	1 082 409	1 082 409	-	1 012 589	1 012 589	-
First National Bank - 32 Day Interest - 72399019737	2 893 802	2 893 924	(122)	2 662 138	2 662 260	(122)
Nedbank - Fixed Deposit - 03/7881138173	8 860 604	9 130 491	(269 887)	8 403 728	8 403 763	(35)
Nedbank - 7881161760 - Disaster Relief	50 578 712	50 578 712	-	7 538 395	7 538 395	-
First National Bank Rates call - 74808491951	1 353 034	1 353 034	-	1 247 216	1 247 216	-
Nedbank - 7881156317	143 497 501	143 497 501	-	130 745 478	130 745 478	-
First National Bank - Investment Acc - 74187331349	31 796 088	31 796 088	-	29 187 886	29 187 886	-
First National Bank - Call Account - 62582905710	877 720	812 927	64 793	653 321	754 210	(100 889)
Nedbank - 037881138254	31 286 459	31 286 459	-	28 796 257	28 796 257	-
First National Bank - Call Account - 62396356539 - INEG	4 401 310	4 401 310	-	12 769 101	12 704 308	64 793
FNB Call Account - 62159915340 - LG SETA call account	98 519	98 519	-	91 402	91 402	-
First National Bank - Call Account - 62159921751	73 776	73 776	-	5 457 601	5 457 601	-
First National Bank - Call Account - 62159915853	2 084 436	2 084 436	-	1 933 879	1 933 879	-
Standard Bank - Money Call Account no. 388680237-002	7 471 456	7 471 456	-	6 895 855	6 895 855	-
Standard Bank - Call Deposit - 388655305-403	415 814	415 814	-	393 296	393 296	-
Standard Bank - Tiered Rates 388680172-002	4 006	4 006	-	3 818	3 818	-
Standard Bank - 32 Day Call 388655305-004	1 732 039	1 732 039	-	1 591 435	1 591 435	-
Standard Bank - Stanlib - 54781067	33 815	33 815	-	33 815	33 815	-
Standard Bank - Revolving Fund - 388655305-002	335 600	335 600	-	317 425	317 425	-

Nyandeni Local Municipality

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					2024 R	2023 R
2. Cash and cash equivalents (continued)						
Standard Bank - Call Deposit - 388680237-001	149 380	149 380	-	137 733	137 733	-
First National Bank- Current Account No 62152951614	6 603 256	1 713 520	4 889 736	38 482 350	48 294 524	(9 812 174)
Standard Bank - Current Account no. 80847978	2 191 401	2 191 401	-	17 145 566	2 469 170	14 676 396
STD Bank-Employee costs 48 hr notice Account no. 388655305-406	39 244 558	39 244 558	-	-	-	-
First National Bank - interest allocation account - 76206372113	47 381 162	47 381 162	-	-	-	-
	520 496 578	515 681 381	4 815 197	429 910 950	425 108 924	4 802 026

3. Receivables from exchange transactions Trade service and consumer service debtors

			3.1			
Waste management				547 446	487 696	
Service charges				532	1 235	
				547 978	488 931	

3.1 Consumer receivables

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Waste management	2 997 838	(2 450 392)	547 446	2 419 898	(1 932 202)	487 696
Service charges	532	-	532	1 235	-	1 235
Total consumer receivables from exchange transactions	2 998 370	(2 450 392)	547 978	2 421 133	(1 932 202)	488 931

Nyandeni Local Municipality

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3. Receivables from exchange transactions (continued)

3.1.1 Ageing of consumer receivables

2024

		Not due			Past due			
	Total	Current	30 days	60 days	90 days	120 days	120+ days	Interest
Consumer receivables from exchange transactions								
Total by debt type								
Waste management	2 997 838	120 687	63 042	31 458	27 167	69 745	1 995 266	690 473
Service charges	532	-	-	-	-	-	299	233
Total by debt type	2 998 370	120 687	63 042	31 458	27 167	69 745	1 995 565	690 706
Aging per customer group								
Organs of state	294 473	22 764	3 960	4 020	1 980	5 970	177 682	78 097
Commercial customers	1 195 217	40 439	21 659	18 339	10 830	30 829	833 806	239 315
Households	1 508 148	57 484	37 423	9 098	14 358	32 947	983 777	373 061
Other	532	-	-	-	-	-	299	233
Total by customer group	2 998 370	120 687	63 042	31 457	27 168	69 746	1 995 564	690 706

2023

Consumer receivables from exchange transactions

Total by debt type								
Waste management	2 419 898	94 919	47 278	93 595	60 476	37 675	1 571 887	514 068
Service charges	1 235	-	-	-	-	-	-	1 235
Total by debt type	2 421 133	94 919	47 278	93 595	60 476	37 675	1 571 887	515 303

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3. Receivables from exchange transactions (continued)

Aging per customer group

Organs of state	275 419	7 815	3 740	7 480	1 890	3 540	176 338	74 616
Commercial customers	457 387	20 370	10 185	19 950	9 975	9 975	302 706	84 226
Households	1 687 092	66 734	33 353	66 165	48 611	24 160	1 092 843	355 226
Other	1 235	-	-	-	-	-	-	1 235
Total by customer group	2 421 133	94 919	47 278	93 595	60 476	37 675	1 571 887	515 303

3.1.2 Impairment reconciliation of consumer receivables

	2024			2023		
	Opening balance	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment reversed / debt written off	Closing balance
Consumer receivables from exchange transactions						
Waste management	(1 932 202)	(518 190)	(2 450 392)	(1 679 593)	(252 609)	(1 932 202)

Nyandeni Local Municipality

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		2024 R	2023 R
4. Statutory receivables			
Consumer receivables			
Property rates	4.1	7 349 542	3 302 223
Other receivables			
Fines	4.1	2 434 362	2 304 662
Total receivables		9 783 904	5 606 885
Current assets		9 783 904	5 606 885

4.1 Statutory receivables

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	48 699 686	(41 350 144)	7 349 542	37 870 303	(34 568 080)	3 302 223
Other receivables						
Fines	2 366 502	67 860	2 434 362	2 236 802	67 860	2 304 662
Total	51 066 188	(41 282 284)	9 783 904	40 107 105	(34 500 220)	5 606 885

Nyandeni Local Municipality

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4. Statutory receivables (continued)

4.1.1 Ageing of Statutory receivables

2024

	Not due				Past due		
	Total	Current	60 days	90 days	120 days	120+ days	Interest
Consumer receivables							
Property rates	48 699 686	952 894	124 907	211 145	466 858	36 524 077	10 419 805
Other receivables							
Fines	2 366 502	-	-	-	-	-	-
	51 066 188	952 894	124 907	211 145	466 858	36 524 077	10 419 805

2023

	Not due				Past due		
	Total	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	2 236 802	-	-	-	-	-	-
	40 107 105	249 307	718 029	146 013	236 013	28 859 616	7 661 325

Nyandeni Local Municipality

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4. Statutory receivables (continued)

4.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2024			2023			
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables							
Property rates	(34 568 080)	(6 782 064)	(41 350 144)	(22 461 826)	(12 106 254)	-	(34 568 080)
Other receivables							
Fines	67 860	-	67 860	(67)	-	67 927	67 860
Total	(34 500 220)	(6 782 064)	(41 282 284)	(22 461 893)	(12 106 254)	67 927	(34 500 220)

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

Traffic fines

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

Consumer debtors - Rates

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

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

Financial asset receivables included in receivables from non exchange transaction above

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
4. Statutory receivables (continued)		
Property rates	7 349 542	3 302 223
Fines	2 434 362	2 304 662
	9 783 904	5 606 885

5. Inventories

Consumables	1 870 888	1 447 952
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Reconciliation of Consumables

Consumables	1 942 646	1 449 363
Write-offs	(71 758)	(1 411)
	1 870 888	1 447 952

Stock at year end amounted to R 1 870 888 (2023: R 1 449 363). Stock amounting to R 30 549 was damaged and absolute, and had to be written down in relation to consumables and an amount of R 41 209 was written off as a result of inventory stock take at year end.

No inventories are held for sale as security for liabilities of the municipality.

6. VAT receivable

Input Accrual	6 551 003	9 895 792
Input VAT General	3 373 561	7 203
Input VAT Capital	1 754 372	929 565
VAT Control	2 794 881	1 360 162
Total	14 473 817	12 192 722

7. VAT payable

Output VAT	(2 394 472)	(2 007 538)
VAT credit: Output accrual	(310 244)	(256 868)
Total	(2 704 716)	(2 264 406)

8. Investment property

8.1 Reconciliation of carrying value

Opening carrying value		
Cost	85 432 100	81 089 600
Fair Value Adjustments	5 344 800	4 342 500
Closing carrying value	90 776 900	85 432 100

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property.

Method of asset valuation

A register containing the information required by section 63 of the Municipal Finance Management Act (Act 56 of 2003) is available for inspection at the registered offices of the municipality.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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8. Investment property (continued)

The effective date of the revaluations was 30 June 2024. Revaluations were performed by an independent valuer, Mr Tshepo Benedict Makhudu Registered Valuer of UniqueCo Property Valuers.

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 using the market prices for properties similar to the entity's 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.

9. Property, plant and equipment

9.1 Summary

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	164 436 492	(30 894 345)	133 542 147	134 728 625	(27 848 138)	106 880 487
Transport Assets	30 429 430	(14 543 118)	15 886 312	29 712 008	(11 932 672)	17 779 336
Leased assets	1 211 551	(588 782)	622 769	1 146 986	(192 932)	954 054
Machinery and Equipment	24 668 278	(11 453 928)	13 214 350	19 759 726	(9 837 691)	9 922 035
Furniture and Office Equipment	9 587 557	(6 151 363)	3 436 194	8 835 315	(5 472 199)	3 363 116
Computer Equipment	9 761 923	(6 062 619)	3 699 304	7 938 961	(4 848 047)	3 090 914
Infrastructure	745 339 326	(290 196 834)	455 142 492	728 414 334	(271 998 060)	456 416 274
Community Assets	41 350 920	(14 951 200)	26 399 720	36 791 921	(13 227 384)	23 564 537
Construction Work-in-progress	152 577 955	-	152 577 955	104 176 029	-	104 176 029
Total	1 179 363 432	(374 842 189)	804 521 243	1 071 503 905	(345 357 123)	726 146 783

Nyandeni Local Municipality

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land	106 880 488	382 900	(903)	29 451 833	2 491 061	(5 663 232)	-	133 542 147
Transport Assets	17 779 335	717 422	-	-	-	(2 610 444)	-	15 886 313
Leased assets	954 052	64 566	-	-	-	(395 850)	-	622 768
Machinery and Equipment	9 922 039	4 994 617	(56 718)	-	-	(1 645 589)	-	13 214 349
Furniture and Office Equipment	3 363 117	758 710	(2 599)	107 734	-	(791 567)	-	3 435 395
Computer Equipment	3 090 913	1 921 481	(63 798)	-	-	(1 249 293)	-	3 699 303
Infrastructure	456 416 274	-	(10 958 563)	48 990 251	-	(37 454 799)	(1 909 484)	455 083 679
Community Assets	23 564 537	-	(142 752)	5 077 363	-	(2 099 428)	-	26 399 720
Construction Work-in-progress	104 176 029	135 839 049	-	(83 794 181)	(3 642 142)	-	-	152 578 755
Total	726 146 784	144 678 745	(11 225 333)	(167 000)	(1 151 081)	(51 910 202)	(1 909 484)	804 462 429

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land	116 239 807	240 869	(696 396)	-	-	(6 412 731)	(2 491 062)	106 880 487
Transport Assets	6 941 986	14 462 263	(1 203 043)	-	-	(2 421 870)	-	17 779 336
Leased assets	150 831	1 205 578	(6 201)	-	-	(396 156)	-	954 052
Machinery and Equipment	9 915 246	1 415 843	(39 790)	-	-	(1 369 264)	-	9 922 035
Furniture and Office Equipment	2 729 514	1 351 441	(31 904)	-	-	(685 935)	-	3 363 116
Computer Equipment	2 721 470	1 376 492	(104 312)	-	-	(902 736)	-	3 090 914
Infrastructure	419 047 652	-	(7 520 720)	82 185 668	2 507 322	(38 858 801)	(944 847)	456 416 274
Community Assets	25 015 796	-	(169 555)	1 243 782	-	(2 383 131)	(142 355)	23 564 537
Construction Work-in-progress	88 193 761	108 431 777	-	(83 301 146)	(9 148 363)	-	-	104 176 029
Total	670 956 063	128 484 263	(9 771 921)	128 304	(6 641 041)	(53 430 624)	(3 578 264)	726 146 780

Nyandeni Local Municipality

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	2024	2023
	R	R

9. Property, plant and equipment (continued)

9.2 Property, plant and equipment under construction

2024

	Infra-structure	Buildings	Total
Opening balance	93 232 986	10 943 043	104 176 029
Additional/capital expenditure	123 538 814	8 791 443	132 330 257
Other movement [Retention on WIP]	3 243 733	265 059	3 508 792
Transfers to operations	(3 475 163)	-	(3 475 163)
Transfer to completed items	(63 794 635)	(19 999 545)	(83 794 180)
	152 745 735	-	152 745 735

2023

	Infra-structure	Buildings	Total
Opening balance	88 193 761	-	88 193 761
Additional/capital expenditure	93 752 194	10 192 602	103 944 796
Other movement [Retention on WIP]	3 736 540	750 441	4 486 981
Transfers to operations	(9 148 363)	-	(9 148 363)
Transfer to completed items	(83 301 146)	-	(83 301 146)
	93 232 986	10 943 043	104 176 029

The following projects are still in progress, there were delays that caused the projects not to be completed on time and these delays are beyond 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 on lined below and projected to be completed in the following financial year

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

	2024	2023
	R	R

9. Property, plant and equipment (continued)

1. Tholeni Access Road Ward 26
 - Poor performance by contractor
 - Climate change (Heavy Rains)
2. Libode Internal Road (Thabo Mbeki)
 - Poor performance by contractor
 - Climate change (Heavy Rains)
 - Absence of commercial material from local suppliers
3. Mvilo Bridge and Access Road
 - Poor performance by contractor
 - Wet weather conditions and damage of works by floods due steep terrain.
4. Libode Offices
 - Reprioritization of Municipal projects for 2023/24 due to financial constraints
5. Ngqeleni Side Walks
 - Damaged works due to Floods which needed to be reconstructed.
 - Non availability Commercial material from local suppliers.
6. Libode Side Walks
 - Damaged works due to Floods which needed to be reconstructed.
 - Non availability Commercial material from local suppliers.
7. Construction of Ngolo to Corana Access Road
 - The project validity period elapsed and will be re advertised.
8. Canzibe Public Transport Facility
 - Will be re advertised towards year end, with intention to implement in two financial years
9. Ngqeleni Animal Pound
 - Will be re advertised towards year end, with intention to implement in two financial years
10. Libode Animal Pound
 - Will be re advertised towards year end, with intention to implement in two financial years
11. New Rest
 - Will be implemented in 25/26 due to budget constraints
12. Tshazini Access Road and Bridge
 - Poor performance by contractor
 - Climate change (Heavy Rains)
13. Construction of Mabululu to Ncithwa AR
 - Project delayed due to re-apply for EIA, applications has been done and waiting for approval
14. Makhwaleni A/R – Zinduneni

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	2 212 967	1 635 372
Maintenance of equipment	2 171 225	1 642 080
Maintenance of unspecified assets	6 059 186	8 001 241
	10 443 378	11 278 693

Repairs and maintenance relate to property, plant and equipment.

Nyandeni Local Municipality

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		2024 R	2023 R	
11. Intangible assets				
11.1 Reconciliation of carrying value				
2024				
		Computer software	Intangible Assets under Development	Total
Opening carrying value as at 01 July 2023				
Cost		2 524 435	518 350	3 042 785
Accumulated amortisation and impairment		(1 447 852)	-	(1 447 852)
		1 076 583	518 350	1 594 933
Additions from acquisitions		302 623	-	302 623
Write-off - cost		(405 254)	-	(405 254)
Write-off accumulated		401 121	-	401 121
Amortisation	34	(385 770)	-	(385 770)
		(87 280)	-	(87 280)
Closing carrying value as at 30 June 2024		989 303	518 350	1 507 653
Cost		1 733 793	1 090 350	2 824 143
Accumulated amortisation and impairment		(1 041 083)	-	(1 041 083)
		692 710	1 090 350	1 783 060
2023				
		Computer software	Intangible Assets under Development	Total
Opening carrying value as at 01 July 2022				
Cost		2 241 679	787 537	3 029 216
Accumulated amortisation and impairment		(1 191 524)	-	(1 191 524)
		1 050 155	787 537	1 837 692
Additions from acquisitions		282 756	-	282 756
Amortisation	34	(256 328)	-	(256 328)
		26 428	-	26 428
Closing carrying value as at 30 June 2023		1 076 583	787 537	1 864 120
Cost		2 524 435	787 537	3 311 972
Accumulated amortisation and impairment		(1 447 852)	-	(1 447 852)
		1 076 583	787 537	1 864 120

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.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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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 2023-2024 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 6557358.99 in the current year.

Depreciation	2024	2025	2026	Total
Depreciation before change	55 503 884	55 503 884	55 503 884	166 511 652
Depreciation after change	(48 946 525)	(48 946 525)	(48 946 525)	(146 839 575)
	6 557 359	6 557 359	6 557 359	19 672 077

13. Payables from exchange transactions

Control and clearing accounts		575 164	-
Other payables	13.1	14 335 126	7 848 688
Total		14 910 290	7 848 688

Current	14 910 290	7 848 688
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13.1 Other payables

Sundry suppliers	25 796	25 796
Unallocated deposits	230 334	210 926
Trade payables	5 408 203	3 510 893
Creditors accrual	8 670 793	4 101 073
Total	14 335 126	7 848 688

Nyandeni Local Municipality

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14. Unspent conditional grant

		2024					2023				
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital											
Monetary Allocations	14.1	4 842 412	121 266 054	(86 659 286)	-	39 449 180	(36 838)	83 234 433	(78 355 183)	-	4 842 412
Operational											
Monetary Allocations	14.2	1 147 462	55 142 752	(29 205 712)	(4 096 431)	22 988 071	8 286 072	4 820 806	(7 862 984)	(4 096 431)	1 147 463
Total		5 989 874	176 408 806	(115 864 998)	(4 096 431)	62 437 251	8 249 234	88 055 239	(86 218 167)	(4 096 431)	5 989 875

14.1 Unspent capital monetary allocations

		2024				2023			
		Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
Departmental Agencies and Accounts									
National departmental agencies		116 097	358 564	(346 751)	127 910	(36 838)	275 097	(122 162)	116 097
National Government									
Integrated National Electrification Programme Grant		-	-	-	-	-	8 000 000	(8 000 000)	-
Municipal Disaster Relief Grant		4 714 546	46 987 000	(10 931 982)	40 769 564	-	7 293 000	(2 578 454)	4 714 546
Municipal Emergency Housing Grant		(252 845)	8 936 840	(10 510 719)	(1 826 724)	-	2 133 722	(2 386 567)	(252 845)
Municipal Infrastructure Grant		-	64 283 650	(64 339 524)	(55 874)	-	65 968 000	(65 968 000)	-
Total		4 461 701	120 207 490	(85 782 225)	38 886 966	-	83 394 722	(78 933 021)	4 461 701
Provincial Government									
Eastern Cape		264 614	700 000	(530 310)	434 304	-	(435 386)	700 000	264 614
Total unspent capital monetary allocations		4 842 412	121 266 054	(86 659 286)	39 449 180	(36 838)	83 234 433	(78 355 183)	4 842 412

Nyandeni Local Municipality

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Figures in Rand

14. Unspent conditional grant (continued)

14.2 Unspent operational monetary allocations

	2024					2023				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
National Government										
Expanded Public Works Programme Integrated Grant	363	1 707 000	(1 707 972)	-	(609)	-	1 859 000	(1 858 637)	-	363
Integrated National Electrification Programme Grant	-	21 313 000	(21 331 598)	-	(18 598)	-	-	-	-	-
Local Government Financial Management Grant	(472)	1 650 000	(1 649 827)	-	(299)	-	1 650 000	(1 650 472)	-	(472)
Municipal Infrastructure Grant	626	3 383 350	(3 383 071)	-	905	-	3 472 000	(3 471 373)	-	627
Neighbourhood Development Partnership Grant	562 780	27 089 402	(1 133 244)	(4 096 431)	22 422 507	8 286 072	(3 160 194)	(466 667)	(4 096 431)	562 780
Total	563 297	55 142 752	(29 205 712)	(4 096 431)	22 403 906	8 286 072	3 820 806	(7 447 149)	(4 096 431)	563 298
Provincial Government										
Eastern Cape	584 165	-	-	-	584 165	-	1 000 000	(415 835)	-	584 165
Total unspent operational monetary allocations	1 147 462	55 142 752	(29 205 712)	(4 096 431)	22 988 071	8 286 072	4 820 806	(7 862 984)	(4 096 431)	1 147 463

In relation to the Neighbourhood Development Grant the municipality could not secure a suitable contractor to undertake the project on time.

All grants were spent according to the DORA conditions.

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
15. Income received in advance		
Advance payments	2 319 738	1 044 406

16. Retentions

Contractors	26 845 108	21 217 566
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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 6 - 12 months after the projects is certified as complete.

17. Financial lease liabilities

Finance lease liabilities	17.1	684 009	992 060
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17.1 Obligation under finance leases

The municipality as lessee

The obligations under finance leases are as follow:

Minimum lease payments

Payable within 1 year	444 119	444 119
Payable within 2 to 5 years	375 345	683 396
Less:unearned finance revenue	(135 455)	(135 455)
Total minimum lease payments	684 009	992 060

Present value of minimum lease payments

Payable within 2 to 5 years	361 169	361 169
More than 5 years	322 840	630 891
Total	684 009	992 060
Non-current liability	684 009	992 060

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% (2023: 4%).

The finance lease obligation is made up of numerous rental agreements for the office equipment with different termination dates.

The office equipment is leased from Xerox Office Equipment for a term of 36 months.

18. Employee benefits

Non-current employee benefits

Long-service awards	18.1	6 518 000	6 551 000
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Current employee benefits

Bonus	18.2	3 444 117	3 237 493
Accrued leave pay	18.3	13 839 528	13 492 898
Long-service awards	18.1	2 482 000	2 083 000
Overtime	18.4	920 562	639 013
		20 686 207	19 452 404
Total		27 204 207	26 003 404

Multi-employer pension funds

Employees belong to a variety of approved pension and provident funds.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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18. Employee benefits (continued)

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

18.1 Long-service awards

Provision for long-service awards	8 835 000	8 868 000
Long-service awards payable	165 000	(234 000)
Total	9 000 000	8 634 000

Current	2 482 000	2 083 000
Non-current	6 518 000	6 551 000

Changes in the present value of the defined benefit obligation as follows

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

Opening balance	8 634 000	8 292 000
Net expense recognised in the statement of financial performance	366 000	342 000
Total benefit liability	9 000 000	8 634 000

Long-service awards

The most actuarial valuations were carried out as at 30 June 2024 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	10.89 %	11.20 %
General earnings inflation rate (long-term)	6.00 %	6.52 %
Net effective discount rate	4.62 %	4.39 %

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

Liability has increased by 4%, current service cost decreased by 1% and interest cost increased by 4%

Defined benefit plan opening balance	8 634 000	8 292 000
Current service cost	994 000	1 007 000
Interest cost	900 000	861 000
Actuarial gain	(1 528 000)	(1 526 000)
	9 000 000	8 634 000

	2024	2023	2022	2021	2020
Long service bonus award	9 000 000	8 634 000	8 292 000	8 321 000	7 098 000

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R	
18. Employee benefits (continued)			
The municipality budgeted for a 5% increase as at 1 July 2024, 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 2025			
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:			
<ul style="list-style-type: none">• The general earnings inflation rate assumption;• The discount rate assumption;• The average retirement age of employees; and assumed rates of withdrawal of employees from service.			
18.2 Bonus			
Provision for bonus	406 756	(11 482)	
Bonus payable	3 037 361	3 248 975	
Total	3 444 117	3 237 493	
Current	3 444 117	3 237 493	
18.3 Leave			
Provision for leave	951	45 990	
Leave accrual	13 838 577	13 446 908	
Total	13 839 528	13 492 898	
Current	13 839 528	13 492 898	
18.4 Overtime			
18.4.1 Overtime payable			
Opening Balance	639 013	524 849	
Deposits	281 549	114 164	
Closing balance	920 562	639 013	
Current	920 562	639 013	
19. Provision			
Landfill Sites	19.1	7 524 717	6 837 101
Current	898 450	862 832	
Non-current	6 626 267	5 974 269	
19.1 Landfill Sites			
Opening Balance	6 837 101	4 436 920	
Additional provisions raised	35 618	372 552	
Increases (Passage of Time/Discounted Rate)	651 998	2 027 629	
Closing balance	7 524 717	6 837 101	
Current	898 450	862 832	

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R									
19. Provision (continued)											
Non-current	6 626 267	5 974 269									
<p>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.</p> <p>The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2023.</p> <p>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 the municipality-operated refuse vehicles as well as private company-owned waste collection trucks. The landfill was initially designed with an estimated useful life of 20 years, which means that there are currently 18 years remaining in its lifespan.</p> <p>The discount rate was deducted from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate as at 30 June 2024 was 11.94% p.a. The consumer price inflation of 6.5% p.a. was obtained from the differential between the average of the Nominal Bond of 11.94% p.a. and the Real Bond 5.10%. (Zero Yield Curves)</p> <p>The Zero-Coupon Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2024.</p> <p>Key assumptions used at the reporting date:</p> <table><tr><td>Discount rate (D)</td><td>11.94 %</td><td>12.62 %</td></tr><tr><td>Consumer price inflation ©</td><td>6.51 %</td><td>7.39 %</td></tr><tr><td>Net discount rate $((1+D)/(1+H)-1)$</td><td>4.87 %</td><td>4.87 %</td></tr></table>			Discount rate (D)	11.94 %	12.62 %	Consumer price inflation ©	6.51 %	7.39 %	Net discount rate $((1+D)/(1+H)-1)$	4.87 %	4.87 %
Discount rate (D)	11.94 %	12.62 %									
Consumer price inflation ©	6.51 %	7.39 %									
Net discount rate $((1+D)/(1+H)-1)$	4.87 %	4.87 %									
20. Services charges											
Waste management											
Refuse removal	647 043	590 575									
21. Rental of facilities, land and equipment											
Rental of land	40 660	192 001									
22. Interests earned from investments											
Bank accounts	7 710 121	5 708 388									
Short-term investments and call accounts	38 715 961	24 843 775									
Total	46 426 082	30 552 163									
23. Interest earned from receivables											
Exchange receivables	23.1 209 168	196 265									
Non-exchange receivables	23.2 3 425 242	3 211 257									
Total	3 634 410	3 407 522									
23.1 Interest earned from exchange receivables											
Consumer receivables at amortised cost											
Waste management	209 168	196 265									

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

		2024 R	2023 R
23. Interest earned from receivables (continued)			
23.2 Interest earned from non-exchange receivables			
Consumer receivables			
Property rates		3 425 242	3 211 257
24. Licences or permits			
Exchange revenue	24.1	2 623 072	3 089 955
24.1 Licenses and permits - Exchange revenue			
Road and transport		2 520 123	2 992 553
Trading		102 949	97 402
Total		2 623 072	3 089 955
25. Agency services			
Provincial		1 038 162	454 471
<p>The amount of R 1 038 162 (2023: R 454 471) is revenue collected from agency services in terms of an agreement with the department of transport to render vehicle licensing services. The municipality is entitled to 19% of the fees collected as per the agreement as compensation for the transactions carried out.</p> <p>The timing of the remittance received from the Department of Transport Eastern Cape is received on a monthly basis and there are no risks transferred from the principal to the agency</p>			
26. Operating revenue			
Commission		255 053	272 835
Insurance Refund		1 274 880	1 732 933
Staff and Councillors Recoveries		82 496	2 477 064
Total		1 612 429	4 482 832
27. Sales of goods and rendering of services			
Advertisements		9 963	50 652
Application Fees for Land Usage		-	5 817
Building Plan Approval		59 272	128 016
Cemetery and Burial		11 444	11 204
Clearance Certificates		7 591	6 370
Entrance Fees		3 986	3 931
Removal of Restrictions		1 722	3 033
Tender Documents		380 759	223 261
Total		474 737	432 284

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
28. Property rates		
Agricultural property	1 725	1 656
Business and commercial properties	1 955 243	1 852 335
Public benefit organisations	-	3 905
Public service infrastructure properties	213	202
Residential properties	1 713 936	1 636 030
State-owned properties	16 443 038	15 634 474
Total	20 114 155	19 128 602

Valuation as at 30 June 2024

Business and commercial properties	129 324 400	129 324 400
Municipal properties	430 075 000	430 075 000
Church	28 628 000	28 628 000
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	1 814 914 000

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.

The validity of the valuation was extended to the period ending 30 June 2024 in terms of section 32 sub section 2 of the municipal property rates act. The extension was necessitated by the COVID-19 pandemic.

29. Transfers and subsidies - Revenue

Operational			
Monetary allocations	29.2	359 325 443	325 210 045
Capital			
Allocations in-kind	29.3	60 000	2 430 000
Monetary allocations	29.4	85 782 225	78 596 701
Total transfers and subsidies: Capital		85 842 225	81 026 701
Total		445 167 668	406 236 746

29.1 Allocations in-kind: Operational

29.2 Monetary allocations: Operational

Departmental agencies and accounts	306 961	122 162
National governments	30 309 172	10 943 662
National revenue fund	328 179 000	313 293 000
Provincial government	530 310	851 221
Total	359 325 443	325 210 045

Revenue recognised per grant

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R	
29. Transfers and subsidies - Revenue (continued)			
Expanded Public Works Programme Integrated Grant	1 707 972	1 858 636	
Local Government Financial Management Grant	1 649 827	1 650 472	
Municipal Disaster Relief Grant	-	336 320	
Municipal Infrastructure Grant	3 383 071	3 471 373	
Neighbourhood Development Partnership Grant	2 236 704	3 626 861	
Integrated National Electrification Programme Gran	21 331 598	-	
	30 309 172	10 943 662	
29.3 Allocations in-kind: Capital			
Departmental agencies and accounts	60 000	2 430 000	
29.4 Monetary allocations: Capital			
National government	75 271 506	76 210 134	
Provincial governments	10 510 719	2 386 567	
Total	85 782 225	78 596 701	
Revenue recognised per grant			
Integrated National Electrification Programme Gran	-	8 000 000	
Municipal Infrastructure Grant	64 339 524	65 968 000	
Municipal Disaster Relief Grant	10 931 982	2 242 134	
	75 271 506	76 210 134	
30. Fines, penalties and forfeits			
Fines	30.1	304 657	343 430
30.1 Fines			
Other fines			
Law enforcement		285 800	271 100
Pound fees		18 857	72 330
		304 657	343 430
31. Employee related cost			
Senior management	31.1	6 142 532	7 796 583
Municipal staff	31.2	163 627 649	153 607 131
Total		169 770 181	161 403 714

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

31. Employee related cost (continued)

31.1 Senior management costs

2024

	Municipal manager - Mr. S. Mvunelo	Chief financial officer - Mr. L Manjingolo	Senior Manager Corporate Services - Mrs. T. Ndamase- Tshisa	Senior Manager Infrastructure - Mr. J. Yengane	Senior Manager Community Services - Rev. J. Sikhuni	Senior Manager Operations - Mr. S. V. Poswa	Senior Manager Planning and Development - Mr. G. N. Cekwana	Total
Basic salary	178 133	232 980	1 056 611	237 843	786 878	942 858	788 210	4 223 513
Acting allowance	221 921	116 152	19 186	14 184	1 431	-	14 184	387 058
Service-related benefits	(233 352)	158 476	-	37 871	-	116 526	-	79 521
Allowances	33 824	27 772	166 633	41 658	277 721	222 177	333 265	1 103 050
Bargaining council	11	23	137	34	-	137	137	479
Medical	5 637	-	-	27 772	111 088	55 544	55 544	255 585
Pension	-	-	-	27 772	-	-	55 544	83 316
Unemployment insurance	354	448	2 125	708	2 125	2 125	2 125	10 010
	206 528	535 851	1 244 692	387 842	1 179 243	1 339 367	1 249 009	6 142 532

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
31. Employee related cost (continued)		
Acting allowances		
Acting CFO (N. Tukela-Langa) from August 2023 - January 2024	83 876	
Acting CFO (Z. Mkuzo) from February - March 2024	13 090	
Acting CFO (Z. Madyibi) from April - May 2024	19 186	
Acting MM (G.N. Cekwana) from August 2023 - April 202	181 571	
Acting MM (S. Mvunelo) from May-June 2024	40 349	
Acting SM: Infrastructure (J Yengane) from October 2023 - June 2024	14 184	
Acting SM: Planning & Development (A. Zituta) from August 2023 - April 2024	14 184	
Acting SM: Corporate Services (T. Tshisa) from May - June 2024	19 186	
Acting SM: Community Services (Sheyi) in March 2024	1 430	
2024		
	Chief Financial officer: Benxa	Chief Financial officer: L. Manjingolo
Basic Salary	149 542	78 688
Service-related benefits	158 476	-
Allowance	13 886	13 886
Bargaining council	11	11
UIF	271	177
	322 186	92 762

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

31. Employee related cost (continued)

2023

	Municipal manager - Ms. Z. Maumpa	Chief financial officer - Mr. B. Benxa	Senior Manager Corporate Services - Mr. S. Mvunelo	Senior Manager Infrastructure - Mrs. N. Mqoqi - Mondi	Senior Manager Community Services - Rev. J. Sikhuni	Senior Manager Operations - Mr. S. V. Poswa	Senior Manager Planning and Development - Mr. G. N. Cekwana	Total
Basic salary	992 404	976 952	993 122	748 834	397 413	847 219	803 711	5 759 655
Acting allowance	-	-	-	-	14 953	-	-	14 953
Allowances	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	1 139 990	1 116 426	1 117 394	619 025	1 117 446	1 234 720	7 796 583

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
31. Employee related cost (continued)		
31.2 Municipal staff costs		
Basic salary	95 273 328	88 116 446
Bonuses	7 685 572	8 168 949
Service-related benefits	13 100 760	11 398 050
Allowances	11 959 055	11 195 423
Bargaining council	41 320	40 047
Group life insurance	5 759 765	6 697 164
Medical	10 547 649	9 671 610
Skills Development Fund Levy	1 627 732	1 553 883
Pension	15 963 174	15 102 839
Current service cost	994 000	1 007 000
Unemployment insurance	675 294	655 720
Total	163 627 649	153 607 131
Services related costs		
Acting and Post Related Allowances	1 695 256	859 395
Danger allowance	-	179 436
Long service award	629 846	487 971
Standby Allowance	1 119 958	788 473
Overtime non structured	8 921	-
Overtime structured	8 165 127	7 569 339
Shift Additional Remuneration	886 211	934 636
Night Shift	595 441	578 800
	13 100 760	11 398 050
Allowance		
Cellular and Telephone	1 399	-
Rental Subsidy	3 366 705	3 395 041
Travel or Motor Vehicle	8 590 951	7 800 382
	11 959 055	11 195 423
32. Remuneration of councillors		
Mayor	32.1 981 741	931 085
Council Whip	32.2 765 165	709 415
Speaker	32.3 757 573	753 749
Full Time Executive committee members	32.4 3 048 516	2 798 399
Part time Executive committee members	32.5 2 626 978	2 509 202
Part-time councillors	32.6 18 235 687	16 824 065
Total	26 415 660	24 525 915
32.1 Mayor		
Allowances and service related benefits		
Basic salary	933 652	886 685
Cell phone allowance	48 089	44 400
	981 741	931 085

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
32. Remuneration of councillors (continued)		
32.2 Council Whip		
Allowances and service related benefits		
Basic salary	715 557	665 015
Cell phone allowance	49 608	44 400
	765 165	709 415
32.3 Speaker		
Allowances and service related benefits		
Basic salary	711 882	709 349
Cell phone allowance	45 691	44 400
	757 573	753 749
32.4 Full Time Executive committee members		
Allowances and service related benefits		
Basic salary	2 850 084	2 646 699
Cell phone allowance	198 432	151 700
	3 048 516	2 798 399
32.5 Part time Executive committee members		
Allowances and service related benefits		
Basic salary	2 399 836	2 216 902
Cell phone allowance	227 142	292 300
	2 626 978	2 509 202
32.6 Part-time councillors		
Allowances and service related benefits		
Basic salary	15 638 971	14 559 665
Cell phone allowance	2 596 716	2 264 400
	18 235 687	16 824 065
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.		
33. Debt impairment		
Debt impairment	4	7 300 253
		12 301 736
34. Depreciation and amortisation		
Amortisation		
Intangible assets	11.1	385 770
		265 916
Depreciation		
Property, plant and equipment		51 902 034
		53 430 524
Total		52 287 804
		53 696 440

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

		2024 R	2023 R
35. Impairment loss			
Property, plant and equipment		1 909 484	3 578 264
Impairment loss was due to deteriorations of the roads and bridge caused by severe floods that occurred during the year and wear and tear.			
36. Finance costs			
Interest	36.1	1 847 802	1 405 030
36.1 Interest cost			
Finance leases	17.1	84 960	53 750
Interest costs non-current provisions	19	862 842	490 280
Long service awards		900 000	861 000
Total		1 847 802	1 405 030
37. Inventory consumed			
Consumables		1 619 433	1 290 706
Materials and supplies		3 693 212	3 068 600
Water		488 040	567 828
Total		5 800 685	4 927 134
38. Contracted services			
Consultants and professional services	38.1	5 257 703	8 096 304
Contractors	38.2	31 647 710	20 572 632
Outsourced services	38.3	25 886 890	14 916 536
Total		62 792 303	43 585 472
38.1 Consultants and professional services			
Business advisory services			
Accounting and auditing		1 396 742	1 739 693
Actuaries		19 900	18 800
Audit committee		47 167	152 464
Communications		130 988	240 491
Human resources		1 365 100	1 106 804
Occupational health and safety		200 109	204 610
Quality control		13 271	59 457
Research and advisory		72 000	1 410 614
Total business advisory services		3 245 277	4 932 933
Laboratory services			
Medical		8 696	8 696
Legal services			
Legal advice and litigation		1 013 421	1 349 271
Infrastructure and planning services			
Land and quantity surveyors infrastructure and planning		504 313	242 361
Town planner infrastructure and planning		485 996	1 563 043
Total infrastructure and planning services		990 309	1 805 404
Total consultants and professional services		5 257 703	8 096 304

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
38. Contracted services (continued)		
38.2 Contractors		
General services		
Artists and performers	303 800	26 000
Audio-visual services	433 354	76 800
Electrical	19 575 629	8 122 159
Employee wellness	157 571	74 500
Interior decorator	-	63 000
Plants, flowers and other decorations	61 400	148 780
Safeguard and security	218 471	652 200
Sports and recreation	332 890	101 500
Stage and sound crew	121 217	29 000
Total general services	21 204 332	9 293 939
Maintenance services		
Maintenance of buildings and facilities	2 212 967	1 635 372
Maintenance of equipment	2 171 225	1 642 080
Maintenance of unspecified assets	6 059 186	8 001 241
Total maintenance service	10 443 378	11 278 693
Total contractor	31 647 710	20 572 632
38.3 Outsourced services		
Business and advisory services		
Accounting and Auditing	457 646	355 317
Business and Financial Management	269 934	613 599
Commissions and Committees	62 280	77 962
Human Resources	2 064 879	1 779 270
Project Management	6 972 417	-
Qualification Verification	24 779	19 179
Research and Advisory	711 039	801 679
Valuer	1 557 655	1 177 257
Total business and advisory services	12 120 629	4 824 263
General services		
Burial Services	114 250	27 800
Catering Services	4 464 267	2 965 246
Clearing and Grass Cutting Services	89 759	18 200
Drivers Licence Cards	457 147	479 660
Illegal Dumping	475 260	823 395
Personnel and Labour	3 698 046	2 997 066
Professional Staff	-	40 320
Translators, Scribes and Editors	386 472	249 840
Transport Services	969 375	820 034
Veterinary Services	119 896	211 401
Total general services	10 774 472	8 632 962
Trading services		
Security Services	2 991 789	1 459 311
Total outsourced services	25 886 890	14 916 536

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

		2024 R	2023 R
39. Transfers and subsidies - Expenditure			
Operational			
Allocations in-kind	39.1	499 780	2 346 566
Monetary allocations	39.2	2 298 570	7 807 892
Total transfers and subsidies: Operational		2 798 350	10 154 458
Capital			
Allocations in-kind	39.3	15 635 154	3 530 661
Monetary allocations	39.4	2 140 200	-
Total transfers and subsidies: Capital		17 775 354	3 530 661
Total		20 573 704	13 685 119
39.1 Allocations in-kind: Operational			
Households		499 780	2 346 566
39.2 Monetary allocations: Operational			
Households		2 298 570	7 807 892
39.3 Allocations in-kind: Capital			
Departmental Agencies and Accounts		11 833 450	-
Households		3 801 704	3 530 661
Total		15 635 154	3 530 661
39.4 Monetary allocations: Capital			
Households		2 140 200	-

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
40. General expenses		
Advertising, Publicity and Marketing	3 576 867	2 194 302
Bank Charges, Facility and Card Fees	26 934	26 452
Bargaining Council	-	2 296 319
Communication	6 942 032	2 098 413
Courier and Delivery Services	-	5 535
Eskom Connection Fees	1 192 687	1 318 569
External Audit Fees	4 824 043	4 474 233
External Computer Service	4 048 721	2 737 442
Hire Charges	5 707 620	4 372 654
Insurance Underwriting	1 637 690	2 719 426
Learnerships and Internships	600 000	475 000
Licences	334 882	372 651
Printing, Publications and Books	255 588	280 660
Professional Bodies, Membership and Subscription	59 727	33 449
Registration Fees (Conference and seminars)	179 050	105 313
Remuneration to Ward Committees	7 589 560	5 633 340
Sitting Allowance for Traditional Leaders	109 000	108 000
Signage	-	37 740
Transport Provided as Part of Departmental Activit	24 000	8 600
Travel and Subsistence	17 061 608	10 605 228
Uniform and Protective Clothing	817 946	1 857 886
Vehicle Tracking	131 152	133 238
Wet Fuel	7 154 544	5 181 114
Workmen's Compensation Fund	921 834	645 231
Total	63 195 485	47 720 795
41. Operating leases		
Furniture and Office Equipment	258 425	138 649
42. Gain/(Loss) on disposal of fixed and intangible assets		
Gains/(losses) on disposals	42.1 (11 045 429)	(8 048 887)
42.1 Gains/(losses) on disposals		
Property, plant and equipment	(11 045 429)	(8 048 887)
43. Fair value adjustment		
Investment property	5 344 800	4 566 400
44. Inventory (write down)		
Inventory	(71 758)	(1 411)
45. Actuarial Gains and Losses		
Actuarial Gains and Losses	1 528 000	1 526 000
46. Auditor's remuneration		
External Audit Fees	4 824 043	4 474 233

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
47. Net cash from/(used) operating activities		
Surplus for the year	105 686 902	99 984 415
Adjustments for:		
Depreciation and amortisation	52 287 804	53 696 439
Actuarial Gain/Loss	(1 528 000)	(1 526 000)
(Gains) / Losses on disposal of assets	11 045 429	8 048 888
Fair value adjustment	(5 344 800)	(4 566 400)
Movement in employee benefit liability	300 802	(241 708)
Increase / (Decrease) in provisions	(175 226)	1 909 901
Impairment loss	9 209 737	15 879 999
Inventory losses	71 758	1 411
Finance cost	1 762 842	1 351 280
Movement in Acc surplus	3 044 491	(38 349 910)
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(11 477 270)	(9 803 644)
(Increase) / Decrease in inventory	(494 694)	(843 272)
(Increase) / Decrease in receivables from exchange transactions	(59 048)	(429 737)
(Decrease) / Increase VAT	(1 840 785)	(1 901 382)
Increase / (Decrease) in trade and other payables	7 061 596	4 122 098
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	56 447 376	(2 259 359)
Increase / (Decrease) in retention	5 627 542	6 768 329
Increase / (Decrease) in Income received in advance	1 275 332	(389 135)
Net cash flows from operating activities	232 901 788	131 452 213

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:

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

				2024 R	2023 R
48. Financial instruments (continued)					
		2024		2023	
		Carrying amount	Amortised cost	Carrying amount	Amortised cost
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	3	547 978	547 978	488 931	488 931
Cash and cash equivalents	2	520 496 593	520 496 593	429 910 964	429 961 778
		521 044 571	521 044 571	430 399 895	430 450 709
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Lease liabilities		-	-	630 890	630 890
Trade and other payables:					
Trade and other payables from exchange transactions	13	14 910 290	14 910 290	7 848 688	7 462 933
Retention		26 845 108	21 796 953	21 217 566	20 366 077
Current portion of lease liabilities	17	684 009	684 009	992 060	992 060
Income received in advance	15	2 319 738	2 319 738	1 044 406	1 044 406
		44 759 145	39 710 990	31 102 720	29 865 476
Total financial liabilities		44 759 145	39 710 990	9 499 398	9 499 398
Total financial instruments		476 285 426	481 333 581	420 951 311	420 951 311

48.2 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%.

48.3 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.

48.4 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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
	R	R

48. Financial instruments (continued)

Nyandeni Local Municipality endeavours to collect all debts owed to the municipality by sending statements monthly to remind debtors, levying of penalty charges and as a last resort hand over debtors to the debt collection agent. All rates and services are payables within 30 days from invoice date, refer to notes 3 & 4 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:

Bank and cash balances	2	520 496 593	429 910 964
Trade and other receivables from exchange transactions	3	547 978	488 931
Maximum credit and interest risk exposure		521 044 571	430 399 895

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
49. Contingent liabilities		
1. Makateko Tobile Wilson Ngendle vs Nyandeni Local Municipality (Case no. 2298/2019)	20 000 000	20 000 000
<p>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.</p> <p>The municipality has filed its Notice of Intention to Defend and the parties are currently exchanging pleadings.</p>		
3. Tiny Mandisa Gusha vs Nyandeni Local Municipality (Case no. 3803/2019).	200 000	200 000
<p>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.</p> <p>The municipality is defending the matter as the damage was caused by a natural disaster.</p>		
4. Vuyisile Alex Notayi vs Nyandeni Local Municipality (Case no. 3805/2019)	200 000	200 000
<p>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.</p> <p>The municipality is defending the matter as the damage was caused by a natural disaster.</p>		
5. Zukisani Mpeto vs Nyandeni Local Municipality (Case no EC/Mthatha/RC58/2021)	400 000	400 000
<p>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.</p>		
6. Pumzile Tokwe vs Nyandeni Local Municipality (Case no EC/Mthatha/RC57/2021)	400 000	400 000
<p>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.</p>		
7. Zameka Golode vs Nyandeni Local Municipality and Others (Case no. 115/2018)	200 000	200 000
<p>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.</p> <p>The municipality is defending the matter and the parties are still exchanging pleadings.</p>		
8. Ndikuphiwe Qaku vs Nyandeni Local Municipality (Case no. 3804/2019)	200 000	200 000
<p>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.</p> <p>The municipality is defending the matter as the damage was caused by natural disaster.</p>		
9. Nokwandla Mahlathi vs Nyandeni Local Municipality (Case no. 2344/2020)	2 000 000	2 000 000
<p>The municipality is being sued for a sum of R2 000 000. The municipality is defending the matter.</p>		

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
49. Contingent liabilities (continued)		
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) 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.	28 737	28 737
14. Atmos Trading (Pty) Ltd vs Nyandeni Local Municipality (Case no. 2207/2022) 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	2 000 000	2 000 000
15. Thabisa Joyce Mqoboli vs Nyandeni Local Municipality (Case no. 4504/2022) The plaintiffs are suing the municipality for general damages as a result of an alleged assault by the members of the municipality	1 800 000	1 800 000
16. Chule Consulting Engineers CC vs Nyandeni Local Municipality (Case no. 2993/2022) 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	29 210 191	29 210 191
17. Sibusiso Kotana vs Nyandeni Local Municipality (Case no. 93/2022) 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.	26 939	26 939
18. Michael Thobile Mkhosana vs Nyandeni Local Municipality (Case no. 3392/2021) The Plaintiff is suing the municipality for general damages for defamation.	600 000	600 000
	57 265 867	57 265 867

50. 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

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
51. Unauthorised, irregular, fruitless and wasteful expenditure		
51.1 Irregular expenditure		
Add: Irregular expenditure - current	54 711 968	56 540 636
Less: Amounts written-off – current	-	(39 243 155)
Closing balance	54 711 968	17 297 481

The irregular expenditure relates to the non- compliance on composure 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.

51.2 Fruitless and wasteful expenditure

Opening balance as previously reported	278 088	-
Add: Fruitless and wasteful expenditure – current	11 928	278 088
Add: Fruitless and wasteful expenditure expenditure – prior period	2 725 998	-
Less: Amounts written-off – prior period	(272 442)	-
Closing balance	2 743 572	278 088

Amounts of R272442 was certify as recoverable by council and thus written-off

In the current year, the municipality incurred interest on overdue accounts to an amount of R11 000 that resulted in fruitless and wasteful expenditure which was written off by the council

overpaid amount of R2725998

Incident	Disciplinary steps/criminal proceedings		
Interest paid		11 928	5 646
		-	272 442
Total		11 928	278 088

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	2 311 014	1 942 120
Amount paid - current year	(2 311 014)	(1 942 120)
	-	-

Audit fees

Current year subscription / fee	4 840 125	4 474 233
Amount paid - current year	(4 840 125)	(4 474 233)
	-	-

PAYE and UIF

Current year subscription / fee	29 788 363	28 254 490
Amount paid - current year	(29 788 363)	(28 254 490)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	43 299 233	41 114 752
Amount paid - current year	(43 299 233)	(41 114 752)
	-	-

The prior year amount only had pension. This year the amount includes both Pension and Medical Aid deductions

VAT

VAT receivable	10 237 315	9 928 317
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Councillors' arrear consumer accounts

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Yehane. N	525	14 843	15 368
Feketshane N	525	11 765	12 290
Mathanda NP	225	334	559
	1 275	26 942	28 217

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Yehane. N	515	8 607	9 122

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
53. Related party disclosures		
53.1 Nature of related party relationships		
Relationships		
Accounting officer	Refer to accounting officers report note	
Councillors	Refer to general information page	
Members of key management	Ms. Z. Masumpa - Municipal Manager	
	Mr. G. N. Cekwana - Senior Manager Planning and Development	
	Mr. S. Mvunelo - Acting Municipal Manager	
	Mr. B. K. Benxa - Chief Financial Officer	
	Mrs. N. Tukela - Acting Chief Financial Officer	
	Ms. Z. Mkuzo - Acting Chief Financial Officer	
	Mr. Z. Z Madyibi - Acting Chief Financial Officer	
	Mr. L Manjingolo - Chief Financial Officer	
	Rev. J. Sikhuni - Senior Manager Community Services	
	Mr. S. Mvunelo - Senior Manager Corporate Services	
	Mrs. T. Ndamase-Tshisa - Acting Senior Manager Corporate Services	
	Mrs. N. Mqoqi - Mondli - Senior Manager Infrastructure	
	Mr. J. Yengane - Acting Senior Manager Infrastructure	
	Mr A Zituta - Acting Senior Manager Planning	
	Mr. G. N. Cekwana - Senior Manager Planning	
	Mr. S. V. Poswa - Senior Manager Operations	

Related parties that have been identified by the municipality are section 57 managers and councillors. These related parties are further disclosed in note 31 and note 32.

53.2 Related party transactions

Compensation to councillors - Payments to councillors are for allowances as gazetted. No other payments are made to councillors. Refer to Note 32 for remuneration of councillors.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

53. Related party disclosures (continued)

53.3 Remuneration of management

54. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of Nyandeni Local Municipality

Supplier name	Employee name	Relationship	Department	2024	2023
KKW Trading	Akona Hlangu	Spouse	Nyandeni Municipality	10 859 264	-

Awards to close family members of persons in the service of other state departments and entities (not listed above)

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	8 895 982	10 970 534
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56. Capital commitments

Authorised capital expenditure

Approved and contracted for:

Infrastructure	190 695 727	43 659 772
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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 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

57.1 Adjustments of Statement of financial position items

2024

	Note	As previously reported	Correction of error	Restated	
Assets					
Current assets					
Cash and cash equivalents	2	429 961 777	(50 813)	429 910 964	SF1
Receivables from exchange transactions	3	488 931	-	488 931	
Receivables from non-exchange transactions	4	5 606 885	-	5 606 885	
VAT receivable	6	9 904 879	23 437	9 928 316	SF2
Inventories	5	1 544 589	(96 637)	1 447 952	SF3
		447 507 061	(124 013)	447 383 048	
Non-current assets					
Investment property	8	85 656 000	(223 900)	85 432 100	SF4
Property, plant and equipment	9	761 970 390	(35 823 607)	726 146 783	SF5
Intangible assets	11	2 135 396	(271 276)	1 864 120	SF6
		849 761 786	(36 318 783)	813 443 003	
Total assets		1 297 268 847	(36 442 796)	1 260 826 051	
Net assets and liabilities					
Current liabilities					
Financial lease liabilities	17	361 169	-	-	
Payables from exchange transactions	13	7 462 933	385 755	7 848 688	SF8
Unspent conditional grant	14	5 728 784	-	-	
Employee benefits	18	19 408 995	43 409	19 452 404	SF10
Provisions	19	862 832	-	862 832	
Income received in advance	15	1 044 406	-	1 044 406	
Retentions	16	19 574 628	1 642 938	21 217 566	SF11
		54 443 747	2 072 102	50 425 896	
Non-current liabilities					
Financial liabilities	17	630 890	361 170	992 060	
Employee benefits	18	6 551 000	-	6 551 000	
Provisions	19	5 974 269	-	5 974 269	
		13 156 159	361 170	13 517 329	
Total net assets					
Accumulated surplus		1 229 668 942	(38 775 991)	1 190 892 951	
Total net assets and liabilities		1 297 268 848	(36 342 719)	1 254 836 176	

SF1 - Correction of duplicate receipt of interest income.

SF2 - Allocation of VAT

SF3 - Correction of inventory balance

SF4 - Write-off of assets not belonging to the municipality

SF5 - Prior year adjustment of cost, accumulated depreciation to reconcile the trial balance to the fixed assets register. Correction of WIP balance to correctly account for expenditure on asset not belonging to the municipality

SF6 - Prior year adjustment of cost, accumulated depreciation to reconcile the trial balance to the intangible assets register

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

SF8 - Correction of prior year accruals and payables balance

SF10 - Accounting for provisions for employees

SF11 - Correction the retentions that was misstated

SF8 - Correction of prior year accruals and payables balance

SF8 - Correction of prior year accruals and payables balance

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

57.2 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Property rates	28	19 128 602	-	-	19 128 602
Transfers and subsidies	29	406 548 616	-	-	-
Fines, penalties and forfeits	30	343 430	-	-	343 430
Interest on receivables	23	3 211 257	-	-	3 211 257
		429 231 905	-	-	22 683 289
Exchange revenue					
Services charges - Waste management	20	590 575	-	-	590 575
Rental of facilities, land and equipment	21	192 001	-	-	192 001
Interest on investments	22	196 265	-	-	196 265
Interest on receivables	23	30 552 163	-	-	30 552 163
Licences or permits		3 089 955	-	-	3 089 955
Agency services	24	454 471	-	-	454 471
Operating revenue	25	4 482 832	-	-	4 482 832
Sales of goods and rendering of services	26	432 284	-	-	432 284
		39 990 546	-	-	39 990 546
Total revenue		469 222 451	-	-	469 222 451
Expenditure					
Employee related cost	31	(161 824 987)	421 273	-	(161 403 714) IS1
Remuneration of councillors	32	(24 525 915)	-	-	(24 525 915)
Depreciation and amortisation		(53 696 540)	100	-	(53 696 440)
Impairment losses on PPE	34	(3 578 264)	-	-	(3 578 264)
Irrecoverable Debt Written Off	36	(12 301 736)	-	12 301 736	-
Debt impairment		-	-	(12 301 736)	(12 301 736)
Finance costs	36	(1 405 030)	-	-	(1 405 030)
Inventory consumed	37	(4 927 134)	-	-	(4 927 134)
Contracted services	38	(43 189 164)	(396 308)	-	(43 585 472)
Transfers and subsidies	39	(13 685 119)	-	-	(13 685 119)
General expenses	40	(47 774 795)	54 000	-	(47 720 795)
Operating leases	41	(138 649)	-	-	(138 649)
Total expenditure		(367 047 333)	79 065	-	(366 968 268)
Gains and losses					
Gain on disposal of assets	42	(8 048 887)	-	-	(8 048 887)
Fair value adjustment	43	4 566 400	-	-	4 566 400
Inventories (write-down)	44	(1 411)	-	-	(1 411)
Actuarial gain/losses	45	1 526 000	-	-	1 526 000
		(1 957 898)	-	-	(1 957 898)
surplus/loss		100 217 220	79 065	-	100 296 285

IS1 - Accounting for provisions for employees

Additional text

Additional text

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Budget differences

Explanation of variances between approved and final budget amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Budget differences (continued)

58.1. Statement of financial position

FinPos1

Variance due to underspending on the capital budget.

FinPos2

Variance due to decrease in revenue collection.

FinPos3

Variance due to decrease in revenue collection.

FinPos4

Variance due to immaterial error in the budget.

FinPos5

Variance due to less inventory consumed during the year.

FinPos6

Variance due to current disclosure of VAT.

FinPos7

Variance due to immaterial error in the budget.

FinPos8

Variance due to fair value adjustment.

FinPos9

Variance due to underspending on the capital budget.

FinPos11

Variance due to additions in intangible assets.

FinPos12

Variance due to finance lease not provided for in the budget.

FinPos13

Variance due to balance of retention.

FinPos14

Variance due to unspent conditional grants.

FinPos15

Variance due to valuation reports by experts.

FinPos16

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Budget differences (continued)

Variance due to current VAT disclosure.

FinPos17

Variance due to finance leases not provided for in the budget.

FinPos18

Variance due to valuation reports by experts.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Budget differences (continued)

58.2. Statement of financial performance

Revenue from exchange transactions

FinPerf1

Improved billing due to recent property developments and addition of new customer (St Barnabas Hospital) which has a higher tariff.

FinPerf2

Decline attributed to negative economic indicators.

FinPerf3

Decline due to temporary closure of the service in the previous financial year which has not picked up in the current financial year.

FinPerf4

Decline in revenue collection due to current economic conditions.

FinPerf5

Increase in the revenue stream due to improved cash flow position of the municipality.

FinPerf6

Decline due breach of lease agreements by lessees.

FinPerf7

Improvement due to increased hall rentals during the year.

FinPerf8

Decline due to temporary closure of the service in the previous financial year which has not picked up in the current financial year.

FinPerf9

Increase is due to insurance claims received.

FinPerf10

Variance due to less traffic fine revenue received.

FinPerf11

Decline due to temporary closure of the service in the previous financial year which has not picked up in the current financial year.

FinPerf12

Variance due to decline in collection from rates income.

FinPerf13

Less expenditure due to vacancies at top management during the year and non-payment performance bonuses for senior managers during the year.

Nyandeni Local Municipality

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Notes to the Annual Financial Statements

58. Budget differences (continued)

FinPerf14

Variance due to over budgeting for increment of councillors allowances for the year.

FinPerf15

Variance due to less inventory consumed during the year.

FinPerf16

Depreciation decreased due to change in accounting estimate.

FinPerf17

Finance lease charge not provided for in the budget.

FinPerf18

Variance due to recognition of some of the maintenance work as capital assets upon assessment of scope of work for each assignment.

FinPerf19

Increase in indigent support during the year.

FinPerf20

Variance due to no debt written off during the year.

FinPerf21

Variance due to less expenditure on operational budget during the financial year.

FinPerf22

Variance due to underspending on some capital grants.

Statement of cash flow

C1

Variance due to low revenue collection.

C2

Improved billing due to recent property developments and addition of new customer (St Barnabas Hospital) which has a higher tariff.

C3

Grants over budgeted for.

C4

Variance is due to slow spending on some capital grants.

C5

Variance is due to improved cash flow position.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Budget differences (continued)

C6

Variance due to improved expenditure controls on operating budget.

C7

Variance due to reclassification of transactions.

C8

Variance due to loss on disposal.

C9

Variance is due to slow spending on some capital grants.

C10

Finance leases not provided for in the budget.

C11

Cash balances over budgeted in the budgeted cash flow statement.

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

59. Segment information

General information

Identification of segments

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

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

Below are the segments:

Community and Public Safety

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

Economic and environmental services

- Planning and development
- Road transport

Trading services

- Energy sources
- Waste management

Unallocated services include

- Mayor and Council
- Governance Finance and Administration
- Administration

2024

	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
Segment revenue						
External revenue from non-exchange transactions	11 345 686	82 389 031	19 620 080	-	352 231 683	465 586 480
External revenue from exchange transactions	3 573 715	171 534	647 043	-	2 043 811	6 436 103
Interests on investments	-	-	-	-	46 426 082	46 426 082
Interest earned from receivables	-	-	209 168	-	3 425 242	3 634 410
Fair value adjustment	-	-	-	-	5 344 800	5 344 800
Actuarial gain/loss	-	-	-	-	1 528 000	1 528 000
Total	14 919 401	82 560 565	20 476 291	-	410 999 618	528 955 875

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

59. Segment information (continued)

Segment expenses

Total segment expenses	73 548 780	48 646 591	41 812 505	3 303 248	179 355 119	346 666 243
Depreciation and amortisation	-	-	-	-	52 287 804	52 287 804
Disposal of fixed and intangibles assets	-	-	-	-	11 045 429	11 045 429
Inventory gain/loss	-	-	-	-	71 758	71 758
Impairment losses on financial assets	-	-	-	-	9 209 737	9 209 737
Interest expense	-	-	862 842	-	984 960	1 847 802
Total	73 548 780	48 646 591	42 675 347	3 303 248	252 954 807	421 128 773
Surplus for the year	(58 629 379)	33 913 974	(22 199 056)	(3 303 248)	158 044 811	107 827 102

Other information

Segment assets	(123 234 987)	(114 727 851)	(28 234 572)	(1 671 645)	1 709 688 610	1 441 819 555
Segment liabilities	(69 768 682)	12 863 824	7 241 438	1 597 725	189 415 847	141 350 152
Total capital expenditure	-	-	136 221 949	-	8 637 281	144 859 230

2023

	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
Segment revenue						
External revenue from non-exchange transactions	3 501 703	76 797 586	8 071 820	-	337 337 669	425 708 778
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/losses	-	-	-	-	1 526 000	1 526 000
Total	6 963 862	77 038 224	8 858 660	-	382 142 235	475 002 981

Segment expenses

Total segment expenses	46 463 853	51 969 387	31 604 730	2 185 258	163 763 570	295 986 798
Depreciation and amortisation	-	-	-	-	53 696 440	53 696 440
Disposal of fixed and intangibles assets	-	-	-	-	8 048 887	8 048 887
Inventory gain/loss	-	-	-	-	1 411	1 411
Impairment losses on financial assets	-	-	-	-	15 880 000	15 880 000
Interest expense	-	-	490 280	-	914 750	1 405 030
Total	46 463 853	51 969 387	32 095 010	2 185 258	242 305 058	375 018 566
Surplus for the year	(39 499 991)	25 068 837	(23 236 350)	(2 185 258)	139 837 177	99 984 415

Other information

Segment assets	15 817 463	(97 195 577)	(19 401 681)	(1 325 546)	1 362 953 886	1 260 848 545
Segment liabilities	(75 074 980)	(21 116 561)	16 252 706	876 366	148 995 570	69 933 101
Total capital expenditure	-	-	109 637 355	-	19 129 664	128 767 019

Notes to the Annual Financial Statements

	2024	2023
	R	R

60. Events after the reporting date

No event after reporting date