



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



Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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

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Ntabankulu Local Municipality

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ASSA	Actuarial Society of South Africa
BTO	Budget and Treasury Office
COGTA	Cooperative Governance and Traditional Affairs
CPI	Consumer Price Index
DEDEAT	Department of Economic Development, Environment Affairs and Tourism
DSRAC	Department of Sport, Recreation, Arts and Culture
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
IPD	Infrastructure, Planning and Development
LED	Local Economic Development
MPCC	Multi-purpose Community Centre
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
SALGA	South African Local Government Association
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
COVID-19	Corona Virus Diseases 19



Ntabankulu Local Municipality

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General Information

Nature of business and principal activities

Ntabankulu Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The Municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.

Municipal Councillors

Cllr PT Sobuthongo : Mayor

Cllr V Matwasa: Speaker

Cllr S Menziwa: Chief Whip

Exco Members

Cllr S Menziwa: Portfolio Head: Technical Services

Cllr N Kinase: Portfolio Head: Corporate Services

Cllr EU Joyi: Portfolio Head: Community Services

Cllr M Dinwayo: Portfolio Head: Financial Management

Cllr N Pezisa: Exco member without portfolio - Replaced by Cllr N Sithunzi on 23 February 2023

Cllr T Lubisi: Portfolio Head: Development Planning

Cllr N Sithunzi: Exco member without portfolio

Cllr A Zakhabana: MPAC Chairperson sworn in 19 September 2022

Ordinary Members

Cllr SJ Madwakasi

Cllr M Nqwazi

Cllr PM Mafilika

Cllr AO Ranana

Cllr S Zwelonke

Cllr S Sophaqa

Cllr A Ngconjana

Cllr S Bakeni

Cllr N Daniel

Cllr KS Nkaenkae

Cllr N Gantsu

Cllr N Sobuthongo

Cllr N Sidudu

Cllr M Mgunukelwa

Cllr N Zakade

Cllr M Nokhence

Cllr A N Mtyingizane

Cllr T Ngeyane

Cllr T A Mhlana

Cllr SN Ncekana

Cllr BM Mkizwana

Cllr B Xhangayi

Cllr O Mpenya

Cllr S Nkweba

Cllr Z Mlonyeni

Cllr MP Ndabeni

Cllr A Diko

Cllr ZL Nofayile

Cllr S Mathumbu

Cllr N Pezisa



Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Grading of local authority	Grade 3
Accounting Officer	Mrs Ivy Sikhulu-Nqwena
Chief Financial Officer (CFO)	Mrs XN Venn
Registered office	Erf 85 Main Street Ntabankulu 5130
Business address	Erf 85 Main Street Ntabankulu 5130
Postal address	P.O. Box 234 Ntabankulu 5130
Auditors	Auditor-General South Africa Registered Auditors 63 Frere Road Vincent
Attorneys	Municipal Attorneys TL Luzipho Attorneys 26 Cnr Madeira and Veronica Street 1st Floor Steve Motors Building Mthatha 5099
Bankers	First National Bank 151 York Road, Mthatha, 5100
Website	www.ntabankulu.gov.za



Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report.

It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at 30 June 2023 and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, she sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the 12 months to 30 June 2024 and, in light of this review and the current financial position, she is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out on pages 9 to 78, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed by:

Mrs Ivy Sikhulu-Nqwena
Municipal Manager

Thursday, 31 August 2023



Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit and Performance Committee Report

We are pleased to present our report for the year ended 30 June 2023.

Audit and Performance Committee members and attendance

The Audit and Performance Committee consists of the members listed here under and should meet 4 times per annum as per its approved terms of reference. During the year, 7 meetings were held.

Name of member	Number of ordinary meetings attended	Number of special meetings attended
Mr S Maharaj (Chairperson) (01 June 2022 - 30 May 2025)	4	3
Dr L Konar (from 01 June 2022 - 30 May 2025)	3	3
Mr Z Zulu (Extended from 01 July 2022 - 30 June 2025)	4	3
Ms K J Tubane (Extended from 01 July 2022 - 30 June 2025)	4	2

Currently there are 4 Audit and Performance Committee members whose contracts are active.

Audit and Performance Committee responsibility

The Audit and Performance Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

Overview

In adherence to the terms of the MFMA, the Audit and Performance Committee established and defined its composition, purpose and duties in the Audit Committee Charter. The Audit and Performance Committee reports that it complies with all legal and regulatory requirements as necessary under South African legislation. In fulfilling its duties, the Audit and Performance Committee:

- approved the internal audit plan;
- received and considered reports from internal auditors; and
- reviewed and discussed the Annual Financial Statements with the Accounting Officer and the Chief Financial Officer.

Following a review conducted by the Internal Audit Unit, and meeting the requirements of the terms of reference, the Committee is satisfied that:

- Internal financial controls are effective; however, not all material weaknesses in financial controls have been identified; and
- The co-sourced internal audit function performed their duties as per the terms of reference contained in the Internal Audit Charter and addressed all components of the Internal Audit Plan and the external auditors of the Municipality (Auditor-General South Africa), are independent.

Internal Audit

Ntabankulu Local Municipality has a co-sourced Internal Audit Function. The Internal Audit Function provides the Audit and Performance Committee with assurance on the key areas of Ntabankulu Local Municipality's systems of internal control and risk management. The Internal Audit Plan and the Internal Audit Charter are annually reviewed and approved by the Audit Committee. Internal Audit provides assurance that Ntabankulu Local Municipality operates in a responsibly governed manner by performing the following functions:

- objectively assuring effectiveness of risk management and the internal control framework;
- analysing and assessing business processes and associated controls; and
- reporting audit findings and recommendations to management and the Audit and Performance Committee.

The Audit and Performance Committee is of the opinion that Ntabankulu Local Municipality system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements.

The Audit and Performance Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the municipality during the period under review.

AUDITOR GENERAL
SOUTH AFRICA

19 DEC 2023

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit and Performance Committee Report

Evaluation of the annual financial statements

The Audit and Performance Committee has reviewed the Annual Financial Statements for the year ended 30 June 2023 and concluded that it complies, in all material respects, with the requirements of GRAP. The Committee recommended the approval of the Annual Financial Statements.

Furthermore, the Audit and Performance Committee recommended the adoption of the Annual Financial Statements. In this regard, the Committee:

- > Considered all representations and risks that may impact on the integrity of the Annual Financial Statements; and
- > Reviewed and commented on the Annual Financial Statements.

The Accounting Officer subsequently approved the Annual Financial Statements.

Conclusion

The Committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and approved terms of reference during the year.

Chairperson of the Audit and Performance Committee

Date: _____



Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The Accounting Officer submits her report for the year ended 30 June 2023..

1. Review of activities

Main business and operations

Ntabankulu Local Municipality is a South African category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The Municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.

The operating results for the year are fully set out in the attached Annual Financial Statements and do not in my opinion require any further comment.

Net surplus of the Municipality is R 19 912 556 (2022: deficit R 4 199 389).

2. 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.



Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand

Note(s)

2023

2022
Restated*

Assets

Current Assets

Inventories	3	6 408 958	404 882
Receivables from exchange transactions	4	1 463 327	1 113 096
Receivables from non-exchange transactions	5	14 717 191	11 160 439
Statutory receivables	6	7 983 870	4 991 048
Cash and cash equivalents	7	23 108 664	10 161 495
		53 682 010	27 830 960

Non-Current Assets

Investment property	8	42 377 436	40 080 786
Property, plant and equipment	9	348 164 632	336 527 255
		390 542 068	376 608 041

Total Assets

444 224 078 **404 439 001**

Liabilities

Current Liabilities

Other financial liabilities	52	4 627 657	-
Payables from exchange transactions	10	25 753 685	21 512 024
Unspent conditional grants and receipts	12	16 098 686	1 173
Payables from non-exchange transactions	13	4 775 575	14 862 665
Long service awards	11	220 924	573 775
		51 476 527	36 949 637

Non-Current Liabilities

Other financial liabilities	52	5 572 759	-
Provisions	14	1 056 410	1 476 613
Long service awards	11	3 729 562	3 536 490
		10 358 731	5 013 103

Total Liabilities

61 835 258 **41 962 740**

Net Assets

382 388 820 **362 476 261**

Accumulated surplus

382 388 820 **381 091 443**

AUDITOR GENERAL
SOUTH AFRICA
12 DEC 2023

* See Note 46

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	662 758	642 384
Rental of facilities and equipment	17	765 031	617 666
Interest received	18	5 276 253	2 419 592
Licences and permits	19	662 533	644 046
Sundry income	20	553 161	621 274
Total revenue from exchange transactions		7 919 736	4 944 962
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	17 309 472	16 739 273
Interest received MEPF	22	1 353 138	905 868
Transfer revenue			
Government grants and subsidies	23	222 426 562	175 741 094
Fines	24	831 700	768 500
Total revenue from non-exchange transactions		241 920 872	194 154 735
Total revenue	15	249 840 608	199 099 697
Expenditure			
Employee related costs	25	(87 044 805)	(82 077 446)
Remuneration of councillors	26	(12 830 453)	(11 765 559)
Depreciation and amortisation	27	(18 718 965)	(25 790 760)
Interest paid	28	(2 230 223)	(2 507 444)
Contribution allowance for impairment	29	(7 562 304)	(4 730 959)
Bad debt written off		(486 069)	-
General expenses	30	(66 535 574)	(50 304 385)
Repairs and maintenance	31	(3 321 555)	(1 725 970)
Audit fees	32	(4 619 630)	(3 494 991)
Total expenditure		(203 349 578)	(182 397 514)
Operating surplus		46 491 030	16 702 183
Profit on disposal of assets	33	398 864	589 310
Increase in provision for landfill site	14	583 369	(268 044)
Fair value adjustments	34	2 296 650	402 655
Actuarial losses	11	765 299	(290 492)
Asset write-off : Infrastructure and IT equipment	9	(15 647 376)	(670 286)
Impairment loss: Infrastructure assets	9	(14 975 280)	(20 664 715)
		(26 578 474)	(20 901 572)
Surplus /(Deficit) for the period		19 912 556	(4 199 389)

* See Note 46

AUDITOR GENERAL
SOUTH AFRICA
12 DEC 2023

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets for the year ended 30 June 2023

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2021	366 742 118	366 742 118
Changes in net assets		
Surplus/(deficit) for the year as previously reported	14 349 325	14 349 325
Total changes	14 349 325	14 349 325
Opening balance as previously reported	381 091 443	381 091 443
Adjustments		
Correction of errors (Note 46)	(18 548 712)	(18 548 712)
Correction of errors (Note 46)	(66 467)	(66 467)
Restated* Balance at 01 July 2022 as restated*	362 476 264	362 476 264
Changes in net assets		
Surplus for the year	19 912 556	19 912 556
Total changes	19 912 556	19 912 556
Balance at 30 June 2023	382 388 820	382 388 820

AUDITOR GENERAL
SOUTH AFRICA
12 DEC 2023

* See Note 46

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement for the year ended 30 June 2023

Figures in Rand

	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		11 994 206	13 096 784
Service Charges		464 577	97 949
Operating Grants		160 670 204	140 101 880
Capital Grants		76 662 513	35 125 446
Other Income including MEPF Receivable receipts		167 247	1 772 960
Interest Income		2 950 148	1 070 483
Licence fees and permits		662 533	644 046
Rentals		592 667	1 498 137
Fines		84 300	115 750
		254 248 395	193 523 435
Payments			
Suppliers and Employee costs		(189 685 870)	(181 305 192)
Interest paid		(1 235 637)	(102 463)
Net cash flows from operating activities	35	63 326 888	12 115 780
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	9	(61 093 435)	(37 691 463)
Proceeds from sale of Property, Plant and Equipment		513 299	708 767
Net cash flows from investing activities		(60 580 136)	(36 982 696)
Cash flows from financing activities			
Proceeds on Standard Bank Loan		14 000 000	-
Payment of Standard Bank loan		(3 799 584)	-
Net cash flows from financing activities		10 200 416	-
Net increase/(decrease) in cash and cash equivalents		12 947 168	(24 866 916)
Cash and cash equivalents at the beginning of the year		10 161 495	35 035 979
Cash and cash equivalents at the end of the period	7	23 108 663	10 169 063

AUDITOR GENERAL
SOUTH AFRICA

12 DEC 2023

* See Note 46

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	668 079	-	668 079	662 758	(5 321)	imm
Rental of facilities and equipment	677 799	-	677 799	765 031	87 232	
Licences and permits	1 119 014	(349 322)	769 692	662 533	(107 159)	
Sundry income	452 028	138 904	590 932	553 161	(37 771)	imm
Interest received - debtors	559 200	1 709 212	2 268 412	-	(2 268 412)	7
Interest received - investment	1 700 000	1 250 148	2 950 148	5 276 253	2 326 105	6
Gains on disposal of assets	500 000	-	500 000	398 864	(101 136)	13
Total revenue from exchange transactions	5 676 120	2 748 942	8 425 062	8 318 600	(106 462)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	18 000 000	-	18 000 000	17 309 472	(690 528)	imm
Interest received MEPF	-	-	-	1 353 138	1 353 138	12
Transfer revenue						
Government grants & subsidies	232 433 000	15 800 000	248 233 000	222 426 562	(25 806 438)	1
Fines, Penalties and Forfeits	368 056	140 000	508 056	831 700	323 644	imm
Total revenue from non-exchange transactions	250 801 056	15 940 000	266 741 056	241 920 872	(24 820 184)	
Total revenue	256 477 176	18 688 942	275 166 118	250 239 472	(24 926 646)	
Expenditure						
Personnel	(92 593 919)	(313 756)	(92 907 675)	(87 044 805)	5 862 870	2
Remuneration of councillors	(16 391 685)	649 756	(15 741 929)	(12 830 453)	2 911 476	3
Depreciation and amortisation	(22 487 303)	1 700 000	(20 787 303)	(18 718 965)	2 068 338	imm
Finance costs	(1 154 367)	(1 047 093)	(2 201 460)	(2 230 223)	(28 763)	imm
Debt Impairment	(2 748 050)	(5 000 000)	(7 748 050)	(7 562 304)	185 746	imm
Bad debts written off	(1 040 000)	-	(1 040 000)	(486 069)	553 931	10
Loss on disposal of assets	(312 000)	312 000	-	-	-	
General Expenses	(75 250 987)	(5 717 669)	(80 968 656)	(66 535 574)	14 433 082	4
Repairs and maintenance	(5 411 177)	370 135	(5 041 042)	(3 321 555)	1 719 487	5
Audit fees	(4 000 000)	(619 640)	(4 619 640)	(4 619 630)	10	imm
Total expenditure	(221 389 488)	(9 666 267)	(231 055 755)	(203 349 578)	27 706 177	
Operating surplus	35 087 688	9 022 675	44 110 363	46 889 894	2 779 531	
Increase in provision for landfill site	1 033 972	600 000	1 633 972	583 369	(1 050 603)	14
Fair value adjustments	-	500 000	500 000	2 296 650	1 796 650	9
Actuarial gains/losses	-	600 000	600 000	765 299	165 299	imm
Asset write-off	(7 000 000)	(6 312 000)	(13 312 000)	(15 647 376)	(2 335 376)	11
Impairment loss	(5 667 537)	(10 000 000)	(15 667 537)	(14 975 280)	692 257	8
	(11 633 565)	(14 612 000)	(26 245 565)	(26 977 338)	(731 773)	
	23 454 123	(5 589 325)	17 864 798	19 912 556	2 047 758	

AUDITOR GENERAL
SOUTH AFRICA

12 DEC 2023

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	23 454 123	(5 589 325)	17 864 798	19 912 556	2 047 758
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AUDITOR GENERAL
SOUTH AFRICA

12 DEC 2023

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand

1. Grants & Subsidies

On the operational grants, the amount received for LGSETA is lesser than the amount budgeted. Also the amount grants and implementation agency fees are only received based on value created and therefore the budgeted amounts could not be realised for some projects.

2. Personnel costs

The budget for employee related costs were based on previous year's actual salary earnings, in addition the increment percentage as per Budget Circular was affected. The budget also included prioritised positions which were then not filled during the financial and some were filled for the lessor period than the budgeted period. There was also an allocation for benefits like medical aid and pension for the allocation of benefits actuals when they become due. Some employees did not take the medical aid benefit. The Gazette for upper limits for Senior Managers was not received on time as therefore the expenditure in relation to Senior Manager's remuneration was not realised, pending the approval by Council.

3. Councillors Remuneration

The Councillors budget was based on the 2021/2022 actuals per Councillor. The Councillors remuneration increase was allocated as per the MFMA Budget Circular, however, the Councillors did not receive the salary increase for the 2022/2023 financial period as the Gazette for upper limits arrived late in August and was not implementable until an approval by the MEC for Local Government was obtained.

4. General Expenses

The budget was done according to planned projects. Some of the projects could not be implemented, and on some line, items had savings on the budgeted amount. The implementation of cost containment regulations also played a role in ensuring that the expenditure is within below the budgeted amount.

5. Repairs & Maintenance

The budget for maintenance was done as per the planned projects, however there is a project that was not executed as planned.

6. Interest received – investment

The Municipality received more grants in the current year, leading to more interest generated in the Municipal bank accounts. Also the interest received from the standard bank investment account has contributed to the additional interest received..

7. Interest on outstanding debtors

The budget was low due to the anticipation of debt write-off of on the debtor's book during the financial year that would lead to lower debtor's balance. The write-off took place, however the interest charged on debtors was higher than the budget due to the debtors account balance.

8. Impairment Loss

Most of the assets were impaired in the prior year and in the current year only assets that were found to be having impairment indicators or changes from previous assessment were considered. The budget was based on the fact that the Municipality had an understatement of impairment in the prior year.

9. Fair Value Adjustments

Fair value adjustments were based on the report by the experts, after having looked at the market related values of all municipal properties.

10. Bad Debts Written-off

The budget for bad debts to be written off was set higher with the anticipation of an incentive strategy to write off more debtors.

11. Asset write off

The Municipality performed a physical verification and condition assessment of all asset and a lot of assets were not found due to them being badly damaged beyond repairs or being not found on site.

12. Interest on MEPF

The Municipality did not budget for interest on MEPF debtor as this matter is under litigation.

13. Gains on disposal of PPE

AUDITOR GENERAL
SOUTH AFRICA

12 DEC 2023

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand

Was only provided for proceeds on sale of PPE.

14. Increase in provision for landfill site

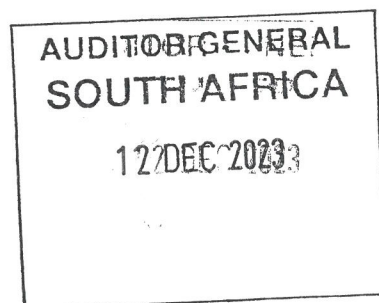
The budgeted increase on provision for landfill site was due to the change in provision of obligation as determined by market yields

15. License & permits

The license and permits were overbudgeted on the Annual Budget due to the anticipation that the Construction of new Traffic Fines will attract more customers, however on the Adjustment Budget the Municipality realized less than the anticipated collection on half year. Then Municipality adjusted down aligning to the collection trends of the six months period, but the annual revenue collected became much lesser than the adjusted budget.

16. Rental of facilities

The budget for rental of facilities was aligned to the anticipated annual billing for the 2022/2023 financial year. During the financial year, there was an increase in the billing of rentals during the financial year and thus caused the significant difference on budget vs actual on this line item.



Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	405 000	110 807	515 807	6 408 958	5 893 151	1
Receivables from exchange transactions	3 714 000	(3 714 000)	-	1 463 327	1 463 327	imm
Statutory receivables	31 662 000	(18 751 020)	12 910 980	7 983 870	(4 927 110)	2
Receivables from non-exchange transactions	28 764 000	(309 310)	28 454 690	14 717 191	(13 737 499)	3
Cash and cash equivalents	60 114 000	(34 838 923)	25 275 077	23 108 664	(2 166 413)	4
	124 659 000	(57 502 446)	67 156 554	53 682 010	(13 474 544)	

Non-Current Assets

Investment property	40 581 000	(2 379 541)	38 201 459	42 377 436	4 175 977	5
Property, plant and equipment	440 137 000	54 826 195	494 963 195	348 164 632	(146 798 563)	6
Intangible assets	-	120 000	120 000	-	(120 000)	10
	480 718 000	52 566 654	533 284 654	390 542 068	(142 742 586)	

Total Assets

	605 377 000	(4 935 792)	600 441 208	444 224 078	(156 217 130)	
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Liabilities

Current Liabilities

Other financial liabilities	-	-	-	4 627 657	4 627 657	9
Payables from exchange transactions	10 447 000	(10 038 703)	408 297	25 753 688	25 345 391	7
Unspent conditional grants and receipts	-	-	-	16 098 686	16 098 686	8
VAT payable	25 068 000	(25 068 000)	-	-	-	
Payables from non-exchange transactions	2 243 000	(2 243 000)	-	4 775 575	4 775 575	
Long service awards	-	-	-	220 924	220 924	imm
Consumer deposits	-	157 755	157 755	-	(157 755)	imm
	37 758 000	(37 191 948)	566 052	51 476 530	50 910 478	

Non-Current Liabilities

Other financial liabilities	14 000 000	11 000 000	25 000 000	5 572 759	(19 427 241)	9
Provisions	6 827 263	3 728 895	10 556 158	1 056 410	(9 499 748)	11
Long service awards	2 067 945	-	2 067 945	3 729 562	1 661 617	
	22 895 208	14 728 895	37 624 103	10 358 731	(27 265 372)	

Total Liabilities

	60 653 208	(22 463 053)	38 190 155	61 835 261	23 645 106	
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Net Assets

	544 723 792	17 527 261	562 251 053	382 388 817	(179 862 236)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	544 723 792	17 527 261	562 251 053	382 388 820	(179 862 233)	
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1. Inventories

Included in the actual values for inventory is the amount for completed electrification projects that will be transferred to Eskom after the final approval and certification has been obtained.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand

2. Statutory receivables

The variance is caused by the fact that the municipality anticipated that the collection levels on statutory receivables will be low, hence the receivables were budgeted at a higher value.

3. Receivables from Non-Exchange Transactions

The variance is caused by the fact that the municipality anticipated that the collection levels will be low, hence the receivables were budgeted at a higher value.

4. Cash and Cash Equivalents

The municipality expected to have more cash in the bank at year end, this was to be realised through collection of debtors' accounts, through an incentive programme that did not really materialise.

5. Investment Property

The investment property exceeded the budget due to fair value adjustments that were done by the Municipal valuer.

6. Property Plant and Equipment

The Municipality anticipated more projects to be constructed based on the additional amount for the disaster relief grant that was applied for.

7. Payables from exchange transactions

The accruals and trade payables for the year were more than the anticipated amount. This is due to projects that were completed towards the year-end and the invoices were submitted after 30 June 2023.

8. Unspent Conditional Grant

The municipality does not budget for Unspent conditional grants since the planning processes of the municipality are based on the fact that all conditional grants will be fully spent by year end. The municipality spent all of the allocated MIG grant but in March received an additional funding due to its performance.

9. Other financial liabilities

The municipality was approved for a loan of R25 million by Standard Bank for R25 million but the municipality has since received an amount of R14 million and an amount of R3.8 million has been paid back by year end therefore the remaining balance is R10.2 million. During the budgeting process the municipality budgeted for the approved amount of R25 million hence the difference.

10. Intangible Assets

The municipality did not incur expenditure on the intangible assets, during the budgeting process there were plans to procure the intangible assets but the municipality opted not to go ahead with the procurement.

11. Provisions

The variance is caused by the fact that during the budgeting process all provisions which are Landfil site, leave, bonus, long service awards and bad debts are budgeted for under one line item which is "Provisions", however for financial statements purposes this line item is made up of landfill site alone and other provisions are disclosed under trade and other payables.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	16 800 000	(1 500 000)	15 300 000	11 994 206	(3 305 794)
Service charges	600 000	68 079	668 079	464 577	(203 502)
Operational grants	154 043 000	6 488 000	160 531 000	160 670 204	139 204
Capital grants	71 962 000	31 063 339	103 025 339	76 662 513	(26 362 826)
Interest income	2 000 000	(2 000 000)	-	2 950 148	2 950 148
Other receipts	116 790 000	(93 867 579)	22 922 421	1 506 747	(21 415 674)
	362 195 000	(59 748 161)	302 446 839	254 248 395	(48 198 444)

Payments

Employee costs and suppliers	(213 037 000)	15 926 518	(197 110 482)	(189 685 870)	7 424 612
Interest paid	(100 000)	100 000	-	(1 235 637)	(1 235 637)
Transfers and grants	2 100 000	-	2 100 000	-	(2 100 000)
	(211 037 000)	16 026 518	(195 010 482)	(190 921 507)	4 088 975

Net cash flows from operating activities	151 158 000	(43 721 643)	107 436 357	63 326 888	(44 109 469)
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Cash flows from investing activities

Purchase of property, plant and equipment	(156 533 000)	41 579 426	(114 953 574)	(61 093 435)	53 860 139
Proceeds from sale of property, plant and equipment	3 500 000	(3 000 000)	500 000	513 299	13 299

Net cash flows from investing activities	(153 033 000)	38 579 426	(114 453 574)	(60 580 136)	53 873 438
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Cash flows from financing activities

Repayment of other financial liabilities	10 200 000	-	10 200 000	10 200 416	416
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Net increase/(decrease) in cash and cash equivalents	8 325 000	(5 142 217)	3 182 783	12 947 168	9 764 385
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Cash and cash equivalents at the beginning of the year	10 161 600	-	10 161 600	10 161 495	(105)
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Cash and cash equivalents at the end of the year	18 486 600	(5 142 217)	13 344 383	23 108 663	9 764 280
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Reconciliation

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables, loans and other receivables

Impairment testing

In calculating the impairment loss for receivables, the following were considered:

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

- The payments received from receivables for the year, with the exception of traffic fines.
- The age of the debt
- Current and 30 days were considered not to have passed due date
- Receivables which were 60 days old were considered to be past due date but were not impaired

The Municipality assessed the balances that were 60 days old for recoverability and believes that they are of good credit quality. The creation and the release of the impairment loss for receivables has been included in the Statement of Financial Performance.

For traffic fines, the following additional assumptions are considered;

- > Each individual ticket fine is considered as a receivable when it is raised.
- > Impairment calculation will be based on the ticket fine raised and not on the payment behaviour of the offender.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation – Financial Instruments

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

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

The 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

On receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that receivables are impaired. The impairment is measured as the difference between the Receivables carrying amount and receivables recoverable amounts.

Contingent Liabilities and Contingent Assets

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, a provision is recognised in the annual financial statements of the period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent assets arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the approved annual financial statements.

Residual Values, useful lives and impairment of Property Plant and Equipment

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually.

Where significant parts (components of an item of Property, Plant and Equipment) have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying amount exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

Allowance for doubtful debts

On receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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Accounting Policies

1.4 Investment property

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Investment properties comprise properties held for earning rental income or for capital appreciation or both. This does not include properties held for the supply of services or for administrative purposes.

Investment Property is measured initially at its cost (transaction costs shall be included in this initial measurement). Where an Investment Property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. After initial recognition, investment property is held at the fair value model except in cases where the Municipality cannot reliably determine the fair value thereof.

A gain or loss arising from a change in the fair value of investment property shall be included in surplus or deficit for the period in which it arises. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The differences between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of financial performance in the period of derecognition.

Fair value - Investment Property

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

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

If the Municipality determines that the fair value of an investment property under construction is not reliably determinable, it is expected that 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 it determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, that investment property will be measured 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 Municipality applies the cost model (as per the accounting policy on Property, Plant and Equipment) until disposal of the investment property.

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

1.5 Property, plant and equipment

Property, plant and equipment is recognised when it is probable future economic benefits will flow to the entity and the cost can be measured reliably. Property, Plant and Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all directly attributable costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials and direct labour.

Subsequent expenditure relating to an item of Property, Plant and Equipment is capitalised if the cost can be measured reliably and it is probable that the future economic benefits associated with the item will flow to the municipality. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the municipality recognises such part as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance expenditure is recognised as an expense in the year it is incurred.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the estimated useful life of the asset on the same basis as owned assets. If the Municipality does not have reasonable certainty that it will obtain ownership of the leased asset at the end of the lease term, the asset is depreciated over the shorter of its lease term and its useful life.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight line basis over the estimated useful life of each part of the Property, Plant and Equipment from when it is available to operate as intended by management.

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1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25 - 30 Years
Furniture	Straight line	5 - 7 Years
Motor vehicles	Straight line	4 - 7 Years
Office equipment	Straight line	5 - 7 Years
IT equipment	Straight line	3 - 5 Years
Computer software	Straight line	2 - 5 Years
Infrastructure		
Landfill site	Straight line	30 - 55 years
Culverts and ditch drains	Straight line	20 - 60 years
Traffic signs	Straight line	5 - 20 years
Electricity infrastructure	Straight line	15 - 40 years
Traffic barriers	Straight line	10 - 30 years
Roads and paving	Straight line	10 - 50 years
Recreational facilities	Straight line	10 - 60 years
Bridges	Straight line	60 - 80 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually. Where significant parts (components of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in operating surplus. Items or part of an item of property, plant and equipment are derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use. Gains or losses on derecognition of items of property, plant and equipment are included in the statement of financial performance. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Financial instruments

Financial assets and liabilities are recognised on the Municipality's statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value at date of acquisition. Subsequent to initial recognition, financial instruments are measured as set out below;

Receivables from exchange transactions

Receivables from exchange transactions are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. At each reporting date, the Municipality assesses whether there is any objective evidence that trade and other receivables are impaired. A provision for impairment of trade and other receivables is raised in the statement of financial performance, when there is objective evidence that the Municipality will not be able to collect all amounts due, in accordance with the original terms agreed upon. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The Municipality recognises the impairment of trade receivables directly to the carrying amount of the asset and recognises the impairment in profit and loss.

Receivables from non-exchange transactions

Receivables from non-exchange transactions are subsequently measured at amortised cost using the prime interest rate plus two percentage points according to the Municipality's Credit Control and Debt Collection policy.

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1.6 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and call deposits. Cash on hand is initially recognised at fair value and subsequently measured at fair value. Deposits are carried at amortised cost. However, due to their short-term nature, the amortised cost normally approximates its fair value.

Financial liabilities at amortised cost

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when the Municipality becomes party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value is recognised in the statement of financial position over the period of the borrowings as interest.

Payables from exchange transactions and unspent conditional grants liabilities

Payables from exchange transactions are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Payables from non-exchange transactions

A non-exchange transaction is a transaction where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Payables from non-exchange transactions are initially measured at cost and are subsequently measured at amortised cost.

Unspent conditional grants and receipts

Payable arises when the Municipality has an obligation to return the grant and /or receipts transferred to it by third parties, through transactions, if conditions of the grant have not been met (conditional grants).

Unspent conditional grants and receipts are initially measured at cost and are subsequently measured at cost.

Impairment of financial assets

Financial assets, other than those financial assets classified as fair value through the statement of financial performance, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where 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 financial asset have been impacted. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is recognised in the surplus or deficit.

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

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

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

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

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

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

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Accounting Policies

1.6 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Statutory receivables - VAT receivables	Financial asset measured at cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at cost
Other financial liability	Financial liability measured at amortised cost

1.7 Inventories

Inventories acquired through an exchange transaction are initially stated at cost. 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. Cost is determined using the First In First Out method. Inventories acquired through a non-exchange transaction are initially measured at fair value as at the date of acquisition.

All inventories are subsequently measured at lower of cost and net realisable value. The net realisable value of inventories is the estimate of the selling price in the ordinary course of business, less the estimated selling expenses.

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.

1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

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1.8 Construction contracts and receivables (continued)

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Impairment of cash-generating assets

At each reporting date, the Municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance. Where it is not possible to estimate the recoverable amount of an individual asset, the Municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the statement of financial performance. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life.

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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.

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

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

1.11 Employee benefits

Long-service bonus awards employment benefit

Long-service employment benefits

Ntabankulu offers bonuses for every 5 years of completed service from 10 years to 45 years of service. The liability recognised in respect of the long-service bonus awards is the present value of the obligation at the reporting date. The benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance, in the period in which they arise. Current service costs are recognised immediately in surplus and deficit.

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration of employees is charged to the Statement of Financial Performance. A provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.11 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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 presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Value Added Tax (VAT)

The Ntabankulu Local Municipality is a registered VAT Vendor in terms of the VAT Act of 1991.

1.13 Provisions and contingencies

Provisions are recognised when:

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.14 Commitments

Commitments represent contracts that have been awarded, but no payment has been made at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance as risks and rewards of ownership has not been transferred to the Municipality prior delivery therein. However, are disclosed as part of the disclosure notes.

The commitments disclosed in the disclosure note is capital expenditure approved and contracted for at the reporting date, to the extent that the amount has not been recorded in the annual financial statements.

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1.14 Commitments (continued)

Other commitments for which disclosure is necessary to achieve a fair presentation will be disclosed in a note 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.

1.15 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipalities activities. Revenue is reduced for customer returns, rebates and other similar allowances.

Service charges and licenses and permits are recognised in the statement of financial performance when the significant risks and rewards of ownership have been transferred to the customer.

Revenue from services rendered is recognised by reference to stage of completion.

Commission income is recognised in the statement of financial performance as revenue when it becomes due to the Municipality.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Rental of facilities and equipment revenue arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.



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1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions arise where the Municipality will receive resources and provide no or nominal consideration directly in return. These constitute government grants, property rates, fines and penalties.

Government grants pertain to funds and/or subsidies received or receivable by the Municipality from other state organs. These include conditional and non-conditional grants. Conditional grants arise where the Municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. Non-conditional grants are grants received or receivable, for the Municipality's operational needs, with no obligation to pay cash or another financial asset to the grantor.

Non-conditional government grants are recognised as revenue when received and conditional government grants received and recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow, the revenue shall be measured at the amount of the increase in net assets recognised by the entity.

Subsequently, as an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset or expense, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

Property rates satisfy the definition of "non-exchange transaction", because the homeowner transfers resources to the government without receiving approximately equal value directly in exchange.

The Municipality shall recognise an asset in respect of property rates when the taxable event occurs and the asset recognition criteria are met and, to the extent that an asset (cash or receivables) is recognised, the Municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Fines and penalties are economic benefits or service potential received or receivable by an entity from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. And, to the extent that an asset is recognised, the Municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

In instances where a defendant reaches an agreement with a prosecutor that includes the payment of a penalty instead of being tried in court, the payment thus received or receivable shall be recognised as fine revenue.

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 Accounting by principals and agents

Identification

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

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

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

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1.19 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

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

1.22 Fruitless and wasteful expenditure

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.

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1.23 Irregular expenditure

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

Irregular expenditure is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefore are provided in note 43.

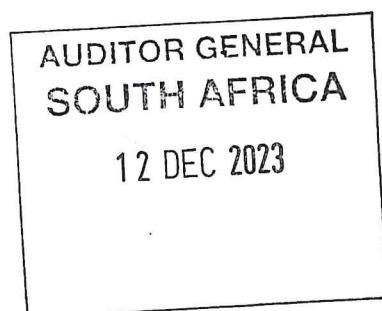
1.24 Segment information

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's annual 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 annual financial statements.



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1.25 Budget information

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

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

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

1.26 Related parties

The Municipality, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties. The Municipality is presumed to be related to all other government entities within the national sphere by virtue of its classification as a Category B Municipality. Only transactions that are not carried out on an arms' length basis are disclosed. Key personnel are limited to the S56 employees only.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual 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)

1.28 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The Municipality recognises statutory receivables as follows:

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

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1.28 Statutory receivables (continued)

Initial measurement

The Municipality initially measures statutory receivables at their transaction amount. The statutory receivables shall be measured initially in accordance with the applicable Standard of GRAP. The amount determined on initial measurement in accordance with another Standard of GRAP is the same as the transaction amount described in this Standard.

Subsequent measurement

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

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

Derecognition

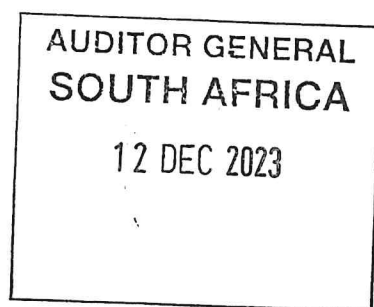
The Municipality derecognises a statutory receivable, or a part thereof, when:

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

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

Impairment losses

The Municipality assesses at each reporting date whether there is any indication that an impairment loss should be recognised by comparing the carrying amount of the receivable to the cash flows the Municipality expects to receive. The cash flows are discounted if the time value of money is material. While there are specific indicators that identify the need to assess if an impairment loss exists, municipalities should also consider the effect of delayed payment and whether this affects the carrying amount of the receivable.



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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any standards and interpretations that are effective for the current period and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Inventories

Consumables	390 607	404 882
Completed electrification	6 018 351	-
	6 408 958	404 882

Inventories recognised as an expense during the period	1 913 392	1 268 695
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Included in inventory consumed are the inventories that were recognised as an expense for the year ended 30 June 2023.

Inventory also includes electrification projects that have not yet been transferred to Eskom.

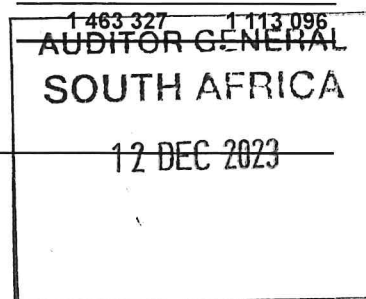
Inventory pledged as security

No inventory was pledged as security.

4. Receivables from exchange transactions

Rentals receivables	1 285 982	1 113 618
Refuse receivables	3 571 864	3 429 748
Sundry receivables	784 173	332 859
Allowance for impairment - refuse	(3 284 433)	(3 134 333)
Allowance for impairment - rentals	(669 377)	(403 914)
Allowance for impairment - sundry	(224 882)	(224 882)

Receivables from exchange transactions pledged as security



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4. Receivables from exchange transactions (continued)

No receivables from exchange transaction are pledged as security.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 249 187(2022: R 129 331) were past due but not impaired.

The ageing of receivables from exchange transactions is as follows:

June 2023	Refuse	Rentals	Sundry	Total
Current-30 days	57 531	66 458	467 840	591 829
31-60 days	51 455	63 458	10 285	125 198
61-90 days	54 234	60 458	-	114 692
91-120 days	54 181	60 078	-	114 259
121-150 days	51 385	61 167	3 588	116 140
151 - 180 days	52 206	61 167	8 354	121 727
> 180 days	3 250 872	913 194	294 106	4 458 172
	3 571 864	1 285 980	784 173	5 642 017

June 2022	Refuse	Rental	Sundry	Total
Current-30 days	47 571	1 063	30 650	79 284
31-60 days	41 626	4 833	3 588	50 047
61-90 days	42 669	3 485	3 588	49 742
91-120 days	36 746	(46 728)	3 665	(6 317)
121-150 days	47 441	51 348	24 841	123 630
151 - 180 days	20 354	1 328	41 750	63 432
> 180 days	3 193 341	1 098 289	224 744	4 516 374
	3 429 748	1 113 618	332 826	4 876 192

Trade and other receivables allowance for impairment

As of 30 June 2023, the contribution towards allowance for impairment has increased to R 415 563(2022: R 943 029)

The amount of the provision was R (4 178 692) as of 30 June 2023 (2022: R (3 763 129)).

The amount is made up of the following:

	2023	2022
Rental	265 463	(1 439 834)
Refuse	150 100	496 795
	415 563	(943 039)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	3 763 129	4 706 168
Provision for impairment	415 563	(943 039)
	4 178 692	3 763 129

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5. Receivables from non-exchange transactions

LG SETA debtor	131 400	330 600
MEPF Debtor	12 182 977	10 829 839
Department of Human Settlements debtor	1 012 256	-
Department of Transport	178 527	-
Small Town Revitalisation	1 212 031	-
	14 717 191	11 160 439

The amounts relate to contributions incorrectly paid to MEPF instead of SAMWU and interest charged, LGSETA conditional grant, Department of Transport and Small Town Revitalisation grant claims not paid at reporting date, expenditure paid by the municipality on behalf of the Department of Human Settlements (Implementing Agent).

No receivable from non-exchange transactions are pledged as security.

6. Statutory receivables

VAT Receivables	3 186 572	940 375
Customer receivable - Rates	29 911 517	24 957 073
Customer receivable - Interest	8 602 461	6 410 939
Customer receivable - Traffic fines	4 957 839	4 210 439
Allowance for impairment - Rates	(26 068 462)	(21 491 840)
Allowance for impairment - Interest	(7 849 203)	(6 035 071)
Allowance for impairment - Traffic fines	(4 756 854)	(4 000 867)
	7 983 870	4 991 048

No statutory receivables are pledged as security.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered for allowance for impairment. At 30 June 2023, R2 854 765 (2022: R 1 636 458) were past due but not impaired.

The ageing of statutory receivables is as follows:

June 2023	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	1 158 377	218 233	121 700	1 498 310
31-60 days	1 070 616	212 239	73 600	1 356 455
61-90 days	1 099 131	208 744	42 800	1 350 675
91-120 days	894 580	203 967	67 400	1 165 947
121 - 150 days	1 018 132	191 749	60 100	1 269 981
151-180 days	1 011 238	193 195	99 900	1 304 333
> 180 days	23 659 443	7 374 335	4 492 339	35 526 117
	29 911 517	8 602 462	4 957 839	43 471 818

June 2022	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	919 248	128 902	64 100	1 112 250
31-60 days	350 768	123 971	77 100	551 839
61-90 days	932 017	122 864	68 000	1 122 881
91-120 days	842 819	117 199	48 900	1 008 918
121 - 150 days	975 191	112 260	72 900	1 160 351
151-180 days	862 311	109 044	72 400	1 043 755
> 180 days	20 074 839	5 696 568	3 807 039	29 578 446
	24 957 193	6 410 808	4 210 439	35 578 440

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6. Statutory receivables (continued)

Statutory receivables allowance for impairment

The current year contribution to allowance for impairment loss amounted to R 7 146 741(2022:R 5 673 997).

The contribution to allowance for impairment is made up of the following:

	2023	2022
Rates	4 576 622	3 502 121
Traffic fines	755 987	943 224
Customer interest	1 814 132	1 228 652
	7 146 741	5 673 997

Reconciliation of provision for impairment of statutory receivables

Opening balance	31 527 778	25 853 781
Provision for impairment	7 146 741	5 673 997
	38 674 519	31 527 778

The following prescripts authorises the Municipality to charge and collect funds to fund its mandate. The resulting receivables are therefore classified as statutory receivables to be disclosed as such under GRAP 108 disclosures. These are:

- Section 229(1) of the Constitution of the Republic of South Africa
- Municipal Systems Act
- Section 75A of the Systems Act
- Section 74(1) of the Systems Act
- Section 75(1) of the Systems Act
- Section 75(2) of the Systems Act
- Value Added Tax Act
- Municipal Properties Rates Act
- Administrative Adjudication of Road Traffic Offences Act

The following statutory receivables have been identified by the Municipality:

Non-exchange transactions:

- VAT receivable.
- Rates receivables.
- Traffic fines receivables.
- Interest on outstanding refuse and rates payments.

The method to determine the amount chargeable for the above transactions are documented in Annexure I of the Ntabankulu Local Municipality Tariffs Policy which is promulgated and approved annually.

All interest on overdue accounts is charged at an interest rate of 5% per annum as per par 6.5 of the Ntabankulu Local Municipality Credit control and debt collection policy. During the year, no interest charges were written off by Council.

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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	443
Bank balances	2 656 297	1 022 831
Investment balances	20 452 367	9 138 221
	23 108 664	10 161 495

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposit are made for varying periods, depending on the immediate cash requirements and interest at respective short-term deposit rate. The municipal accounts are held at FNB.

Cash on hand is made up of daily cashier's collection.

The Municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Main Account: Current	2 240 544	551 898	2 656 406	1 022 830
Operations Call Account	1 000	1 000	1 000	1 000
VAT Call Account	1 225 639	1 000	1 225 639	1 000
Municipal Support Institution FNB Call Account	1 000	1 000	1 000	1 000
INEP FNB Call Account	1 000	805	1 000	805
FMG FNB Call Account	1 000	1 000	1 000	1 000
MIG FNB Call Account	17 437 321	3 090 450	17 437 321	3 070 970
DSRAC FNB Call Account	1 000	1 000	1 000	1 000
EPWP FNB Call Account	1 000	1 000	1 000	1 000
Solidarity Fund FNB Cheque Account	579	737	579	737
Traffic Fines FNB Call Account	2 059 315	1 000	1 643 886	1 000
Solidarity FNB Call Account	136 360	130 485	136 360	130 485
Small Town Revitalisation FNB Call Account	1 644	116 562	1 644	1 417
Human Settlement FNB Call Account	1 369	6 268 613	1 000	5 926 868
Total	23 108 771	10 166 550	23 108 835	10 161 112

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8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	42 377 436	-	42 377 436	40 080 786	-	40 080 786

Reconciliation of investment property - June 2023

	Opening balance	Fair value adjustments	Total
Investment property	40 080 786	2 296 650	42 377 436

Reconciliation of investment property - June 2022

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	38 292 848	1 385 283	402 655	40 080 786

Pledged as security

No items of investment property are pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality. The investment property was valued during the 2023 financial year using Fair Value model as prescribed in GRAP 16. The determination of fair value was supported by market evidence. The fair value of the investment property was determined by an independent valuer who is registered as a professional associated valuer.

Investment property balance as at 30 June 2023 consists of both vacant land and improved properties. Properties that were found not to be owned by the Ntabankulu Local Municipality any longer as per the deeds office are transferred out of Investment Property.

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9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	211 588 097	(68 026 735)	143 561 362	199 398 344	(62 283 800)	137 114 544
Furniture and Office equipment	4 148 158	(2 916 657)	1 231 501	3 788 234	(2 646 768)	1 141 466
IT equipment	6 421 908	(4 469 803)	1 952 105	6 222 313	(3 896 173)	2 326 140
Infrastructure	282 884 950	(127 538 276)	155 346 674	270 087 606	(116 956 653)	153 130 953
Land	2 793 181	-	2 793 181	2 793 181	-	2 793 181
Landfill site	7 090 307	(1 006 199)	6 084 108	7 090 307	(864 437)	6 225 870
Machinery	1 062 741	(471 049)	591 692	1 707 991	(1 023 006)	684 985
Motor vehicles	8 581 699	(4 068 199)	4 513 500	8 019 483	(3 712 640)	4 306 843
Work in Progress	32 090 509	-	32 090 509	28 803 273	-	28 803 273
Total	556 661 550	(208 496 918)	348 164 632	527 910 732	(191 383 477)	336 527 255

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9. Property, plant and equipment (continued)

Reconciliation of Property, Plant and Equipment - June 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Write-off	Depreciation	Impairment loss	Total
Buildings	137 114 544	-	-	19 995 546	-	(2 206 173)	(5 742 936)	(5 599 619)	143 561 362
Furniture and Office equipment	1 141 466	377 911	-	-	-	(17 984)	(269 892)	-	1 231 501
IT equipment	2 326 140	507 739	(27 678)	-	-	-	(854 096)	-	1 952 105
Infrastructure	153 130 953	-	-	35 596 225	-	(13 423 219)	(10 581 624)	(9 375 661)	155 346 674
Land	2 793 181	-	-	-	-	-	-	-	2 793 181
Landfill site	6 225 870	-	-	-	-	-	(141 762)	-	6 084 108
Machinery	684 985	193 750	(53 151)	-	-	-	(233 892)	-	591 692
Motor vehicles	4 306 843	1 135 029	(33 606)	-	-	-	(894 766)	-	4 513 509
Work in Progress	28 803 273	58 879 006	-	-	(55 591 770)	-	-	-	32 090 509
	336 527 255	61 093 435	(114 435)	55 591 771	(55 591 770)	(15 647 376)	(18 718 968)	(14 975 280)	348 164 632

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9. Property, plant and equipment (continued)

Reconciliation of Property, Plant and Equipment - June 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	142 735 712	-	-	8 505 418	(1 379 557)	-	(6 593 077)	(6 153 952)	137 114 544
Furniture and Office equipment	1 241 466	227 809	(50 181)	-	-	-	(277 628)	-	1 141 466
IT equipment	2 609 746	1 079 164	(3 054)	-	-	(41 286)	(1 318 430)	-	2 326 140
Infrastructure	165 955 115	6 000	-	18 378 795	-	(629 000)	(16 069 193)	(14 510 762)	153 130 953
Land	2 798 907	-	-	-	(5 726)	-	-	-	2 793 181
Landfill site	6 367 636	-	-	-	-	-	(141 766)	-	6 225 870
Machinery	861 475	63 000	(2 204)	-	-	-	(237 286)	-	684 985
Motor vehicles	5 524 240	-	(64 017)	-	-	-	(1 153 380)	-	4 306 843
Work in Progress	19 340 558	36 315 490	-	-	(26 884 213)	-	-	-	28 803 273
	347 434 855	37 691 463	(119 456)	26 884 213	(28 269 496)	(670 286)	(25 790 760)	(20 664 714)	336 527 255

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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress - June 2023

	Included within Infrastructure	Included within Other PPE	Included within Other PPE	Total
Opening balance	20 976 636	(448 633)	8 275 269	28 803 272
	20 976 636	(448 633)	8 275 269	28 803 272

Reconciliation of Work-in-Progress - June 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	13 511 531	(448 633)	6 277 659	19 340 557
Additions/capital expenditure	25 843 900	-	10 503 028	36 346 928
Transferred to completed items	(18 378 795)	-	(8 505 418)	(26 884 213)
	20 976 636	(448 633)	8 275 269	28 803 272

Pledged as security

No items of property, plant and equipment are pledged as security.

10. Payables from exchange transactions

Trade payables	5 499 723	3 165 044
Receivables with credit balance	379 952	228 160
Accruals	4 845 888	3 729 679
Accrued leave pay	8 664 009	8 140 034
Accrued bonus	1 965 693	1 858 663
Retention fees	4 398 420	4 390 444
	25 753 685	21 512 024

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11. Long service awards

An independent, statutory actuarial valuation is performed on an annual basis by One Pangaea Expertise and Solutions.

The long service award is determined using the Projected Unit Credit Method. This liability is based on actuarial assumptions about the future. The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP 25.

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

Carrying value		
Opening balance	(4 110 265)	(3 547 397)
Current service cost	(431 446)	(425 310)
Current interest cost	(444 720)	(282 682)
Benefit payments	270 646	435 616
Actuarial losses	765 299	(290 492)
	(3 950 486)	(4 110 265)
Non-current liabilities	3 729 562	3 536 490
Current liabilities	220 924	573 775
	3 950 486	4 110 265

Net expense recognised in the statement of financial performance

Current service cost	(431 446)	(425 310)
Interest cost	(444 720)	(282 682)
Actuarial (loss)/gain	765 299	(290 492)
*Benefit payments	270 646	435 616
	159 779	(562 868)

*The amount represents the actual benefit payments made during the year in respect of long service awards.

Key assumptions used

The key assumptions used in the valuation are as follows:

Discount rates used	10,86 %	10,22 %
Consumer price index (CPI)	5,46 %	6,71 %
Expected increase in salaries	6,46 %	7,71 %
Net discount rate	4,14 %	2,33 %

The discount rate is determined using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10,86% per annum, and the yield on inflation-linked bonds of a similar term was about 4,65% per annum. This implies an underlying expectation of inflation of 5,46% per annum $([1 + 10,86\% - 0,50\%] / [1 + 5,46\%] - 1)$.

It is assumed that the salary inflation would exceed general inflation by 1.00% per annum i.e. 6,46% per annum.

The relative levels of the discount rate and salary inflation are important. The valuation assumes a net discount factor of 4,14% per annum $([1 + 10,86\%] / [1 + 6,46\%] - 1)$.

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11. Long service awards (continued)

Other assumptions

Demographic and mortality assumption

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SA85-90

Withdrawals

Age

	Withdrawal rates (Female)	Withdrawal rates (Male)
20	16.0%	24.0%
25	12.0%	18.0%
30	10.0%	15.0%
35	8.0%	10.0%
40	6.0%	6.0%
45	4.0%	4.0%
50	2.0%	2.0%
55	1.0%	1.0%
60+	0%	0%

Membership information

	30 June 2023	30 June 2022
Number of employees	168	169
Average annual salary (R)	268093	247 541
Average age (years)	42,42	42,51
Average past service (years)	9,63	9,37

Benefit structure

Completed service (Years)	Long Service Bonus Awards (Days Accumulated)	Long Service Bonus Awards (% of Annual Salary)	Determination of cash bonus R
5	5	2%	$(5/250^* + 2\%) \times \text{Annual Salary}$
10	10	3%	$(10/250^* + 3\%) \times \text{Annual Salary}$
15	15	4%	$(15/250^* + 4\%) \times \text{Annual Salary}$
20	15	5%	$(15/250^* + 5\%) \times \text{Annual Salary}$
25, 30, 35, 40, and 45	15	6%	$(15/250^* + 6\%) \times \text{Annual Salary}$

*A day of accumulated leave is worth 1/250 of the annual salary.

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12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant - MIG	16 077 333	-
Financial Management Grant - FMG	-	89
DEDEAT	-	1 084
Disaster Management Grant	21 353	-
	16 098 686	1 173

This liability relates to conditional grants, which arise where the Municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. The values disclosed above represents funds received for which the Municipality has not yet satisfied the grant conditions. The nature and extent of the government grants is recognised in the Annual Financial Statements.

See note 23 for reconciliation of grants from National/Provincial Government.

13. Payables from non-exchange transactions

Salaries third party payments	2 094	3 262 667
Receivables with credit balance	1 547 242	1 163 171
Consumer deposits	5 442	1 000
SAMWU Lawsuit	3 220 777	3 402 687
Human Settlement- Implementing Agent Refer to Note 54	-	5 926 848
Workmen's Compensation Fund	-	764 528
Human Settlements interest payable	20	341 764
	4 775 575	14 862 665

SAMWU Lawsuit relates to a judgement that was delivered in court on 14 August 2018. The municipality received a letter from Wylie and Shepstone Attorneys demanding payment of the total contributions with interests on 4th August 2020. In the letter, SAMWU Provident Fund demanded that they be paid an amount totaling to R43,312,037. As per the judgement, the Municipality will be charged interest of 12% compounded monthly until settlement of this amount. From November 2020 to date, the Municipality has paid a total of R46 536 828,40 (R19 928 666,19 + R26 039 553,01 and R568 609,20) inclusive of interest. In the current year, the Municipality has an outstanding balance of R3 220 777 inclusive of interest which will be closed off upon receiving a settlement letter.

Human settlement liability relates to payables held by the Municipality in respect of the principal agent agreement with the Eastern Cape Department of Human Settlement (ECDHS). The Municipality is an agent in this relationship. Refer to Note 54.

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14. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Utilised during the year	Change in discount factor	Total
Provision for Landfill Site	1 476 613	(583 369)	163 166	1 056 410

Reconciliation of provisions - 2022

	Opening Balance	Utilised during the year	Change in discount factor	Total
Provision for landfill site	1 165 560	268 044	43 009	1 476 613

The Ntabankulu landfill site is situated some 900 meters north of the Ntabankulu Central Business District. It is located on Portion 87 of ERF 1966 in the Ntabankulu Commonage. This landfill is licensed in terms of National Environmental Management Act. The landfill site has an area of 8 500 square metres. The expected closure year is 2066.

It is estimated that the site will not be rehabilitated within 1 year from reporting date and thus there are no short-term portions associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.

The discount rate was deduced 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 at 30 June 2023 was 11.05% p.a. The consumer price inflation of 7.23% p.a. was obtained from the differential between the averages of the Nominal Bond of 11.05% p.a. and the Real Bond 3.56% p.a. (Zero Yield Curves).

15. Revenue

Service charges	662 758	642 384
Rental of facilities and equipment	765 031	617 666
Licences and permits	662 533	644 046
Sundry revenue	553 161	621 274
Interest received	5 276 253	2 419 592
Property rates	17 309 472	16 739 273
Interest received MEPP	1 353 138	905 868
Government grants and subsidies	222 426 562	175 741 094
Fines and penalties	831 700	768 500
	249 840 608	199 099 697

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	662 758	642 384
Rental of facilities and equipment	765 031	617 666
Licences and permits	662 533	644 046
Sundry income	553 161	621 274
Interest received - investment	5 276 253	2 419 592
	7 919 736	4 944 962

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	17 309 472	16 739 273
Interest, Dividends and Rent on Land	1 353 138	905 868
Government grants and subsidies	222 426 562	175 741 094
Fines and penalties	831 700	768 500
	241 920 872	194 154 735

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16. Service charges

Refuse removal	662 758	642 384
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The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis. The tariffs are approved by council at the beginning of each financial year.

17. Rental of facilities and equipment

Premises

Rental revenue from investment properties	765 031	617 666
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18. Interest received

Interest revenue

Interest received	2 950 148	1 070 483
Interest charged on trade and other receivables	2 326 105	1 349 109
	5 276 253	2 419 592

19. Licences and permits

Traffic and business licence revenue	662 533	644 046
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20. Sundry income

Insurance income	31 912	66 391
Other municipal revenue	521 249	554 883
	553 161	621 274

21. Property rates

Rates received

Residential	1 189 585	1 183 599
Commercial	1 566 914	1 515 583
State	14 299 530	13 777 392
Agricultural	253 443	262 699
	17 309 472	16 739 273

Valuations

The new general Valuation Roll and the compulsory Supplementary Valuation Roll (SV4) was implemented as at 30 June 2023.

In accordance with section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

22. Interest received MEPF

Interest - Received	1 353 138	905 868
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This relates to interest charged on MEPF Debtor which resulted from a SAMWU court case.

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23. Government grants and subsidies		
Operating grants		
Equitable share	149 587 000	133 703 000
Finance Management Grant	2 650 089	2 649 911
Extended Public Works Programme	2 794 000	1 987 371
DSRAC	500 000	500 000
LGSETA Grant	1 440 004	1 592 300
DEDEAT	3 501 084	-
	160 472 177	140 432 582
Capital grants		
Municipal Infrastructure Grant	31 265 667	28 524 000
Electrification Grant - INEP	7 026 000	-
Small Town Revitalisation Grant	14 264 629	6 784 512
Department of Transport Grant	4 308 442	-
Municipal Disaster Relief Grant	5 089 647	-
	61 954 385	35 308 512
	222 426 562	175 741 094
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	53 833 045	42 038 094
Unconditional grants received	168 593 517	133 703 000
	222 426 562	175 741 094
Municipal Disaster Relief Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	5 111 000	-
Conditions met - transferred to revenue	(5 089 647)	-
	21 353	-
Extended Public Works Program		
Balance unspent at beginning of the period	-	371
Current-year receipts	2 794 000	1 987 000
Conditions met - transferred to revenue	(2 794 000)	(1 987 371)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Finance Management Grant - FMG		
Balance unspent at beginning of the period	89	-
Current-year receipts	2 650 000	2 650 000
Conditions met - transferred to revenue	(2 650 089)	(2 649 911)
	-	89

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23. Government grants and subsidies (continued)

Electrification Grant - INEP

Balance unspent at beginning of the period	-	183 066
Current-year receipts	7 026 000	-
Conditions met - transferred to revenue	(7 026 000)	(183 066)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Municipal Infrastructure Grant - MIG

Current-year receipts	47 343 000	28 524 000
Conditions met - transferred to revenue	(31 265 667)	(28 524 000)
	16 077 333	-

Department of Sport , Recreation, Arts and Culture (DSRAC)

Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(500 000)	(500 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Small Town Revitalisation

Current-year receipts	13 052 598	6 784 512
Conditions met - transferred to revenue	(13 052 598)	(6 784 512)
	-	-

Conditions still to be met - remain liabilities (see note 12).

LG SETA

Current-year receipts	1 440 004	1 592 300
Conditions met - transferred to revenue	(1 440 004)	(1 592 300)
	-	-

Department of Transport

Current-year receipts	4 129 915	-
Conditions met - transferred to revenue	(4 129 915)	-
	-	-

Conditions still to be met - remain liabilities (see note 12).

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

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23. Government grants and subsidies (continued)

DEDEAT

Balance unspent at beginning of year	1 084	1 084
Current-year receipts	3 500 000	-
Conditions met - transferred to revenue	(3 501 084)	-
	-	1 084

Conditions still to be met - remain liabilities (see note 12).

24. Fines

Traffic fines	831 700	768 500
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25. Employee related costs

Basic salaries	54 270 205	52 986 170
Bonus	4 441 218	4 281 306
Car allowance	5 788 473	5 027 431
Contribution to Bargaining Council	24 386	23 559
Housing benefits and allowances	4 362 815	3 995 687
Long-service awards	651 501	314 500
Medical aid - company contributions	3 807 946	3 426 941
Standby allowance	1 523 065	1 061 294
Provident and pension fund	7 582 355	7 081 264
SDL	724 557	687 051
Cellphone allowance	40 488	39 309
UIF	395 871	397 069
Acting allowances	295 712	571 013
Leave pay provision charge	1 482 673	1 608 119
Overtime	399 064	296 846
Remote allowance	553 556	-
Workmen's Compensation Fund contributions	700 920	279 887
	87 044 805	82 077 446

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26. Remuneration of councillors		
Salaries and other allowances	9 879 110	9 173 507
Motor vehicle allowance	2 951 343	2 592 052
	12 830 453	11 765 559
27. Depreciation and amortisation		
Property, plant and equipment	18 718 965	25 790 760
28. Interest paid		
Interest on loan	1 206 875	-
Long service awards and Landfill site	607 886	325 691
Interest on overdraft	-	24 916
Interest SAMWU Lawsuit	386 700	2 079 290
Trade and other payables	28 762	77 547
	2 230 223	2 507 444
29. Contribution allowance for impairment		
Contributions to debt impairment provision	7 562 304	4 730 959
Contribution allowance for impairment relates to receivables.		

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30. General expenses		
Advertising fees	647 254	384 398
Agriculture LED	1 684 451	1 208 968
Audit and Performance Committee fees	432 788	451 063
Back to School	328 989	197 155
Bank charges	93 302	80 014
Capacity Building	674 213	738 553
Consulting and professional fees	4 890 666	2 638 396
Council Support Administration	872 175	623 528
DSRAC Community	470 934	472 399
Expanded Public Works	2 795 470	1 987 371
Electricity Expenditure	2 512 687	959 087
EPWP Community	4 158 732	5 638 300
Financial Management Grant Expenditure	672 347	320 081
Financial Management fees	199 634	109 064
General Valuation Expenditure	16 300	114 703
Asset Valuation	188 406	-
Hygienic Services Administration	601 247	446 201
IT expenses	582 202	1 067 207
Indigent Support	2 221 975	1 282 221
Insurance	1 067 952	850 685
Integrated Development Plan	1 322 278	1 518 224
Internal Audit Expense	443 152	256 836
Legal fees	596 115	2 177 021
Risk Management expense	624 219	237 826
Licence fees	2 051 820	1 715 166
Marketing and Communication	378 684	147 785
DEDEAT Expense	3 384 587	-
Sitting Allowance - Traditional leaders	17 014	21 600
Occupational Health and Safety	13 500	40 630
Other expenses	3 231 313	1 847 458
Post and Telecommunication expenses	4 181 409	3 982 349
Printing and Stationery	1 896 475	1 550 230
LG SETA	1 339 105	944 224
Removal costs	85 970	-
Public Amenities	20 395	117 734
Public Participation	8 891	-
SALGA Levy	1 041 449	918 767
Security	4 347 826	3 943 079
Special Programs	2 843 419	2 130 836
Tourism, Arts and Culture	208 870	48 673
Town Planning Expenses	165 217	52 500
Travelling and Subsistence	7 030 948	4 584 559
Vehicle Fuel and Oil	2 458 622	1 045 914
Ward Committee Sitting	2 291 850	1 596 048
Waste management expenses	1 440 722	1 857 532
	66 535 574	50 304 385

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31. Repairs and Maintenance		
Buildings	1 580 387	763 141
Roads Infrastructure	991 420	6 500
Vehicles	362 745	650 321
Equipment	220 349	186 008
Landfill site	166 654	120 000
	3 321 555	1 725 970
No repairs and maintenance were effected on investment property during the year.		
32. Auditors' remuneration		
Fees	4 619 630	3 494 991
33. Profit/(loss) on disposal of assets		
Property, Plant and Equipment	398 864	589 310
34. Fair value adjustments		
Investment property (Fair value model)	2 296 650	402 655
35. Net Cash flow from operating activities		
Surplus (deficit)	19 912 556	(4 199 389)
Adjustments for:		
Depreciation and amortisation	18 718 965	25 790 760
(Profit)/loss on disposal of assets	(398 864)	(589 310)
Completed Electrification project expensed	-	-
Actuarial (gains)/losses	(765 299)	290 492
Bad debts written off	486 069	-
Fair value adjustments	(2 296 650)	(402 655)
Interest on creditors	386 700	2 079 290
Asset write off: Infrastructure and IT equipment	15 647 376	670 286
Other non-cash item	(5 712)	-
Allowance impairment	7 562 304	4 730 959
Impairment loss: Buildings and Infrastructure assets	14 975 280	2 018 650
(Decrease)/Increase in provision for landfill site	(583 369)	268 044
Contribution provisions- Leave and bonus	631 005	1 044 166
Interest long service awards	444 720	282 682
Interest on landfill site	163 166	43 009
Change in long service awards	160 800	(10 306)
Receivables from exchange transactions and statutory receivables	(8 659 160)	(6 211 404)
Inventory	(6 004 076)	110 925
Receivables from non-exchange transactions	(3 556 752)	(1 236 468)
Payables from exchange transactions	3 610 661	(5 301 429)
VAT	(2 246 197)	2 896 832
Payables from non exchange transactions	(10 473 790)	(28 580 517)
Long Service Awards	(480 358)	(33 554)
Unspent conditional grants and receipts	16 097 513	(183 348)
	63 326 888	(6 522 285)

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36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	51 492 435	33 571 108
Total capital commitments		
Already contracted for but not provided for	51 492 435	33 571 108
Total commitments		
Total commitments		
Authorised capital expenditure	51 492 435	33 571 108
Prior period error*	-	(500 001)
	51 492 435	33 071 107

This committed expenditure relates to Property, Plant and Equipment and will be financed by retained surpluses, existing cash resources, funds internally generated, and government grants.

*The prior period error is as a result of commitments which were understated in the prior year by R500 001 due to expenditure that was duplicated in the 2018/19 financial year when capturing expenditure for IPM Plant Hire for Internal Streets in the commitments register.

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37. Contingencies				
Plaintiff	Reference	Case Number	June 2023	June 2022
Droder Trading CC	(i)	627/12	541 070	541 070
Droder Trading CC	(ii)	628/12	789 492	789 492
Siphokazi Cekwana	(iii)	513/2015	-	7 050 000
Lindokuhle Khumalo and Siphelele Khumalo	(iv)	B315/2015 and 06/2016	250 000	250 000
Eviction of illegal street vendors	(v)	N/A	-	180 000
Sindiswa Mankahla	(vi)	3078/2020	-	590 000
Bomi Mankahla	(vii)	N/A	227 583	103 960
Economic Freedom Fighters and Twenty Four Others	(viii)	983/2021	300 000	300 000
NLM/MEPF	(ix)	11262/2022	500 000	400 000
Nontombi Gcaba and 108 others	(x)	N/A	21 800 000	20 800 000
Ayanda Mzamo Mtshixa	(xi)	128/2022	18 800	18 800
Ntabankulu Regional Court //Ntabankulu Local Municipality//Sheriff	(xii)	EC/TABR/RC0 6/2022	-	100 000
Nosisa Gixane	(xiii)		-	100 000
Bomi Mankahla	(xiv)	N/A	27 318	-
			24 454 263	31 223 322

i. Droder Trading CC vs NLM (Case number 627/12)

An Applicant entered into an agreement with the first and the second Respondents; the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations; however, the first Respondent failed to effect payment within the agreed period. The matter is now at discovery stage.

ii. Droder Trading CC vs NLM (Case number 628/12)

An Applicant entered into an agreement with the first and the second Respondents; the agreement was that the Applicant will supply the second Respondent; with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period. The matter is now ripe and ready for trial.

iii. Siphokazi Cekwana vs NLM (Case number: 513/2015)

The Municipality hosted an event on the 26th of March 2015 at Ntabankulu Sportsfield where Miss Siphokazi Cekwana was attending. It is alleged that at about 15h30 on that day, a storm hit the area at which the event took place as a result of which the tent collapsed, injuring Siphokazi Cekwana on the right foot. The matter has been resolved.

iv. Lindokuhle Khumalo and Siphelele Khumalo vs NLM (Case number B315/2015 and 06/2016)

The Khumalos are trading on the side walk next to Lewis Stores, they were informed of the unlawfulness of their actions but none the less continued to trade and as a result of that they were arrested and detained. On their release they went back to the same spot where they were advised that it was not open for business and continued to trade, when they were told once again that what they were doing was in contravention to our Municipal By-laws, they laid a charge they applied for a protection order against our Municipal Official for harassment.

v. Eviction of illegal street vendors vs NLM (Case number: Not yet available)

The Municipality is seeking to have all illegal containers erected on the streets of the Ntabankulu CBD be removed. The counsel seeks further consultation with the Municipality in order to draw the necessary papers. This matter is stagnant as has been removed from the litigation register as per the agreement between the Municipality and law firm.

vi. Sindiswa Mankahla vs NLM (Case number 3078/2020)

The case of the Applicant is based on the documents received by the Respondent from the Offices of Hawks in East London. On the 12th of October 2016, the Respondent was handed the documents in respect of the 2015/2016 and 2016/2017 financial years' irregular expenditure as per the affidavit signed and commissioned by the Respondent and witnessed by the Hawks officials in East London. These documents were handed over to the Respondent, and she never submitted them to the Applicant. It is clear from the records of the Municipality that these records were not received; hence, the application was lodged with the High Court of South Africa. This matter is stagnant as has been removed from the litigation register as per the agreement between the Municipality and law firm.

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37. Contingencies (continued)

vii. Bomi Mankahla vs NLM (Case number: Not yet available)

In the month of April 2020, the Municipality was served with a demand letter dated the 4th day of April 2020. The demand letter was referred to the Municipality by the insurance of Mr. Mankahla claiming payment of damages suffered as a result of the pothole on the main road by Imvomvo Ntabankulu. The matter is being defended and a request for removal of the matter from the roll is in progress.

viii. Economic Freedom Fighter Twenty-Four Others vs NLM (Case number: 983/2021)

The EFF is challenging Council Rules, Standing Orders and Procedures on the issue of the dress code. The answering affidavit has been filed, now awaiting for an allocation of a date for hearing.

ix. NLM/MEPF (Case number: 11262/2022)

The Municipality issued summons through Luzipho Attorneys at Randburg High Court claiming an amount of R500 000 being the estimated amount for legal costs. The Municipal attorneys are still investigating interest earned by MEPF at the legally prescribed rate from 29 March 2019 which is the date of judgement to the date of payment. The municipality further claims payment of investment return earned on the purported contributions paid by the plaintiff to the defendant from 01 September 2013 to 30 June 2020.

x. Nontombi Gcaba and 108 others

This is an action instituted by the Plaintiffs as a result of a demolish of the Plaintiff's Properties through a Court Order that was purportedly incorrectly granted. Notices have been filed. Pleadings have been closed, matters consolidated into one matter and the matter is currently at discovery stage.

xi. Ayanda Mzamo (Case number 128/2022)

The plaintiff alleges that on or about the 26th day of June 2019 at or near Ndakeni Location, Zulu Administrative area, in Ntabankulu District around 10h00 in the morning his live sheep were grazing on an open land near a building that was demolished by the agents of the Municipality alleging that it was erected illegally on Municipal land. The said agents subsequently killed four sheep in the process of demolishing the said structure. The law firm is defending the matter.

xii. Ntabankulu Regional Court vs Ntabankulu LM and Sheriff (Case number EC/TABR/RC06/2022)

On date 20 April 2021, the firm instructed the Sheriff to release Municipal property/ to request services of Counsel to lodge an application with the High Court/ to quantify losses suffered by the Municipality. The firm was instructed to institute legal proceedings against the Sheriff of Ntabankulu for the recovery of costs incurred as a result of attachment and removal of Municipality's movable property. The matter has been finalised.

xiii. Nosisa Gixane

The Municipality instructed L.Guzana Inc. Attorneys to lodge an urgent application for a court order granting permission to withhold Ms. Nosisa Gixane leave gratuity monies until such time that she has fully settled the amount owing. The matter has been finalised.

xiv. Bomi Mankahla

In the month of April 2020, the Municipality was served with a demand letter dated 4 April 2020. The demand letter was referred to the Municipality by the insurance of Mr Mankahla claiming payment of damages suffered as a result of the pothole on the main road by Imvomvo Ntabankulu. This action was issued at Ntabankulu Magistrate Court, the plaintiff is suing for damages in her motor vehicle caused by a pothole in the alleged jurisdiction of the municipality. The matter is still at pleading stage.

Contingent assets

The Municipality issued a warrant of execution through Luzipho Attorneys at Randburg High Court claiming an amount of R 5 127 150 being the amount for contributions that were not paid over to the Municipality. The Municipal attorneys are still investigating interest earned by MEPF and a further claim is possible.

38. Related parties

Remuneration of management

Refer to note 39 for remuneration of management.

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38. Related parties (continued)

Executive committee and other councillors

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38. Related parties (continued)

Name	Remuneration	Motor vehicle allowance	*Other allowances	Total
Cllr PT Sobuthongo: Mayor	559 813	-	365 626	925 439
Cllr V Matwasa: Speaker	452 405	182 502	101 446	736 353
Cllr S Menziwa: Chief Whip and Portfolio Head: Technical Services	230 485	95 451	58 899	384 835
Cllr M Nqwazi	241 693	92 649	39 155	373 497
Cllr M Dinwayo: Portfolio Head: Financial Management	241 453	95 177	47 103	383 733
Cllr T Lubisi: Portfolio Head: Development Planning	233 798	94 433	52 497	380 728
Cllr N Sithunzi: Exco Member	194 292	68 488	2 242	265 022
Cllr S Bakani	274 669	91 556	3 074	369 299
Cllr EU Joyi: Portfolio Head: Community Services	273 854	94 326	12 303	380 483
Cllr N Kinase : Portfolio Head : Corporate Services	251 591	94 326	34 600	380 517
Cllr SJ Madwakasi	214 028	71 343	2 395	287 766
Cllr AO Ranana	214 028	71 343	2 399	287 770
Cllr S Zwelonke	192 732	71 343	23 723	287 798
Cllr A Zakhabana	214 028	71 343	2 395	287 766
Cllr A Ngconjana	214 028	71 343	2 398	287 769
Cllr PM Mafilika	169 630	72 194	49 255	291 079
Cllr KS Nkaenkae	192 520	71 343	23 936	287 799
Cllr N Gantsu	203 136	71 343	13 304	287 783
Cllr S Sophaqa	170 530	72 468	49 166	292 164
Cllr N Sidudu	214 028	71 343	2 290	287 661
Cllr M Mcunukelwa	214 028	71 343	2 395	287 766
Cllr N Daniel	188 332	72 194	30 524	291 050
Cllr N Zakade	214 028	71 343	2 395	287 766
Cllr N Sobuthongo	183 477	72 194	51 460	307 131
Cllr M Nokhence	214 028	71 343	2 395	287 766
Cllr A N Mtyingizane	214 028	71 343	2 395	287 766
Cllr S Ncekana	170 443	72 435	49 154	292 032
Cllr B Mkizwana	169 630	72 194	49 255	291 079
Cllr T Ngeyane	214 028	71 343	2 395	287 766
Cllr T A Mhlana	214 028	71 343	2 395	287 766
Cllr B Xhangayi	214 028	71 343	2 395	287 766
Cllr O Mphenya	11 637	3 879	137	15 653
Cllr S Nkweba	214 028	71 343	2 395	287 766
Cllr Z Mlonyeni	214 028	71 343	2 395	287 766
Cllr MP Ndabeni	170 345	72 468	49 350	292 163
Cllr A Diko	214 028	71 343	2 395	287 766
Cllr Z L Nofayile	214 028	71 343	2 395	287 766
Cllr S Mathumbu	211 474	70 491	2 442	284 407
Cllr N Pezisa	228 623	87 639	37 063	353 325
#Cllr NS Pikwa	4 698	1 801	683	7 182
#Cllr NE Mbonomtsha	2 936	1 126	394	4 456
#Cllr N Ndoiyisile - Fundakubi	2 936	1 126	394	4 456
#Cllr BZ Ndamase	3 278	1 093	42	4 413
#Cllr M Madadasa	2 221	851	298	3 370
#Cllr B Bethwayo	2 221	851	298	3 370
#Cllr F Ntshela	2 221	851	298	3 370
#Cllr Z Makhosonke	2 221	851	298	3 370
#Cllr MJ Ndlebe	2 221	851	298	3 370
#Cllr S Sicwayi	2 221	851	298	3 370
#Cllr N Njiva	2 221	851	298	3 370
#Cllr M Mkhandaniso	2 221	851	298	3 370
#Cllr NL Ndamase	2 034	851	27	2 912
#Cllr M Gwegani	1 908	851	257	3 016
#Cllr T Msuthu	1 908	851	257	3 016

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38. Related parties (continued)		
#Cllr EN Diko	2 221	851
#Cllr Z Mtyaphi	1 862	851
#Cllr N Sithunzi	2 221	851
#Cllr M Tshaka	2 221	851
#Cllr TR Luvela	2 554	851
	8 689 555	2 951 343
	1 189 551	12 830 449

*Other allowances comprise of the following allowances: housing; cellphone and data; skills; pension fund and medical aid contributions

#Terminated councillors backpaid in the current year (July 2022)

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38. Related parties (continued)

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Name	Remuneration	Motor vehicle allowance	*Other allowances	Total
Cllr PT Sobuthongo: Mayor	516 915	-	323 232	840 147
Cllr V Matwasa: Speaker	418 067	166 678	102 900	687 645
Cllr S Menziwa: Chief Whip	216 362	87 801	65 266	369 429
Cllr N Pikwa: Portfolio Head: Community Services	155 736	57 785	28 086	241 607
Cllr S Sophaga: Portfolio Head: Corporate Services	183 375	75 393	60 565	319 333
Cllr M Ndabeni: Portfolio Head: Development Planning	184 306	75 393	60 936	320 635
Cllr N T Mbonomtsha: Portfolio Head Budget and Treasury Services	89 119	37 520	39 485	166 124
Cllr N Ndoiyisile: Exco member without portfolio	94 955	35 567	27 746	158 268
Cllr BZ Ndamase: MPAC Chairperson	90 791	34 523	29 558	154 872
Cllr B Betwayo	71 819	26 901	24 610	123 330
Cllr M Madadasa	71 819	26 901	26 830	125 550
Cllr F Ntshale	71 819	26 901	24 610	123 330
Cllr Z Makhosonke	71 819	26 901	24 610	123 330
Cllr M Nqwazi	227 283	85 262	48 997	361 542
Cllr M Dinwayo	210 902	79 135	46 169	336 206
Cllr P Maflika	159 887	66 727	57 787	284 401
Cllr B Ndlebe	71 819	26 901	24 610	123 330
Cllr M Gweqani	64 786	26 901	32 097	123 784
Cllr T Msuthu	64 786	26 901	30 413	122 100
Cllr N Sobuthongo	177 972	66 727	37 152	281 851
Cllr S Ncekana	180 588	74 349	60 187	315 124
Cllr E Diko	75 755	28 213	24 659	128 627
Cllr T Lubisi	206 935	77 640	43 382	327 957
Cllr N Daniel	177 973	66 727	39 251	283 951
Cllr Z Mtyaphi	63 813	26 901	33 133	123 847
Cllr N Sithunzi	71 819	26 901	24 610	123 330
Cllr S Sicwayi	71 819	26 901	26 830	125 550
Cllr M Mkizwana	161 170	66 727	57 800	285 697
Cllr N Njiva	71 819	26 901	24 610	123 330
Cllr M Mkhandanisi	71 819	26 901	15 371	114 091
Cllr N Pezisa	210 902	79 135	43 948	333 985
Cllr M Tshaka	71 819	26 901	14 962	113 682
Cllr N Ndamase	67 924	26 901	26 534	121 359
Cllr TR Luvula	71 819	26 901	17 813	116 533
+Cllr EU Joyi: Portfolio Head: Community Services	152 766	50 922	1 766	205 454
+Cllr N Kinase : Portfolio Head : Corporate Services	135 495	50 922	19 589	206 006
+Cllr SJ Madwakasi	115 543	38 515	1 336	155 394
+Cllr AO Ranana	115 543	38 515	1 336	155 394
+Cllr S Zwelonke	115 543	38 515	1 336	155 394
+Cllr A Zakhabana	115 543	38 515	1 336	155 394
+Cllr A Ngconjana	115 543	38 515	1 343	155 401
+Cllr S Bakeni	148 281	49 427	1 714	199 422
+Cllr KS Nkaenkae	112 004	38 515	4 880	155 399
+Cllr N Gantsu	115 543	38 515	1 336	155 394
+Cllr N Sidudu	115 543	38 515	1 293	155 351
+Cllr M Mcunukelwa	115 543	38 515	1 336	155 394
+Cllr N Zakade	115 543	38 515	1 336	155 394
+Cllr M Nokhence	115 543	38 515	1 336	155 394
+Cllr A N Mtyingizane	115 543	38 515	1 336	155 394
+Cllr T Ngeyane	115 543	38 515	1 336	155 394
+Cllr T A Mhlana	115 543	38 515	1 336	155 394
+Cllr B Xhangayi	115 544	38 515	1 336	155 395
+Cllr O Mphenya	115 545	38 515	1 336	155 396

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38. Related parties (continued)		
+Cllr S Nkweba	115 545	38 515
+Cllr Z Mlonyeni	115 546	38 515
+Cllr A Diko	115 546	38 515
+Cllr Z L Nofayile	115 546	38 515
=Cllr S Mathumbu	17 027	5 676
	7 551 215	2 592 064
	1 622 287	11 765 566

+Councillors appointed on 23 November 2021.

*Other allowances comprise of the following allowances: housing; cellphone and data; skills; pension fund and medical aid contributions

=Councillors appointed in May 2022.

39. Executive management remuneration

2023

	Basic Salaries	Medical Aid	Other benefits	13th Cheque	Total
Ms L Nonyongo - Municipal Manager	486 971	13 130	481 660	33 125	1 014 886
Mr S Matiwane - Director Community Services	635 562	-	493 747	84 862	1 214 171
Ms N Ndlaku - Director Development Planning	635 562	-	493 690	84 862	1 214 114
Ms X N Venn - Chief Financial Officer	692 077	-	437 432	84 862	1 214 371
Mr P L Mpendulo - Director Technical Services	698 217	38 453	496 391	64 010	1 297 071
Ms S N Ntshahla - Director Corporate Services	767 241	-	384 980	60 000	1 212 221
	3 915 630	51 583	2 787 900	411 721	7 166 834

* Other allowances comprise travel allowance and medical benefits.

June 2022

	Basic Salaries	Medical Aid	Other benefits	13th Cheque	Total
Ms L Nonyongo - Municipal Manager	1 056 370	38 524	183 811	32 876	1 311 581
Mr S Matiwane - Director Community Services	616 989	-	375 971	81 893	1 074 853
Ms N Ndlaku - Director Development Planning	616 989	-	376 020	81 893	1 074 902
Ms X N Venn - Chief Financial Officer	662 596	-	330 486	81 893	1 074 975
Mr P L Mpendulo - Director Technical Services	699 640	44 356	285 546	48 007	1 077 549
Ms S N Ntshahla - Director Corporate Services	722 837	-	256 802	60 000	1 039 639
	4 375 421	82 880	1 808 636	386 562	6 653 499

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40. Risk management

Liquidity risk

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

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

Credit risk

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

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer receivables, other receivables, bank and cash balances.

Investments/Bank, cash and cash equivalents

The Municipality limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. 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.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

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

	2023	2022
Receivables from exchange transactions	1 463 327	1 113 096
Receivables from non-exchange transactions	14 717 191	11 160 439
Cash and cash equivalents	23 108 664	10 169 062

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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40. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

41. Unauthorised expenditure

The Municipality did not incur any unauthorised expenditure as at 30 June 2023.

42. Fruitless and wasteful expenditure

Opening balance	25 171 002	23 388 922
Add: fruitless and wasteful expenditure	415 379	2 156 837
Add: Fruitless and wasteful expenditure discovered in current year and relates to previous years	-	-
Less: Amount written off	(84 733)	(374 757)
Closing balance	25 501 648	25 171 002

Incident

Included in current period fruitless and wasteful expenditure is R386 700 in respect of interest charged by SAMWU provident fund on arrear contributions, R2 461 for FNB and an amount of R26 218 ESKOM and Telkom interest on late payments.

MPAC investigated fruitless and wasteful expenditure incurred and an amount of R84 733 was declared irrecoverable and approved by council for write off.

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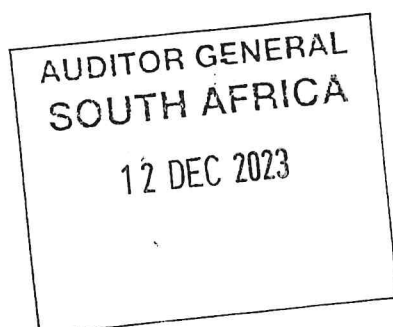
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42. Fruitless and wasteful expenditure (continued)			
Expenditure identified in the current year include those listed below:			
SAMWU interest charged	Disciplinary steps taken/criminal proceedings fruitless and wasteful expenditure has been reported on a quarterly basis and handed over to the MPAC for investigation and treatment.	-	386 700
Interest on late payments	fruitless and wasteful expenditure has been reported on a quarterly basis and handed over to the MPAC for investigation and treatment.	-	28 679
		-	415 379
43. Irregular expenditure			
Opening balance		17 137 251	32 253 760
Add: Irregular expenditure		19 576 012	15 586 389
		36 713 263	47 840 149
Less: Amount written off - prior period		(33 508 455)	(30 702 898)
Add: Irregular Expenditure - prior period		4 703 489	-
Closing balance		7 908 297	17 137 251
Irregular expenditure written off			

MPAC investigated irregular expenditure and an amount of R33 508 455 was declared irrecoverable and was written off by the Council in the 2022/23 financial year. As part of the MPAC report, consequence management was suggested and council approved. In line with the applicable legislation, irregular expenditure has been reported to National Treasury, Provincial Treasury, The Department of Cooperative Governance and Traditional Affairs and the Office of the Auditor-General.

Prior period irregular expenditure discovered in the current year

An amount of R4 703 488 which relates to 2019/20 financial year has been discovered by the Auditor General in the current year to be irregular as there inconsistencies in the attendance register, closing register and the objection notice on the website.



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43. Irregular expenditure (continued)		
Incidents/cases identified in the current year include those listed below:		
	Disciplinary steps taken/criminal proceedings	
Non-compliance with supply chain management regulations	Expenditure has been referred to the Municipal Public Accounts Committee for investigation	19 328 512 15 586 389
Non-compliance with supply chain management regulations	No disciplinary steps have been taken as the expenditure has not yet been referred to the Municipal Public Accounts Committee for investigation	247 500 -
Non-compliance with supply chain management regulations	No disciplinary steps have been taken as the expenditure has not yet been referred to the Municipal Public Accounts Committee for investigation	4 703 489 -
		24 279 501 15 586 389

44. Additional disclosure in terms of Municipal Finance Management Act**Contributions to organised local government**

Current year subscription / fee	1 041 449	905 767
Amount paid - current year	(1 041 449)	(905 767)
	-	-

Audit fees

Current year subscription / fee	4 619 630	3 494 991
Amount paid - current year	(4 619 630)	(3 494 991)
	-	-

PAYE and UIF

Current year subscription / fee	16 500 949	15 276 052
Amount paid - current year	(16 500 949)	(14 003 775)
	-	1 272 277

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

Pension and Medical Aid Deductions

Current year subscription / fee	19 204 987	17 648 011
Amount paid - current year	(19 204 987)	(16 140 443)
	-	1 507 568

VAT

VAT receivable	3 005 600	924 322
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There is only one councillor who owns a property in the urban area and as at 30 June 2023, there was no outstanding arrear amount over 30 days.

45. Awards to close family members of persons in the service of the state

Name of person and position	Name of family member	Supplier name	Description of award	Total rand Value of award
Mpendulo Ngwadla - Driver	Virginia Nonkululo Bam Ngwadla	Bahlongwana Trading Enterprise	Transport	5 000
			Procurement of prizes	42 000
			Catering	24 000
			Procurement of groceries	27 485
			Procurement of proof of residence books	58 100
			Hiring of tables and cloths	15 400
			Diesel	1 500
				173 485

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46. Prior period errors

1. Commitments

Commitments were understated in the prior year by R500 001 due to expenditure that was duplicated in the 2018/19 financial year when capturing expenditure for IPM Plant Hire for Internal Streets in the commitments register.

The adjustment of the opening balance is a correction of that error.

2. Payables from exchange transactions and employee related costs

Payables from exchange transactions (leave accrual) and employee costs were overstated in the prior year by R89 351 due to inclusion of employees whose employment was terminated towards the end of the 2021/22 financial year.

Correction of this error resulted in a decrease of prior year payables from exchange transactions and employee costs. The error was corrected retrospectively.

3. Payables from exchange transactions and property, plant and equipment

Payables from exchange transactions (retention fees) and Property, Plant and Equipment (WIP) were understated in the prior year by R31 438 due to retention fees for construction of Traffic offices by Iqhayiya Designs that were not raised after the work had been done.

4. Property, Plant and Equipment and impairment loss

Infrastructure and buildings were overstated in the prior year by R18 646 064 due to assets that had impairment indicators but were not impaired as at 30 June 2022. This error also resulted in impairment loss being understated by the same amount. The error has been corrected retrospectively.

5. General expenses and payables from non-exchange transactions

Indemnity refunds for rental of facilities for the prior year, was overstated by R8000 due to refunds that were misallocated to expenditure instead of reducing the liability. This resulted to an overstatement in general expenses by the same amount.

6. Payables from exchange transactions, VAT and accumulated surplus

In 2021 financial year, expenditure amounting to R123 074 inclusive of VAT relating to publications of spluma and street trading by laws was not recognised. This expenditure was erroneously recognised in the current year.

7. Segment information

It was identified in the current year that the segment information for the prior year in note 50 was not fairly presented. The total figures disclosed agreed with the figures as disclosed in the face of the financial statements but the allocation to segments was incorrect. Thus, correction of this error did not result to any change in the figures.

8. Payables from non-exchange transactions, Cash and cash equivalents and accumulated surplus

In the 2017/2018 financial year when integrating data from the Pastel Evolution Accounting System to SAGE PASTEL system for MSCOA, there were long outstanding balances that were recurring due to change of accounts. The Net Salaries were increased by the double capturing of salary and an error in reversing the double capturing. This was erroneously increasing paid payables for all these years as if they were owed and cash & cash equivalents as if there is an outstanding petty cash.

Payables from non-exchange transactions (Net salaries, LGSETA, SALBGC, and Garnishes) was overstated in the prior year by R 48 121.

Cash and cash equivalent was also overstated by R7 567 of petty cash. As a result, accumulated surplus was understated by R40 554.

Correction of this error resulted in a decrease of prior year payables from exchange transactions, cash and cash equivalents, and an increase in accumulated surplus by R40 554.

The correction of the error results in adjustments as follows:

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46. Prior period errors (continued)		
Statement of financial position		
Decrease in payables from exchange transactions	-	89 351
Increase in payables from exchange transactions	-	(154 512)
Increase in Property, Plant and Equipment	-	31 438
Decrease in Property, Plant and Equipment	-	(20 664 714)
Decrease in accumulated surplus	-	66 467
Increase in Property, Plant and Equipment	-	2 018 651
Decrease in payables from non-exchange transactions	-	56 121
Increase in VAT receivables	-	16 053
Decrease in Cash and Cash equivalents	-	(7 567)
	-	(18 548 712)
Statement of financial performance		
Decrease in employee related costs	-	89 351
Increase in impairment loss	-	(20 664 714)
Decrease in general expenditure	-	8 000
Decrease in impairment loss	-	2 018 651
	-	(18 548 712)

47. 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.

48. Events after the reporting date

- After the resignation of Ms L Nonyongo, the Municipality was managed by an Acting Municipal Manager, Mr M Pinyana seconded by COGTA until 24 July 2023. The new Municipal Manager, Mrs I Sikhulu-Nqwena joined the municipality on 24 July 2023.
- The Chief Financial Officer's contract came to an end on 02 September 2023. The council appointed an Acting Chief Financial Officer while the recruitment processes were still in progress.

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49. Impact of COVID-19 pandemic

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

The Municipality continued to provide services during the national state of national disaster and raised revenue in accordance with services provided under both exchange and non-exchange revenue. Management has assessed that there have been no material changes in revenue raised for services. The nationwide lockdown has had a negative impact on the entity's recovery of income generated. The Municipality in its assessment of impairment has considered the consumers risk profile and payment history.

Management has considered the impact of COVID-19 and that there has been no material changes in the use of assets that would require a change in the expected useful life of assets.

No material information has come to the attention of management to suggest that there is a going concern issue. The annual financial statements for the period ended 31 March 2023 have been prepared under the going concern assumption.

In response to the revised COVID-19 regulations issued on 23 June 2022, which include Regulation 16(a); Mask wearing, Regulation 16(b) Gatherings, the Municipality spent a significantly reduced amount of Rnil (2022: R115 890) as at 31 March 2023 and 30 June 2022 respectively. The expenditure is broken down as follows:

Description

Sanitizers, spray containers, handwash ,faceshield , wall mounted soap dispenser,surgical gloves, palm gloves, cloth masks and faceshields	-	115 890
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50. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of goods and services delivered by the Municipality. These services are delivered in various Municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis.

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

Aggregated segments

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Community Services

Unallocated

Planning and development

Public safety

Roads

Refuse

Electricity

Goods and/or services

Halls, cemeteries, parks, tourism, animal pounds and library services

Unallocated Segment

Strategic development and planning

Traffic control

Construction and maintenance of roads and storm water

Waste management and refuse removal

Electrification

Reporting on segment assets and liabilities

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

Geographic Segment Reporting

The Municipality's operations are in the Eastern Cape Province

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

Measurement of specific segment information

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

The Municipality had no changes in the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

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

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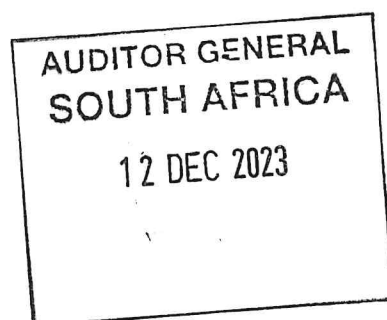
Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
Revenue								
Revenue from exchange transactions								
Service charges	-	-	-	-	-	662 758	-	662 758
Rental of facilities and equipment	765 031	-	-	-	-	-	-	765 031
Interest revenue	5 276 253	-	-	-	-	-	-	5 276 253
Licences and permits	-	-	-	-	662 533	-	-	662 533
Sundry income	349 880	8 627	50 280	-	144 374	-	-	553 161
Revenue from non-exchange transactions								
Property rates	17 309 472	-	-	-	-	-	-	17 309 472
Government grants and subsidies	153 677 093	4 990 305	-	54 928 385	86 645	1 718 134	7 026 000	222 426 562
Fines	-	-	-	-	831 700	-	-	831 700
Interest received- MEPF	1 353 138	-	-	-	-	-	-	1 353 138
Total segment revenue	178 730 667	4 998 932	50 280	54 928 385	1 725 252	2 380 892	7 026 000	249 840 608
Entity's revenue								249 840 608



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	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
50. Segment information (continued)								
Expenditure								
Employee related costs	37 069 700	18 971 016	11 813 639	8 285 206	6 391 057	3 666 931	847 256	87 044 805
Remuneration of councillors	12 830 453	-	-	-	-	-	-	12 830 453
Depreciation and amortisation	2 123 200	5 742 935	-	10 288 505	141 216	244 084	179 025	18 718 965
Interest paid	2 230 223	-	-	-	-	-	-	2 230 223
Bad debt written off- Interest	486 069	-	-	-	-	-	-	486 069
Contribution allowance for impairment	7 562 304	-	-	-	-	-	-	7 562 304
General expenses	47 289 835	11 719 048	3 926 427	-	426 474	3 173 790	-	66 535 574
Repairs and maintenance	1 889 424	55 751	95 000	991 420	-	166 654	123 306	3 321 555
Auditors fees	4 619 630	-	-	-	-	-	-	4 619 630
Profit/(loss) on disposal of assets	(398 864)	-	-	-	-	-	-	(398 864)
Decrease/(increase) in provision for landfill site	-	-	-	-	-	(583 369)	-	(583 369)
Fair value adjustments	(2 296 650)	-	-	-	-	-	-	(2 296 650)
Actuarial gains/losses	(765 299)	-	-	-	-	-	-	(765 299)
Asset write off: Infrastructure, Buildings and infrastructure	26 828	2 206 172	-	13 357 379	-	-	56 997	15 647 376
Impairment loss: Infrastructure assets	268	5 599 619	-	9 374 752	-	-	641	14 975 280
Total segment expenditure	112 667 121	44 294 541	15 835 066	42 297 262	6 958 747	6 668 090	1 207 225	229 928 052
Total segmental surplus/(deficit)	66 063 746	(39 295 609)	(15 784 786)	12 631 123	(5 233 495)	(4 287 198)	5 818 775	19 912 556

2022

Unallocated	Community Services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
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50. Segment information (continued)

Revenue

Revenue from exchange transactions

Service charges	-	-	-	-	-	642 384	-	642 384
Rental of facilities and equipment	617 666	-	-	-	-	-	-	617 666
Interest revenue	2 419 592	-	-	-	-	-	-	2 419 592
License and Permits	-	-	16 844	-	627 202	-	-	644 046
Sundry Income	305 745	6 930	27 672	-	80 927	200 000	-	621 274

Revenue from non-exchange transactions

Property rates	16 739 273	-	-	-	-	-	-	16 739 273
Government grants and subsidies	137 945 211	500 000	-	35 308 512	-	1 987 371	-	175 741 094
Fines	-	-	-	-	768 500	-	-	768 500
Interest received - MEPF	905 868	-	-	-	-	-	-	905 868

Total segment revenue **158 933 355** **506 930** **44 516** **35 308 512** **1 476 629** **2 829 755** **-** **199 099 697**

Entity's revenue

199 099 697

Expenditure

Employee related costs	38 583 641	16 204 572	11 400 368	5 327 234	4 976 370	4 752 211	833 050	82 077 446
Remuneration of councillors	11 765 559	-	-	-	-	-	-	11 765 559
Depreciation and amortisation	2 755 375	6 593 087	-	15 765 440	188 288	305 814	182 756	25 790 760
Interest paid	2 507 444	-	-	-	-	-	-	2 507 444
Contribution allowance for impairment	4 730 959	-	-	-	-	-	-	4 730 959
General expenses	27 136 871	15 291 375	3 379 903	453 480	360 358	3 682 398	-	50 304 385
Repairs and Maintenance	1 469 357	51 300	-	6 500	-	120 000	78 813	1 725 970
Audit fees	3 494 991	-	-	-	-	-	-	3 494 991
Profit/(loss) on disposal of assets	(589 310)	-	-	-	-	-	-	(589 310)
Decrease/(increase) in provision for landfill site	-	-	-	-	-	268 044	-	268 044
Fair value adjustment	(402 655)	-	-	-	-	-	-	(402 655)
Actuarial gains/losses	290 492	-	-	-	-	-	-	290 492
Asset write off: Infrastructure and IT equipment	-	-	-	670 286	-	-	-	670 286
Impairment loss: Infrastructure and buildings	56 396	6 153 952	-	14 454 367	-	-	-	20 664 715

Total segment expenditure **91 799 120** **44 294 286** **14 780 271** **36 677 307** **5 525 016** **9 128 467** **1 094 619** **203 299 086**

Total segmental surplus/(deficit) **67 134 235** **(43 787 356)** **(14 735 755)** **(1 368 795)** **(4 048 387)** **(6 298 712)** **(1 094 619)** **(4 199 389)**

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51. Non- Living Resources

Other than land, the Municipality identified an aquifer as the only non-living resource of which the water is being extracted with the use of a borehole. The Municipality uses the water for consumption as it does not distribute water to customers.

52. Other financial liabilities

At amortised cost

Non-current liabilities	5 572 759	-
Current liabilities	4 627 657	-
	10 200 416	-

Total other financial liabilities

10 200 416	-
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The Municipality obtained a long-term loan for financing Property, Plant and Equipment. The loan of R14 million was obtained from Standard Bank through a normal bidding process and in compliance with section 46 of the MFMA.

The loan bears interest at a rate of 10,28% per annum for a period of three years.

Non-current liabilities

At amortised cost	5 572 759	-
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53. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 463 327	1 463 327
Other receivables from non-exchange transactions	14 717 191	14 717 191
Cash and cash equivalents	23 108 664	23 108 664
	39 289 182	39 289 182

Financial liabilities

	At amortised cost	Total
Other financial liabilities	10 200 416	10 200 416
Trade and other payables from exchange transactions	15 123 986	15 123 986
Payables (non-exchange)	4 775 575	4 775 575
	30 099 977	30 099 977

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 113 096	1 113 096
Other receivables from non-exchange transactions	11 160 439	11 160 439
Cash and cash equivalents	10 161 495	10 161 495
	22 435 030	22 435 030

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	11 513 324	11 513 324
Payables (non-exchange)	14 910 786	14 910 786
Unspent conditional grant	1 173	1 173
	26 425 283	26 425 283

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54. Municipality acting as the agent

Description of the arrangement and transactions undertaken

The Municipality signed two agreements with the Eastern Cape Department of Human Settlements (ECDHS) on the 9th and 12th of March 2021.

The purpose for the agreement signed on 09 March 2021 is for the Municipality to provide support as an implementing agent for the procurement of professional service providers (PSP) to undertake the planning, design and monitoring of the projects under discussion and procurement of suitable qualified service providers to undertake the construction of the Ntabankulu Multipurpose Community Centre (known as Lwandlobomvu).

The purpose of the agreement signed on 12 March 2021 is for the Municipality to provide support as an implementing agent in Bomvini 300 (206) and Bonxa 1000 (100) housing projects in Alfred Nzo District. The department will make available the funds required to implement the programme referred to the procurement strategy.

Significant terms and conditions of the arrangement

The ECDHS shall make payment of the project funds to the Implementing Agent (Municipality) in accordance with the provisions of the agreement.

The Municipality shall set up and administer an independent interest-bearing bank account with a reputable financial institution in the Republic of South Africa in which to receive the projects funds from the ECDHS.

The Municipality shall furnish to ECDHS progress reports and report on jobs created on a monthly basis to the department on the last day of each month with supporting documentation if requested by Local Authority.

The ECDHS may not request the Municipality to perform any services or functions not falling within the scope of services set out in the agreement.

Resources recognised by the municipality that are held on behalf of a principal

	(1 012 256)	5 926 848
Expenses incurred on behalf of the principal	(1 012 256)	-

Payables held on behalf of the principal

Opening balance	5 926 848	11 784 690
Expenses incurred	(5 926 848)	(5 857 842)
Closing balance	-	5 926 848

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