



Ntabankulu Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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: Budget and Treasury Office

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 Mcunukelwa

Cllr N Zakade

Cllr M Nokhence

Cllr A N Mtyingizane

Cllr T Ngeyane

Cllr T A Mhlana

Cllr SN Ncekana

Cllr BM Mkizwana

Cllr O Mpenya

Cllr S Nkweba

Cllr Z Mlonyeni

Cllr MP Ndabeni

Cllr A Diko

Cllr ZL Nofayile

Cllr S Mathumbu

Cllr N Pezisa

Grading of local authority

Grade 3

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Accounting Officer	Mrs I Sikhulu-Nqwena
Chief Financial Officer (CFO)	Mrs XN Venn (contract ended August 2023) Mr M Mhlifili (appointed December 2023)
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
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 2024

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Audit and Performance Committee Report	5 - 6
Accounting Officer's Report	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 20
Accounting Policies	21 - 35
Notes to the Annual Financial Statements	36 - 88

Abbreviations used

ASSA	Actuarial Society of South Africa
BTO	Budget and Treasury Office
DEDEAT	Department of Economic Development, Environment Affairs and Tourism
DSRAC	Department of Sport, Recreation, Arts and Culture
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
LED	Local Economic Development
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
SAMWU	South African Municipal Workers' Union
MEPF	Municipal Employees Pension Fund

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at 30 June 2024 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 2025 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 8 to 88, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed by:

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Audit and Performance Committee Report

We are pleased to present our report for the year ended 30 June 2024.

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)	4	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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 2024 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 2024

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2024.

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 and state of affairs of the municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 68 711 741 (2023: surplus R 12 892 924).

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 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	336 233	390 497
VAT input accrual	56	1 709 134	1 032 782
Receivables from exchange transactions	4	1 321 697	1 463 327
Statutory receivables	5	5 706 999	4 797 298
Receivables from non-exchange transactions	6	16 714 063	14 717 191
Cash and cash equivalents	7	24 912 458	23 108 774
		50 700 584	45 509 869
Non-Current Assets			
Investment property	8	49 195 141	42 377 436
Property, plant and equipment	9	414 202 105	351 016 729
		463 397 246	393 394 165
Total Assets		514 097 830	438 904 034
Liabilities			
Current Liabilities			
Other financial liabilities	11	8 689 631	4 627 657
Payables from exchange transactions	12	36 238 185	28 606 035
VAT output accrual	57	634 062	652 488
Unspent conditional grants and receipts	13	11 140 455	16 098 686
Payables from non-exchange transactions	14	2 929 528	5 155 528
Long service awards	15	961 892	220 924
VAT payable	10	11 594 852	10 236 572
		72 188 605	65 597 890
Non-Current Liabilities			
Other financial liabilities	11	5 132 733	5 572 759
Provisions	16	1 095 181	1 056 410
Long service awards	15	4 022 157	3 729 562
		10 250 071	10 358 731
Total Liabilities		82 438 676	75 956 621
Net Assets		431 659 154	362 947 413
Accumulated surplus		431 659 154	362 947 413
Total Net Assets		431 659 154	362 947 413

* See Note 55

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	660 063	662 758
Construction contracts	58	5 222 604	6 109 565
Rental of facilities and equipment	19	894 847	765 031
Licences and permits	20	797 913	662 533
Sundry income	21	1 233 097	408 787
Interest received	22	6 213 139	5 276 253
Total revenue from exchange transactions		15 021 663	13 884 927
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	17 042 981	17 309 472
Agency fees	27	429 745	-
Interest received MEPF	24	1 675 159	1 353 138
Transfer revenue			
Government grants and subsidies	25	251 692 915	215 400 562
Fines	28	1 203 400	976 074
Total revenue from non-exchange transactions		272 044 200	235 039 246
Total revenue	17	287 065 863	248 924 173
Expenditure			
Employee related costs	30	(92 496 965)	(87 044 804)
Remuneration of councillors	31	(13 344 147)	(12 830 454)
Depreciation and amortisation	32	(23 330 220)	(19 260 030)
Finance costs	33	(2 406 623)	(2 230 223)
Contribution allowance for impairment	34	(2 328 157)	(7 562 304)
Bad debts written off	29	(47 379)	(486 069)
General Expenses	35	(77 899 958)	(72 471 512)
Repairs and maintenance	36	(4 452 178)	(3 327 279)
Audit fees	37	(5 429 890)	(4 619 630)
Total expenditure		(221 735 517)	(209 832 305)
Operating surplus	27	65 330 346	39 091 868
Profit on disposal of assets	38	-	398 864
Increase in provision for landfill site	16	94 548	583 369
Fair value adjustments	39	2 825 568	2 296 650
Actuarial gains/losses	15	(378 321)	765 299
Asset write-off : Motor vehicles and IT equipment	9	(1 077 099)	(15 267 846)
SAMWU liability write-off	26	3 220 777	-
Impairment loss: Infrastructure assets	9	(1 304 078)	(14 975 280)
		3 381 395	(26 198 944)
Surplus for the year		68 711 741	12 892 924

* See Note 55

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2022	362 476 229	362 476 229
Changes in net assets		
Correction of errors (Note 55)	(12 421 777)	(12 421 777)
Net income (losses) recognised directly in net assets	(12 421 777)	(12 421 777)
Surplus (deficit) for the year as previously reported	19 912 556	19 912 556
Total recognised income and expenses for the year	7 490 779	7 490 779
Total changes	7 490 779	7 490 779
Opening balance as previously reported	369 967 012	369 967 012
Adjustments		
Correction of errors 55	(7 019 599)	(7 019 599)
Restated* Balance at 01 July 2023 as restated*	362 947 413	362 947 413
Changes in net assets		
Surplus for the year	68 711 741	68 711 741
Total changes	68 711 741	68 711 741
Balance at 30 June 2024	431 659 154	431 659 154
Note(s)		

* See Note 55

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		15 029 309	11 994 206
Service Charges		1 233 980	464 577
Operating Grants		163 828 162	160 670 204
Capital Grants		82 906 522	69 636 513
Other income		5 581 473	167 247
Interest Income		6 250 142	2 950 148
Licence fees and permits		797 913	662 533
Rentals		746 403	592 667
Fines		-	84 300
		276 373 904	247 222 395
Payments			
Suppliers and employee costs		(187 186 061)	(179 395 194)
Interest paid		(1 828 584)	(1 235 637)
		(189 014 645)	(180 630 831)
Net cash flows from operating activities	40	87 359 259	66 591 564
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(89 177 523)	(64 358 000)
Proceeds from sale of property, plant and equipment	9	-	513 299
Net cash flows from investing activities		(89 177 523)	(63 844 701)
Cash flows from financing activities			
Proceeds from other financial liabilities		11 000 000	14 000 000
Payment of Standard Bank loan		(7 378 051)	(3 799 584)
Net cash flows from financing activities		3 621 948	10 200 416
Net increase/(decrease) in cash and cash equivalents		1 803 684	12 947 279
Cash and cash equivalents at the beginning of the year		23 108 774	10 161 495
Cash and cash equivalents at the end of the year	7	24 912 458	23 108 774

* See Note 55

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	600 000	160 000	760 000	660 063	(99 937)	1
Construction contracts	-	-	-	5 222 604	5 222 604	
Rental of facilities and equipment	779 902	280 098	1 060 000	894 847	(165 153)	2
Licences and permits	2 070 000	(1 048 000)	1 022 000	797 913	(224 087)	3
Sundry income	64 302 748	(53 077 706)	11 225 042	1 233 097	(9 991 945)	4
Interest received - debtors	906 598	(456 598)	450 000	1 638 156	1 188 156	5
Interest received - investment	2 000 000	2 500 000	4 500 000	4 574 983	74 983	5
Total revenue from exchange transactions	70 659 248	(51 642 206)	19 017 042	15 021 663	(3 995 379)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21 000 000	-	21 000 000	17 042 981	(3 957 019)	6
Interest received MEPPF	-	-	-	1 675 159	1 675 159	16
Management fees	-	-	-	429 745	429 745	imm
Transfer revenue						
Government grants & subsidies	239 247 976	30 570 677	269 818 653	251 692 915	(18 125 738)	17
Fines, Penalties and Forfeits	200 000	1 060 000	1 260 000	1 203 400	(56 600)	imm
Total revenue from non-exchange transactions	260 447 976	31 630 677	292 078 653	272 044 200	(20 034 453)	
Total revenue	331 107 224	(20 011 529)	311 095 695	287 065 863	(24 029 832)	
Expenditure						
Personnel	(99 245 049)	761 495	(98 483 554)	(92 496 965)	5 986 589	18
Remuneration of councillors	(15 232 639)	343 949	(14 888 690)	(13 344 147)	1 544 543	8
Depreciation and amortisation	(43 486 745)	19 500 000	(23 986 745)	(23 330 220)	656 525	9
Finance costs	(100 000)	(3 956 458)	(4 056 458)	(2 406 623)	1 649 835	10
Debt Impairment	-	-	-	(2 328 157)	(2 328 157)	11
Bad debts written off	(1 085 760)	-	(1 085 760)	(47 379)	1 038 381	12
Loss on disposal of assets	(7 133 728)	(20 500 000)	(27 633 728)	-	27 633 728	13
General Expenses	(91 758 606)	(839 501)	(92 598 107)	(77 899 958)	14 698 149	14
Repairs and Maintenance	-	-	-	(4 452 178)	(4 452 178)	14
Audit fees	-	-	-	(5 429 890)	(5 429 890)	14
Total expenditure	(258 042 527)	(4 690 515)	(262 733 042)	(221 735 517)	40 997 525	
Operating surplus	73 064 697	(24 702 044)	48 362 653	65 330 346	16 967 693	
Increase in provision for landfill site	-	-	-	94 548	94 548	19
Fair value adjustments	-	-	-	2 825 568	2 825 568	20
Actuarial gains/losses	-	(500 000)	(500 000)	(378 321)	121 679	21
Asset write-off	-	-	-	(1 077 099)	(1 077 099)	22
Impairment loss	-	-	-	(1 304 078)	(1 304 078)	23
SAMWU liability write-off	-	-	-	3 220 777	3 220 777	
	-	(500 000)	(500 000)	3 381 395	3 881 395	

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	73 064 697	(25 202 044)	47 862 653	68 711 741	20 849 088	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	73 064 697	(25 202 044)	47 862 653	68 711 741	20 849 088	
Reconciliation						

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

imm = Immaterial

1. Service Charges

The municipality anticipated the increase on refuse revenue since there are reconciliations with Public Works on property register and there was hope that additional properties that will be billed for refuse collection services.

2. Rental of facilities and equipment

The rentals budget was based on the annual billing including the anticipated receipts for outstanding debt. The amount collected includes current billing and the recurring debt portion. However, the amount collected on the old debt is less than the anticipated collection for the rental debt balance.

3. Licenses and Permits

The license and permits budget was based on the anticipation that the New Traffic Offices will be opened this financial year and other licensing services that were previously not offered by the Municipality would be available to the community and thus the increase on budget compared to last financial year.

4. Sundry Income

On sundry Income there was more revenue collected due to collection that was not anticipated during the budget processes.

5. Interest Received - Debtors

The interest received on debtors was based on the anticipated billing for debtors' and also with the hope that some debtor's amounts could be written off to reduce the debtors' balance where the interest.

6. Property rates

The municipality anticipated an increase on property rates revenue since there are reconciliations with Public Works on the property register and there was hope that additional income will be realized on additional properties. However, only the current debt was paid by most debtors. Residential and and business debtors on developed and vacant properties are reluctant to pay their debts even after engagements and incentives offered by the municipality.

7. Management fees

The municipality did not budget for management fees. The amount of management fees was included in the budget for Human Settlement Agency fees. The actual amount was recognised according to the terms of the Principal and Agent contract the municipality has with the Department of Human Settlements.

8. Remuneration of Councillors

The councilors remuneration budget was based on the Upper Limits gazettes and the applicable budget circular for increases. There was a vacancy of one Councillor during the financial year, however it was filled during the year.

9. Depreciation and Amortization

The budget on this line item was based on the previous year's trend, however the actuals have gone up since the municipality the municipality's assets values have changed due to effects of impairment

10. Finance Costs

The municipality has budgeted for less interest since the strides to reduce the interest charges were made with the service providers that charge interest more frequently. The adjustment budget included other interest, however, the adjustment budget became higher than the budget.

11. Debt Impairment

The municipality did not budget for this line item

12. Bad Debts Written Off

The budget was based on anticipation that more debt will be written off since the debtors are not paying their debts when they fall due. However, less debtors were written off.

13. Loss on disposal of assets

There were no disposal of asset in the current year., however, the municipality had budgeted for loss on disposal..

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

14. General Expenditure, Audit fees and repairs and maintenance

The line-item budget was aligned to the approved SDBIP projects. There are projects that had slow spending, and some that had savings.

15. SAMWU obligation write off

the line item was not budgeted for by the municipality and it was adjusted for due to the anticipation that the court may take longer than anticipated.

16. Interest received - MEPF

The line item was not budgeted for by the municipality, it was erroneously omitted in the budget.

17. Government grants and subsidies

The municipality budgeted according to gazette revenues including grant revenues from provincial government that have funding agreements. All the grants were received and spent according to grant conditions and agreements. However, the municipality received additional funding from the National Government for Municipal Disaster Response Grant in March 2024. The fund could not be fully spent because of the short period to year end, and at least more than 50% was spent on the grant

18. Employee costs

The budgeted amount was based on the organogram filled positions and positions that were planned to be filled during the financial year. The budget amounts include all the employee benefits and anticipated benefits. However, during the financial period some positions became vacant and some were not filled.

19. Increase in provision for landfill site

The municipality budgeted for a higher amount with the anticipation that the increase on provision for landfill site will be more due to the use of the landfill site and its' years of existence.

20. Fair value adjustment

The municipality erroneously budgeted a small amount for fair value adjustment. The A and B Schedule did not reflect the budget for fair value adjustment though it is available on the budget source file and was captured on the system..

21. Actuarial gains and losses

When budgeting, the municipality anticipated that the actuals be more or less the budgeted amount. However, the actuals had a significant difference.

22. Asset write off

The asset write off budget was based on the write off actual trends, however, this financial year the actuals became significantly lower than anticipated. The budgeted amount on the A and B schedule is combined in the impairment loss amount.

23. Impairment loss

The budget amount was based on the previous financial years' actual and that the amount might increase. However, the municipality received additional funding from national revenue to restore the eradicated roads through floods, and thus a very low impairment loss amount.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	404 882	5 928 183	6 333 065	336 233	(5 996 832)	24
VAT input accrual	-	-	-	1 709 134	1 709 134	
Receivables from exchange transactions	3 713 911	2 094 389	5 808 300	1 321 697	(4 486 603)	25
Statutory receivables	31 661 986	302 081	31 964 067	5 706 999	(26 257 068)	26
Receivables from non-exchange transactions	3 800 000	686 978	4 486 978	16 714 063	12 227 085	27
Cash and cash equivalents	60 114 477	(43 882 583)	16 231 894	24 912 458	8 680 564	28
	99 695 256	(34 870 952)	64 824 304	50 700 584	(14 123 720)	
Non-Current Assets						
Investment property	40 580 786	1 796 650	42 377 436	49 195 141	6 817 705	29
Property, plant and equipment	440 137 455	12 249 111	452 386 566	414 202 105	(38 184 461)	30
	480 718 241	14 045 761	494 764 002	463 397 246	(31 366 756)	
Total Assets	580 413 497	(20 825 191)	559 588 306	514 097 830	(45 490 476)	
Liabilities						
Current Liabilities						
Other financial liabilities	11 000 000	12 406 458	23 406 458	8 689 631	(14 716 827)	31
Payables from exchange transactions	10 446 860	(112 942)	10 333 918	36 238 184	25 904 266	33
Taxes and transfers payable (non-exchange)	-	-	-	634 062	634 062	
VAT payable	25 067 786	(24 258 786)	809 000	-	(809 000)	40
Unspent conditional grants and receipts	-	-	-	11 140 455	11 140 455	32
Payables from non-exchange transactions	2 242 696	7 257 304	9 500 000	2 929 528	(6 570 472)	39
Long service awards	-	-	-	961 892	961 892	34
VAT payable	-	-	-	11 594 852	11 594 852	
	48 757 342	(4 707 966)	44 049 376	72 188 604	28 139 228	
Non-Current Liabilities						
Other financial liabilities	-	16 400 000	16 400 000	5 132 733	(11 267 267)	35
Provisions	7 132 037	892 562	8 024 599	1 095 181	(6 929 418)	36
Long service awards	-	-	-	4 022 157	4 022 157	37
	7 132 037	17 292 562	24 424 599	10 250 071	(14 174 528)	
Total Liabilities	55 889 379	12 584 596	68 473 975	82 438 675	13 964 700	
Net Assets	524 524 118	(33 409 787)	491 114 331	431 659 155	(59 455 176)	

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	524 524 118	(33 409 787)	491 114 331	431 659 154	(59 455 177)	29

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

24. Inventories

The inventory budget amount was based on the anticipated inventory balance at year end.

25. Receivables from exchange

There was overbudgeting on this line item.

26. Statutory receivables

There was overbudgeting on this line item.

27. Receivables form non-exchange

There was overbudgeting on this line item.

28. Cash and cash equivalents

The budget was based on the actuals trend, however, there were payments that were due to be paid but were not during the financial year.

29. Investment property

There was underbudgeting for this line item.

30. Property, plant & equipment

The budget anticipated that more assets will be acquired through additional funds, however, the Municipal Disaster Recovery Grant was not fully spent hence the significant difference.

31. Other financial liabilities

The budget was based on the amortisation table calculation. However, the actual calculation differed.

32. Unspent conditional grants

The municipality did not budget for this line item on the anticipation that all conditional grants will be spent at year end. However, there are grants that are unspent at the reporting period.

33. Payable from exchange payables

The municipality had underbudgeted anticipating that there will be less accruals, however, there were more than 100% of accrual this financial year compared to the prior year..

34. Long service awards - current

The budget figure was based on last year's actual figures including the escalation rate. However, the year-to-date calculations show a very lessor amount. The amounts for long service awards were budgeted on one line item for current and non-current. Thus, the non-current does not show budget figures.

35. Other financial liabilities

There was no budget for the line item.

36. Provisions

The budgeted amount was meant for current and non-current provisions.

37. Long service awards – non-current

The amounts for long service awards were budgeted on one line item for current and non-current. Thus, the non-current does not show budget figures.

38. Accumulated surplus

The budget was based on the actuals trend and the year-to-date actuals turned out differently. However, though that happened the accumulated surplus actual became significantly less than the budget.

39. Payables from non-exchange

There was underbudgeting on the line item

40. VAT payable

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

The municipality budgeted for this line item, however there was no VAT payable in the financial year.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	16 800 000	(617 000)	16 183 000	15 029 309	(1 153 691)
Service charges	600 000	(483 750)	116 250	1 233 980	1 117 730
Operational grants	154 043 000	10 098 000	164 141 000	163 828 162	(312 838)
Capital grants	71 962 280	33 215 373	105 177 653	82 906 522	(22 271 131)
Interest income	2 000 000	2 500 000	4 500 000	6 250 142	1 750 142
Other receipts	116 789 933	(1 082 204)	115 707 729	7 125 789	(108 581 940)
	362 195 213	43 630 419	405 825 632	276 373 904	(129 451 728)

Payments

Employee costs and suppliers	(213 037 146)	3 778 881	(209 258 265)	(187 186 061)	22 072 204
Transfers and grants	(2 100 000)	1 871	(2 098 129)	-	2 098 129
Interest paid	(100 000)	(2 300 000)	(2 400 000)	(1 828 584)	571 416
	(215 237 146)	1 480 752	(213 756 394)	(189 014 645)	24 741 749

Net cash flows from operating activities	146 958 067	45 111 171	192 069 238	87 359 259	(104 709 979)
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Cash flows from investing activities

Purchase of property, plant and equipment	(156 533 451)	(56 814 889)	(213 348 340)	(89 177 523)	124 170 817
Proceeds from sale of property, plant and equipment	3 500 000	2 438 214	5 938 214	-	(5 938 214)

Net cash flows from investing activities	(153 033 451)	(54 376 675)	(207 410 126)	(89 177 523)	118 232 603
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Cash flows from financing activities

Repayment of other financial liabilities	-	(7 378 052)	(7 378 052)	(7 378 051)	1
Receipts from borrowings	-	11 000 000	11 000 000	11 000 000	-

Net cash flows from financing activities	-	3 621 948	3 621 948	3 621 949	1
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Net increase/(decrease) in cash and cash equivalents	(6 075 384)	(5 643 556)	(11 718 940)	1 803 685	13 522 625
Cash and cash equivalents at the beginning of the year	10 161 600	28 849 400	39 011 000	23 108 774	(15 902 226)

Cash and cash equivalents at the end of the year	4 086 216	23 205 844	27 292 060	24 912 459	(2 379 601)
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Reconciliation

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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

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

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

1.2 Presentation currency

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

1.3 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.

1.4 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.4 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 16 - 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 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.

1.6 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 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	8 - 50 Years
Machinery	Straight line	7 - 15 Years
Furniture	Straight line	5 - 7 Years
Motor vehicles	Straight line	5 - 6 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 - 50 years
Culverts and ditch drains	Straight line	20 - 60 years
Traffic signs	Straight line	5 - 20 years
Electricity infrastructure	Straight line	40 - 50 years
Traffic barriers	Straight line	10 - 30 years
Roads and paving	Straight line	10 - 60 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.

1.7 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 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

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.

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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 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
Cash and cash equivalents	Financial asset measured at amortised cost

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
Other financial liability	Financial liability measured at amortised cost

1.8 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Construction contracts

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.

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.

1.10 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

1.12 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 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.

1.13 Value Added Tax (VAT)

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

1.14 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 43.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.15 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.

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.

1.16 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.17 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.

1.18 Investment income

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

1.19 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 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).

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.

1.21 Comparative figures

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

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 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.

1.23 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.

1.24 Irregular expenditure

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

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 46.

1.25 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.

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.27 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.

1.28 Events after reporting date

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

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

1.29 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount. 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Statutory receivables (continued)

Derecognition

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

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

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

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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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:

Background

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

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

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

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

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

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 01 April 2023.

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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• Guideline: Guideline on the Application of Materiality to Financial Statements• GRAP 104 (as revised): Financial Instruments	<ul style="list-style-type: none">No effective date01 April 2025	<ul style="list-style-type: none">Unlikely there will be a material impactUnlikely there will be a material impact

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The effective date of the guideline is for years beginning on or after 01 April 2023.

The municipality expects to adopt the guideline for the first time in the 2022/2023 annual financial statements.

Background

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

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

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

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

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

Key amendments to GRAP 25

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

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

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 annual financial statements.

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 01 April 2023.

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property and
 - o evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to “financial statements” or “face of the financial statements”

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The municipality expects to adopt the improvements for the first time in the 2022/2023 annual financial statements.

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

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

The effective date of this amendment is for years beginning on or after 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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3. Inventories

Consumables	336 233	390 497
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Inventories recognised as an expense during the period	1 888 237	1 913 392
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Included in inventory consumed are the inventories that were recognised as an expense for the year ended 30 June 2024.

Inventory pledged as security

No inventory was pledged as security.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from exchange transactions		
Rentals receivables	1 434 426	1 285 982
Refuse receivables	4 111 169	3 571 864
Sundry receivables	327 811	784 173
Allowance for impairment - refuse	(3 879 608)	(3 284 433)
Allowance for impairment - rentals	(447 219)	(669 377)
Allowance for impairment - sundry	(224 882)	(224 882)
	1 321 697	1 463 327

Receivables from exchange transactions pledged as security

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 2024, R284,109 (2023: R 249,187) were past due but not impaired.

The ageing of receivables from exchange transactions is as follows:

June 2024	Refuse	Rentals	Sundry	Total
Current-30 days	61 115	82 787	-	143 902
31-60 days	60 116	80 091	-	140 207
61-90 days	59 275	74 296	-	133 571
91-120 days	59 130	74 296	-	133 426
121-150 days	57 977	70 613	-	128 590
151 - 180 days	56 617	62 543	18 262	137 422
> 180 days	3 756 939	989 799	309 549	5 056 287
	4 111 169	1 434 425	327 811	5 873 405

June 2023	Refuse	Rental	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

Trade and other receivables allowance for impairment

As of 30 June 2024, the contribution towards allowance for impairment has decreased to R 373 015(2023: R 415 563)

The amount of the provision was R (4 551 707) as of 30 June 2024 (2023: R (4 178 692)).

The amount is made up of the following:

	2024	2023
Rental	(222 159)	265 463
Refuse	595 174	150 100
	373 015	415 563

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	4 178 692	3 763 129
Provision for impairment	373 015	415 563
	4 551 707	4 178 692

5. Statutory receivables

Customer receivable - Rates	31 906 052	29 911 517
Customer receivable - Interest	8 644 985	8 602 461
Customer receivable - Traffic fines	5 874 899	4 957 839
Allowance for impairment - Rates	(26 898 791)	(26 068 462)
Allowance for impairment - Interest	(8 191 705)	(7 849 203)
Allowance for impairment - Traffic fines	(5 628 441)	(4 756 854)
	5 706 999	4 797 298

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 2024, R3,012,500 (2023: R 2,854,765) were past due but not impaired.

The ageing of statutory receivables is as follows:

June 2024	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	1 224 618	153 546	153 500	1 531 664
31-60 days	1 235 736	156 000	89 100	1 480 836
61-90 days	1 219 353	136 125	109 900	1 465 378
91-120 days	1 185 208	135 119	63 300	1 383 627
121 - 150 days	1 129 263	132 906	65 800	1 327 969
151-180 days	605 332	130 592	80 700	816 624
> 180 days	25 306 542	7 800 697	5 312 599	38 419 838
	31 906 052	8 644 985	5 874 899	46 425 936

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

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

5. Statutory receivables (continued)

Statutory receivables allowance for impairment

The current year contribution to allowance for impairment loss amounted to R 2,044,418(2023: R7,146,741).

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

	2024	2023
Rates	830 329	4 576 622
Traffic fines	871 587	755 987
Customer interest	342 502	1 814 132
	2 044 418	7 146 741

Reconciliation of provision for impairment of statutory receivables

Opening balance	38 674 519	31 527 778
Provision for impairment	2 044 418	7 146 741
	40 718 937	38 674 519

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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Receivables from non-exchange transactions		
MEPF Debtor	13 858 137	12 182 977
Department of Human Settlements debtor	2 176 278	1 012 256
LG SETA debtor	131 400	131 400
Small Town Revitalisation	-	1 212 031
Department of Transport	548 248	178 527
	16 714 063	14 717 191

The amounts relate to 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).

The municipality is being owed an amount of R5.1 million excluding interest by the MEPF, in an attempt to have the amount paid back to the municipality, the municipality approached the High Court of Johannesburg wherein the matter was heard on 5 September 2022 and the judgement was granted in favour of the municipality.

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

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	109	-
Bank balances	294 767	2 656 407
Short-term deposits	24 617 582	20 452 367
	24 912 458	23 108 774

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 2024	30 June 2023	30 June 2024	30 June 2023
Main Account: Current	594 064	2 240 544	294 703	2 656 406
Operations Call Account	1 000	1 000	1 000	1 000
VAT Call Account	1 000	1 225 639	1 000	1 225 639
Municipal Support Institution FNB Call Account	1 000	1 000	1 000	1 000
INEP FNB Call Account	1 000	1 000	1 000	1 000
FMG FNB Call Account	1 000	1 000	1 000	1 000
MIG FNB Call Account	2 558 405	17 437 321	2 558 405	17 437 321
DSRAC FNB Call Account	1 432	1 000	1 432	1 000
EPWP FNB Call Account	1 000	1 000	1 000	1 000
Solidarity Fund FNB Cheque Account	-	579	-	579
Traffic Fines FNB Call Account	1 000	2 059 315	1 000	1 643 886
Solidarity FNB Call Account	-	136 360	-	136 360
Small Town Revitalisation FNB Call Account	1 858	1 644	1 858	1 644
Surety Standard Bank	1 271 799	-	1 271 799	-
Human Settlement FNB Call Account	1 000	1 369	1 074	1 000
Municipal Disaster Recovery	20 776 074	-	20 776 074	-
Total	25 211 632	23 108 771	24 912 345	23 108 835

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	49 195 141	-	49 195 141	42 377 436	-	42 377 436

Reconciliation of investment property - 2024

	Opening balance	Transfers received from PPE	Fair value adjustments	Total
Investment property	42 377 436	3 992 137	2 825 568	49 195 141

Reconciliation of investment property - 2023

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

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 2024 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 2024 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 793 181	-	2 793 181	2 793 181	-	2 793 181
Buildings	209 046 436	(75 952 976)	133 093 460	211 218 838	(68 767 685)	142 451 153
Machinery	6 883 647	(617 392)	6 266 255	1 062 741	(471 049)	591 692
Furniture and office equipment	3 787 018	(2 734 370)	1 052 648	4 148 158	(2 916 657)	1 231 501
Motor vehicles	14 499 451	(5 466 803)	9 032 648	8 230 638	(3 919 944)	4 310 694
IT equipment	5 079 951	(2 503 871)	2 576 080	6 421 908	(4 469 803)	1 952 105
Infrastructure	303 910 626	(113 234 593)	190 676 033	260 009 190	(99 416 442)	160 592 748
Work in Progress	62 769 806	-	62 769 806	31 009 547	-	31 009 547
Landfill site	7 090 307	(1 148 313)	5 941 994	7 090 307	(1 006 199)	6 084 108
Total	615 860 423	(201 658 318)	414 202 105	531 984 508	(180 967 779)	351 016 729

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfer to Investment Property	Transfers received from WIP	Transfers out of WIP	Write-offs	Depreciation	Impairment loss	Total
Land	2 793 181	-	-	-	-	-	-	-	2 793 181
Buildings	142 451 153	92 000	(3 992 137)	1 727 735	-	-	(6 904 966)	(280 325)	133 093 460
Machinery	591 692	6 344 023	-	-	-	(284 549)	(367 240)	(17 671)	6 266 255
Furniture and office equipment	1 231 501	230 168	-	-	-	(110 650)	(290 119)	(8 252)	1 052 648
Motor vehicles	4 310 694	6 836 327	-	-	-	(482 274)	(1 632 099)	-	9 032 648
IT equipment	1 952 105	1 604 039	-	-	-	(105 478)	(832 399)	(42 187)	2 576 080
Infrastructure	160 592 748	-	-	44 294 360	-	(94 148)	(13 161 283)	(955 644)	190 676 033
Work in Progress	31 009 547	78 063 103	-	-	(46 302 844)	-	-	-	62 769 806
Landfill site	6 084 108	-	-	-	-	-	(142 114)	-	5 941 994
	351 016 729	93 169 660	(3 992 137)	46 022 095	(46 302 844)	(1 077 099)	(23 330 220)	(1 304 079)	414 202 105

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Write-off	Depreciation	Impairment loss	Total
Land	2 793 181	-	-	-	-	-	-	-	2 793 181
Buildings	137 114 544	-	-	18 679 551	-	(2 000 387)	(5 742 936)	(5 599 619)	142 451 153
Machinery	684 985	193 750	(53 151)	-	-	-	(233 892)	-	591 692
Furniture and office equipment	1 141 466	377 911	-	-	-	(17 984)	(269 892)	-	1 231 501
Motor vehicles	4 306 843	1 135 029	(33 606)	-	-	(202 806)	(894 766)	-	4 310 694
IT equipment	2 326 140	507 739	(27 678)	-	-	-	(854 096)	-	1 952 105
Infrastructure	155 090 799	-	-	39 046 932	-	(13 046 669)	(11 122 653)	(9 375 661)	160 592 748
Work in Progress	26 592 749	62 143 571	-	-	(57 726 773)	-	-	-	31 009 547
Landfill site	6 225 870	-	-	-	-	-	(141 762)	-	6 084 108
	336 276 577	64 358 000	(114 435)	57 726 483	(57 726 773)	(15 267 846)	(19 259 997)	(14 975 280)	351 016 729

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	22 523 276	211 002	8 275 269	31 009 547
Additions/capital expenditure	76 995 003	1 068 100	-	78 063 103
Transferred to completed items	(44 575 109)	(1 727 736)	-	(46 302 845)
	54 943 170	(448 634)	8 275 269	62 769 805

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	18 766 113	(448 633)	8 275 269	26 592 749
Additions/capital expenditure	58 879 006	-	-	58 879 006
Prior period adjustment - Note 54	2 604 930	659 635	-	3 264 565
Transferred to completed items	(55 591 700)	-	-	(55 591 700)
Prior period adjustment - Note 54	(2 135 073)	-	-	(2 135 073)
	22 523 276	211 002	8 275 269	31 009 547

Construction projects that are taking significant longer to complete (Longer than the initial planned date) :

Community Assets

Cederville Pre-school (N1)	-	659 635
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Infrastructure Assets

Habhu access road (N2)	7 388 149	7 333 798
Dikidikini Bridge (N3)	434 783	434 783
	7 822 932	7 768 581

Reasons for the delays

1. N1 - The pre-school was due to be completed by 28 February 2023, however the service provider abandoned the site for five weeks and as a result completion was delayed.
2. N2 - Contractor abandoned the site and the contract was terminated. Procurement processes for a new contract
3. N3 - the municipality only had budget for the planning phase and is currently sourcing funds.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance		Corrective Maintenance		Total
	Interval Based	Total	Planned	Total	
Buildings	-	-	3 107 845	3 107 845	3 107 845
Motor vehicles	883 740	883 740	-	-	883 740
Equipment	194 091	194 091	-	-	194 091
Road infrastructure	-	-	266 849	266 849	266 849
	1 077 831	1 077 831	3 374 694	3 374 694	4 452 525

Maintenance of property, plant and equipment by condition - 2023

	Preventative Maintenance		Corrective Maintenance		Total
	Interval Based	Total	Planned	Total	
Buildings	-	-	1 580 387	1 580 387	1 580 387
Motor vehicles	368 469	368 469	-	-	368 469
Equipment	220 349	220 349	-	-	220 349
Road infrastructure	-	-	991 420	991 420	991 420
Landfill site	-	-	166 654	166 654	166 654
	588 818	588 818	2 738 461	2 738 461	3 327 279

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.

10. VAT payable

VAT payable	11 594 852	10 236 572
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VAT is payable/refundable on the receipts/payment basis. Only once payment is received from debtors, payment made to creditors, VAT is paid over/received from SARS. At year end, the municipality has a payable and has set off the receivable and payable.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

11. Other financial liabilities

Designated at fair value

Bank loan	8 689 631	4 627 657
Terms and conditions		

At amortised cost

Non-current liabilities	5 132 733	5 572 759
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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.

In the current year, the municipality obtained another loan of R11 million from Standard Bank.

The loan bears interest at a rate 10,74% per annum for a period of three years.

Non-current liabilities

At amortised cost	5 132 733	5 572 759
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Current liabilities

Designated at fair value	8 689 631	4 627 657
At amortised cost	-	-
	8 689 631	4 627 657

12. Payables from exchange transactions

Trade payables	390 155	5 499 724
Accruals	14 864 239	5 367 500
Accrued leave pay	8 604 600	8 664 009
Accrued bonus	2 183 759	1 965 693
Retention fees	10 195 432	7 109 109
	36 238 185	28 606 035

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Free Basic Electricity - INEP	4	-
Municipal Infrastructure Grant - MIG	-	16 077 333
Small Town Revitalisation	235 194	-
Disaster Management Grant	-	21 353
Municipal Disaster Recovery Grant	10 905 257	-
	11 140 455	16 098 686

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 25 for reconciliation of grants from National/Provincial Government.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
14. Payables from non-exchange transactions		
Salaries third party payments	1 505 970	2 094
Receivables with credit balance	1 423 223	1 927 194
Consumer deposits	242	5 442
*SAMWU Lawsuit	-	3 220 777
Human Settlements interest payable	94	20
	2 929 529	5 155 527

*On the 19th of September 2023, the municipality received a settlement letter from SAMWU informing the municipality that the case has been finalised and that all due costs have been paid. The balance was therefore written off in the current year.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

15. 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	(3 950 486)	(4 110 265)
Current service cost	(431 446)	(431 446)
Current interest cost	(444 720)	(444 720)
Benefit payments	220 924	270 646
Actuarial gains/(losses)	(378 321)	765 299
	(4 984 049)	(3 950 486)

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

Opening balance	(725 578)	(885 357)
Net expense recognised in the statement of financial performance	(1 033 563)	159 779
	(1 759 141)	(725 578)

Net expense recognised in the statement of financial performance

Current service cost	(431 446)	(431 446)
Interest cost	(444 720)	(444 720)
Actuarial (loss)/gain	(378 321)	765 299
*Benefit payments	220 924	270 646
	(1 033 563)	159 779

*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	10,53 %	10,86 %
Consumer price index (CPI)	4,94 %	5,46 %
Expected increase in salaries	5,94 %	6,46 %
Net discount rate	4,33 %	4,14 %

The discount rate is determined using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 10,53% per annum, and the yield on inflation-linked bonds of a similar term was about 4,85% per annum. This implies an underlying expectation of inflation of 4,94% per annum $([1 + 10.53\% - 0.50\%] / [1 + 4.94\%] - 1)$.

It is assumed that the salary inflation would exceed general inflation by 1.00% per annum i.e. 5.94% per annum.

The relative levels of the discount rate and salary inflation are important. The valuation assumes a net discount factor of 4,33% per annum $([1 + 10.53\%] / [1 + 5.94\%] - 1)$.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

15. Long service awards (continued)

Other assumptions

Demographic and mortality assumption

Normal retirement age (years)	63	63
Mortality	SA85-90	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 2024	30 June 2023
Number of employees	186	168
Average annual salary (R)	286,163	268,093
Average age (years)	42,16	42,42
Average past service (years)	9,17	9,63

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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Utilised during the year	Change in discount factor	Total
Provision for landfill site	1 056 410	(94 548)	133 319	1 095 181

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

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 2024 was 11.95% p.a. The consumer price inflation of 6.51% p.a. was obtained from the differential between the averages of the Nominal Bond of 11.94% p.a. and the Real Bond 5.10% p.a. (Zero Yield Curves).

17. Revenue

Service charges	660 063	662 758
Construction contracts	5 222 604	6 109 565
Rental of facilities and equipment	894 847	765 031
Licences and permits	797 913	662 533
Sundry income	1 233 097	408 787
Interest received	6 213 139	5 276 253
Property rates	17 042 981	17 309 472
Agency fees	429 745	-
Interest received MEPP	1 675 159	1 353 138
Government grants and subsidies	251 692 915	215 400 562
Fines and penalties	1 203 400	976 074
	287 065 863	248 924 173

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

Service charges	660 063	662 758
Construction contracts	5 222 604	6 109 565
Rental of facilities and equipment	894 847	765 031
Licences and permits	797 913	662 533
Sundry income	1 233 097	408 787
Interest received - investment	6 213 139	5 276 253
	15 021 663	13 884 927

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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17. Revenue (continued)

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

Property rates	17 042 981	17 309 472
Management fees	429 745	-
Interest, Dividends and Rent on Land	1 675 159	1 353 138
Government grants and subsidies	251 692 915	215 400 562
Fines and penalties	1 203 400	976 074
	272 044 200	235 039 246

18. Service charges

Refuse removal	660 063	662 758
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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.

19. Rental of facilities and equipment

Premises

Rental revenue from investment properties	894 847	765 031
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20. Licences and permits

Traffic and business licence revenue	797 913	662 533
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21. Sundry income

Insurance income	792 322	31 912
Other municipal revenue	440 775	376 875
	1 233 097	408 787

22. Interest received

Interest revenue

Interest received	4 574 983	2 950 148
Interest charged on trade and other receivables	1 638 156	2 326 105
	6 213 139	5 276 253

23. Property rates

Rates received

Residential	1 144 275	1 189 585
Commercial	1 585 514	1 566 914
State	14 069 206	14 299 530
Agricultural	243 986	253 443
	17 042 981	17 309 472

24. Interest received MEPF

Interest - Received	1 675 159	1 353 138
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This relates to interest charged on MEPF Debtor which resulted from a SAMWU court case.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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25. Government grants and subsidies

Operating grants

Equitable share	157 487 000	149 587 000
Finance Management Grant	2 650 000	2 650 089
Extended Public Works Programme	2 304 000	2 794 000
DSRAC	500 000	500 000
LGSETA Grant	787 162	1 440 004
ANDM IDP Support Grant	100 000	-
DEDEAT	-	3 501 084
	163 828 162	160 472 177

Capital grants

Municipal Infrastructure Grant	45 748 333	31 265 667
Small Town Revitalisation Grant	22 292 568	14 264 629
Department of Transport Grant	2 325 109	4 308 442
Municipal Disaster Relief Grant	-	5 089 647
Municipality Disaster Recovery Grant	17 498 743	-
	87 864 753	54 928 385
	251 692 915	215 400 562

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants		
Finance Management Grant	2 650 000	2 650 089
Extended Public Works Programme	2 304 000	2 794 000
DSRAC	500 000	500 000
Municipal Infrastructure Grant	45 748 333	31 265 667
Department of Transport Grant	2 325 109	4 308 442
Municipal Disaster Relief Grant	-	5 089 647
ANDM IDP Support Grant	100 000	-
Municipal Disaster Recovery Grant	17 498 743	-
Unconditional grants		
Equitable share	157 487 000	149 587 000
Small Town Revitalisation Grant	22 292 568	14 264 629
LGSETA	787 162	1 440 004
DEDEAT	-	3 501 084
	251 692 915	215 400 562

Municipal Disaster Relief Grant

Balance unspent at beginning of year	21 353	-
Current-year receipts	-	5 111 000
Conditions met - transferred back to the department	(21 353)	(5 089 647)
	-	21 353

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
25. Government grants and subsidies (continued)		
DEDEAT		
Balance unspent at beginning of year	-	1 084
Current-year receipts	-	3 500 000
Conditions met - transferred revenue	-	(3 501 084)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
Extended Public Works Program		
Current-year receipts	2 304 000	2 794 000
Conditions met - transferred to revenue	(2 304 000)	(2 794 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
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	(2 650 000)	(2 650 089)
	-	-
Municipal Infrastructure Grant - MIG		
Balance unspent at beginning of year	16 077 333	-
Current-year receipts	29 671 000	47 343 000
Conditions met - transferred to revenue	(45 748 333)	(31 265 667)
	-	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 13).		
Small Town Revitalisation		
Current-year receipts	22 527 762	13 052 598
Recognised as revenue	(22 292 568)	(13 052 598)
	235 194	-
Municipal Disaster Recovery Grant		
Current-year receipts	28 404 000	-
Conditions met - transferred to revenue	(17 498 743)	-
	10 905 257	-

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
25. Government grants and subsidies (continued)		
LG SETA		
Current-year receipts	787 162	1 440 004
Recognised as revenue	(787 162)	(1 440 004)
	-	-
ANDM IDP Support Grant		
Current-year receipts	100 000	-
Conditions met - transferred to revenue	(100 000)	-
	-	-
Department of Transport		
Current-year receipts	2 325 109	4 129 915
Conditions met - transferred to revenue	(2 325 109)	(4 129 915)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
DEDEAT		
Balance unspent at beginning of year	-	1 084
Current-year receipts	-	3 500 000
Conditions met - transferred to revenue	-	(3 501 084)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
26. SAMWU liability write-off		
SAMWU liability write-off	3 220 777	-
On the 19th of September 2023, the municipality received a settlement letter from SAMWU informing the municipality that the case has been finalised and that all due costs have been paid.		
27. Agency fees		
Agency fees	429 745	-
28. Fines		
Pound Fees Fines	152 900	144 374
Traffic fines	1 050 500	831 700
	1 203 400	976 074

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
29. Bad debts written off		
Property rates	19 137	360 822
Refuse	20 963	56 064
Interest	7 279	69 183
	47 379	486 069
30. Employee related costs		
Basic salaries	57 264 498	54 270 205
Bonus	4 798 933	4 441 218
Car allowance	6 014 527	5 788 473
Contribution to Bargaining Council	26 697	24 386
Housing benefits and allowances	4 872 137	4 362 815
Long-service awards	552 447	651 501
Medical aid - company contributions	4 265 255	3 807 946
Standby allowance	1 231 842	1 183 288
Provident and pension fund	8 466 865	7 582 355
SDL	768 307	724 557
Cellphone allowance	4 884	40 488
UIF	415 818	395 871
Acting allowances	683 852	295 712
Leave pay provision charge	1 096 070	1 482 673
Overtime	782 701	399 064
Shift allowance	360 099	339 776
Remote allowance	196 209	553 556
Workmen's Compensation Fund contributions	695 824	700 920
	92 496 965	87 044 804
31. Remuneration of councillors		
Salaries and other allowances	10 372 343	9 974 562
Motor vehicle allowance	2 971 804	2 855 892
	13 344 147	12 830 454
32. Depreciation and amortisation		
Property, plant and equipment	23 330 220	19 260 030
33. Interest paid		
Interest on loan	1 656 458	1 206 875
Long service awards and Landfill site	578 039	607 886
Interest SAMWU Lawsuit	-	386 700
Trade and other payables	172 126	28 762
	2 406 623	2 230 223
34. Contribution allowance for impairment		
Contributions to debt impairment provision	2 328 157	7 562 304
Contribution allowance for impairment relates to receivables.		

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
35. General expenses		
Advertising fees	884 731	647 254
Agriculture LED	1 094 741	1 684 451
Audit and Performance Committee fees	452 800	432 788
Back to School	627 344	328 989
Bank charges	113 237	93 302
Capacity Building	795 450	674 213
Consulting and professional fees	3 684 160	5 030 166
Council Support Administration	2 479 835	872 175
DSRAC Community	359 208	470 934
Expanded Public Works	2 393 543	2 795 470
Electricity Expenditure	1 237 257	2 512 687
EPWP Community	9 151 877	4 158 732
Financial Management Grant Expenditure	637 352	672 347
Financial Management fees	251 432	199 634
Asset Valuation	-	188 406
Hygienic Services Administration	676 112	601 247
IT expenses	3 154 869	582 202
Indigent Support	2 245 812	2 365 861
Electrification	5 222 605	6 018 351
Insurance	1 587 709	1 077 852
Integrated Development Plan	1 784 448	965 957
Internal Audit Expense	660 870	443 152
Legal fees	1 175 486	596 115
Risk Management expense	385 315	624 219
Licence fees	1 411 643	2 051 820
Marketing and Communication	753 795	378 684
DEDEAT Expense	377 005	3 384 587
General Valuation Expenditure	941 808	16 300
Sitting Allowance - Traditional leaders	13 534	17 014
Occupational Health and Safety	631 470	13 500
Other expenses	2 547 493	3 044 047
Post and Telecommunication expenses	3 998 902	4 181 409
Printing and Stationery	1 542 585	1 896 475
LG SETA	387 052	1 339 105
Removal costs	(56 500)	85 970
Public Amenities	29 000	20 395
Public Participation	9 000	8 891
SALGA Levy	1 167 994	1 041 449
Security	4 981 402	4 347 826
Special Programs	1 555 142	2 843 419
Tourism, Arts and Culture	-	208 870
Town Planning Expenses	554 344	165 217
Travelling and Subsistence	8 066 515	7 082 084
Vehicle Fuel and Oil	2 507 279	2 575 375
Ward Committee Sitting	3 111 650	2 291 850
Waste management expenses	2 312 652	1 440 722
	77 899 958	72 471 513
36. Repairs and maintenance		
Buildings	3 107 845	1 580 387
Roads Infrastructure	266 849	991 420
Vehicles	883 393	368 469
Equipment	194 091	220 349
Landfill site	-	166 654
	4 452 178	3 327 279

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
37. Auditors' remuneration		
Fees	5 429 890	4 619 630
38. Profit/(loss) on disposal of assets		
Property, plant and equipment	-	398 864
39. Fair value adjustments		
Investment property (Fair value model)	2 825 568	2 296 650
40. Cash generated from operations		
Surplus	68 711 741	12 892 924
Adjustments for:		
Depreciation and amortisation	23 330 220	19 260 030
Profit/(loss) on disposal of assets	-	(398 864)
Impairment loss: Buildings and Infrastructure assets	1 304 078	14 975 280
(Decrease)/Increase in provision for landfill site	(94 548)	(583 369)
Asset write off: Infrastructure and IT equipment	1 077 099	15 267 846
Fair value adjustments	(2 825 568)	(2 296 650)
Allowance impairment	2 328 157	7 562 304
Bad debts written off	47 379	486 069
Transfer of PPE to investment property	(3 993 463)	-
SAMWU liability write-off	(3 220 777)	-
Interest on creditors	175 502	386 700
Other non-cash item	37 195	515 903
Contribution provisions - Leave and bonus	158 657	631 004
Interest long service awards	444 720	444 720
Interest on landfill site	133 319	163 166
Change in long service awards	210 522	160 800
Actuarial gains	378 321	(765 299)
VAT on doubtful debts	89 279	-
Changes in working capital:		
Inventories	54 264	14 385
Receivables from exchange transactions and statutory	(3 232 885)	(8 522 959)
Receivables from non-exchange transactions	(1 996 872)	(3 556 752)
Payables from exchange transactions	7 632 150	3 716 711
VAT	1 358 280	994 186
VAT output accrual	(18 426)	652 488
Unspent conditional grants and receipts	(4 958 231)	16 097 513
Payables from non-exchange transactions	994 777	(10 473 790)
VAT input accrual	(676 352)	(1 032 782)
VAT on doubtful debts	(89 279)	-
	87 359 259	66 591 564

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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41. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 321 697	1 321 697
Other receivables from non-exchange transactions	16 714 063	16 714 063
VAT input accrual	1 709 134	1 709 134
Cash and cash equivalents	24 912 458	24 912 458
	44 657 352	44 657 352

Financial liabilities

	At amortised cost	Total
Other financial liabilities	13 822 364	13 822 364
Trade and other payables from exchange transactions	25 449 825	25 449 825
Trade and Payables (non-exchange)	2 929 528	2 929 528
VAT output accrual	634 062	634 062
	42 835 779	42 835 779

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	23 108 774	23 108 774
VAT input accrual	1 032 782	1 032 782
	40 322 074	40 322 074

Financial liabilities

	At amortised cost	Total
Other financial liabilities	10 200 416	10 200 416
Trade and other payables from exchange transactions	17 976 333	17 976 333
Payables (non-exchange)	5 155 528	5 155 528
VAT output accrual	652 488	652 488
	33 984 765	33 984 765

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	127 275 184	51 492 435
Total capital commitments		
Already contracted for but not provided for	127 275 184	51 492 435
Total commitments		
Total commitments		
Authorised capital expenditure	127 275 184	51 492 435
Prior period error*	-	11 500
	127 275 184	51 503 935

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 R11 499,99 due to expenditure that was omitted in the 2022/23 financial year when capturing expenditure for LP Health and Safety Consulting for Ngonyameni access road in the commitments register.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand			2024	2023
43. Contingencies				
Plaintiff	Reference	Case Number	June 2024	June 2023
Droder Trading CC	(i)	627/12	-	541 070
Droder Trading CC	(ii)	628/12	-	789 492
Lindokuhle Khumalo and Siphelele Khumalo	(iii)	B315/2015 and 06/2016	250 000	250 000
Bomi Mankahla	(iv)	N/A	227 583	227 583
Economic Freedom Fighters and Twenty Four Others	(v)	983/2021	300 000	300 000
NLM/MEPF	(vi)	11262/2022	500 000	500 000
Nontombi Gcaba and 108 others	(vii)	N/A	22 000 000	21 800 000
Ayanda Mzamo Mtshixa	(viii)	128/2022	18 800	18 800
Bomi Mankahla	(ix)	N/A	27 318	27 318
			23 323 701	24 454 263

i. Drodar 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. Drodar 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. 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. There is now a claim for damages to the value of R200 000. The matter was held on 03 March 2023 wherein the matter was postponed on a date to be arranged.

iv. 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 still at pleading stage.

v. 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.

vi. 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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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43. Contingencies (continued)

vii. 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.

viii. 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. We have since filed our plea in this matter and it is now at discovery stage

ix. 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, plaintiff is suing for damages in her motor vehicle caused by a pothole in the alleged jurisdiction of the municipality. On the 08th of January 2023, the municipality was served with combined summons with the same facts as the first combined summons. In the second summons the Department of Roads and Transport has been cited as the first defendant and the municipality as the second defendant. The matter is defended and still at pleading stage.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

44. Related parties

Remuneration of management

Refer to note 45 for remuneration of management.

Executive committee and other councillors

2024

Name	Remuneration	Motor vehicle allowance	*Other allowances	Total
Cllr PT Sobuthongo: Mayor	572 662	236 412	144 776	953 850
Cllr V Matwasa: Speaker	470 096	189 130	103 450	762 676
Cllr S Menziwa: Chief Whip and Portfolio Head: Technical Services	238 432	98 918	61 557	398 907
Cllr T Lubisi: Portfolio Head Development Planning	237 790	98 866	62 044	398 700
Cllr EU Joyi	273 613	98 918	26 504	399 035
Cllr N Kinase	262 061	98 918	38 074	399 053
Cllr MK Dinwayo: Portfolio Head: Financial Management	240 742	98 918	59 251	398 911
Cllr N Sithunzi	296 196	98 033	3 331	397 560
	-	-	-	-
Cllr S Bakeni	288 041	96 013	3 237	387 291
Cllr M Nqwazi	250 470	96 013	40 683	387 166
Cllr SJ Madwakasi	224 447	74 816	2 518	301 781
Cllr AO Ranana	224 447	74 816	2 534	301 797
Cllr S Zwelonke	201 891	74 816	25 108	301 815
Cllr A Zakhabana	278 894	92 964	3 134	374 992
Cllr A Ngconjana	224 447	74 816	2 518	301 781
Cllr PM Mafilika	175 050	74 816	51 857	301 723
Cllr KS Nkaenkae	201 308	74 816	25 693	301 817
Cllr N Gantsu	201 308	74 816	25 693	301 817
Cllr S Sophaqa	175 558	74 816	51 351	301 725
Cllr N Sidudu	224 447	74 816	2 445	301 708
Cllr M Mcunukelwa	224 447	74 816	2 518	301 781
Cllr N Daniel	195 172	74 816	31 702	301 690
Cllr N Zakade	224 447	74 816	2 518	301 781
Cllr N Sobuthongo	175 050	74 816	51 857	301 723
Cllr M Nokhence	224 447	74 816	2 518	301 781
Cllr A N Mtyingizane	224 447	74 816	2 518	301 781
Cllr S Ncekana	175 558	74 816	51 348	301 722
Cllr B Mkizwana	74 543	31 602	21 534	127 679
Cllr T Ngeyane	224 447	74 816	2 518	301 781
Cllr T A Mhlana	224 447	74 816	2 518	301 781
=Cllr B Xhangayi	7 978	2 659	101	10 738
Cllr S Nkweba	224 447	74 816	2 518	301 781
Cllr Z Mlonyeni	224 447	74 816	2 518	301 781
Cllr MP Ndabeni	175 050	74 816	51 857	301 723
Cllr A Diko	224 447	74 816	2 518	301 781
Cllr Z L Nofayile	224 447	74 816	2 518	301 781
Cllr S Mathumbu	224 447	74 816	2 518	301 781
Cllr N Pezisa	197 019	75 524	32 004	304 547
Cllr A Mahlaba	216 450	72 150	2 687	291 287
Cllr PN Mankahla	81 796	26 516	1 030	109 342
	9 029 433	3 307 138	1 007 576	13 344 147

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

=Councillor terminatedd in October 2023.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

44. Related parties (continued)

2023

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 Bakeni	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 Ndoyisile - 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 Ntshele	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 Gweqani	1 908	851	257	3 016

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
44. Related parties (continued)		
#Cllr T Msuthu	1 908	851
#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)

45. Executive management remuneration

2024

	Basic Salaries	Medical Aid	Other benefits	13th Cheque	Total
Ms I Sikhulu-Nqwena - Municipal Manager	651 940	-	285 830	40 000	977 770
Mr S Matiwane - Director Community Services	390 567	-	390 662	59 736	840 965
Ms N Ndlaku - Director Development Planning	76 710	-	178 953	51 735	307 398
Ms X N Venn - Chief Financial Officer	150 114	-	215 081	60 693	425 888
Mr P L Mpendulo - Director Technical Services	549 171	-	340 345	32 005	921 521
Ms S N Ntlahtla - Director Corporate Services	525 785	-	500 050	57 080	1 082 915
Mr M Vakalisa-Director Development Planning	298 198	-	246 254	10 000	554 452
Mr M Mhlifili- Chief Financial Officer	292 001	-	169 437	6 500	467 938
Ms Z Komanisi - Acting Corporate Services	159 517	-	112 006	-	271 523
Ms VJ Sifika - Acting Director Community Services	180 505	-	68 440	-	248 945
Mr L Mkula- Acting Director Community Services	173 875	-	195 680	59 687	429 242
Mr O Mdudi - Acting Chief Financial Officer	180 505	-	68 853	-	249 358
	3 628 888	-	2 771 591	377 436	6 777 915

* Other allowances comprise travel allowance and medical benefits.

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 Ntlahtla - 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

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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46. 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 rate 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:

	2024	2023
Receivables from exchange transactions	1 321 697	1 463 327
Receivables from non-exchange transactions	16 714 063	14 717 191
Cash and cash equivalents	24 912 458	23 108 774

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.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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46. 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.

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

Disclosure of information received after reporting date, but before the financial statements were authorised for issue:

- On 10th of October 2024 a court judgement was reached which is in favour of the municipality after the debtor, MEPF had submitted an application for the rescinding of the judgement reached on 05 September 2022.
- The effect on the current period is as follows:
 - Increase of receivables from non-exchange transactions by an amount of R13 858 137,47.
 - Increase of revenue from non-exchange transactions by an amount of R 1 675 159,47.
 - Decrease of impairment of receivables by R12 182 977,99

49. Unauthorised expenditure

The Municipality did not incur any unauthorised expenditure as at 30 June 2024.

50. Fruitless and wasteful expenditure

Opening balance	26 050 383	25 171 002
Add: fruitless and wasteful expenditure	172 124	415 379
Add: Adjustment from amount actually paid to SAMWU	-	548 735
Less: Amount written off	(26 222 507)	(84 733)
Closing balance	-	26 050 383

Incident

Included infruitless and wasteful expenditure is R144,531 in respect of interest and penalties paid to SARS, R5,105 for FNB, R583 for Standard Bank and an amount of R21,905 ESKOM and Telkom interest on late payments.

The Financial Misconduct Board investigated an amount of R26,039,553 that was actually paid to SAMWU and declared the amount irrecoverable. MPAC investigated fruitless and wasteful expenditure incurred and an amount of R182,955 was declared irrecoverable and approved by council for write off.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
51. Irregular expenditure		
Opening balance	7 908 297	17 137 251
Add: Irregular expenditure	5 912 725	19 576 012
	13 821 022	36 713 263
Less: Amount written off - prior period	(13 821 022)	(33 508 455)
Add: Irregular Expenditure - prior period	-	4 703 489
Closing balance	-	7 908 297

Irregular expenditure written off

MPAC investigated irregular expenditure and an amount of R13 821 022, including an amount of R4 089 990 from 2020/21 financial year which excludes VAT amounting to R613 498. The total amount was then declared irrecoverable and was written off by the Council in the 2023/24 financial year. 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.

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	5 912 725	19 328 512
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
		5 912 725	24 279 501

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 167 994	1 041 449
Amount paid - current year	(1 167 994)	(1 041 449)
	-	-

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	5 370 651	4 619 630
Amount paid - current year	(5 370 651)	(4 619 630)
	-	-
PAYE and UIF		
Current year subscription / fee	17 081 183	16 500 949
Amount paid - current year	(15 721 201)	(16 500 949)
	1 359 982	-
Pension and Medical Aid Deductions		
Current year subscription / fee	21 489 104	19 204 987
Amount paid - current year	(21 489 104)	(19 204 987)
	-	-
VAT		
VAT receivable	3 170 472	3 231 289

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

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

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
Mpendulo Ngwadla - Driver	Virginia Nonkululo Bam Ngwadla	Bahlongwana Trading Enterprise	Catering	61 250
Zongeziwe Komanisi - Admin Manager	Xolile Gcaba	ZM Gcaba	Transport Supply of goods and services	4 900 172 679
Zongeziwe Komanisi - Admin Manager	Xolile Gcaba	Sbala Trading	Supply of goods and services (Rate based)	924 299
Loyiso Hlamandana - Admin Clerk	Andiswa Solani	AMLG Creation	Supply of goods and services	27 500
N Mbodla - Chief of staff KZN Office of the Premier	Vumile Mbodla	Amatshutsha Logistics	Supply of goods and services (Rate based)	1 387 510
Cllr. M. Nqwazi - NLM councillor	Ayanda Nqwazi	Buncwane Projects & Supplies	Supply of goods and services	19 055
N J Tantsi - Works Inspector- Public Works Region	Z Godo	Docraine Jv Lupicon	Construction of Bomvini 88 Housing units	15 818 000
				18 415 193

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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53. 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

The municipality does not have 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	Goods and/or services
Community Services	Halls, cemeteries, parks, tourism, animal pounds and library services
Unallocated	Unallocated Segment
Planning and development	Strategic development and planning
Public safety	Traffic control
Roads	Construction and maintenance of roads and storm water
Refuse	Waste management and refuse removal
Electricity	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 below.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
Revenue								
Revenue from exchange transactions								
Service charges	-	-	-	-	-	660 063	-	660 063
Rental of facilities and equipment	894 847	-	-	-	-	-	-	894 847
Interest revenue	6 213 139	-	-	-	-	-	-	6 213 139
Licences and permits	-	-	39 996	-	757 917	-	-	797 913
Sundry income	1 233 097	-	-	-	-	-	-	1 233 097
Construction revenue	-	-	-	-	-	-	5 222 604	5 222 604
Revenue from non-exchange transactions								
Property rates	17 042 981	-	-	-	-	-	-	17 042 981
Government grants and subsidies	161 023 994	1 567 806	-	86 326 969	-	1 236 362	1 537 784	251 692 915
Fines	-	-	-	-	1 203 400	-	-	1 203 400
Interest received- MEPF	1 675 159	-	-	-	-	-	-	1 675 159
Agency fees	429 745	-	-	-	-	-	-	429 745
Total segment revenue	188 512 962	1 567 806	39 996	86 326 969	1 961 317	1 896 425	6 760 388	287 065 863
Entity's revenue								287 065 863

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
53. Segment information (continued)								
Expenditure								
Employee related costs	65 022 118	7 707 975	1 661 706	1 877 903	9 270 221	5 822 677	1 134 367	92 496 967
Remuneration of councillors	13 344 147	-	-	-	-	-	-	13 344 147
Depreciation and amortisation	3 952 215	5 449 130	46 964	12 817 708	301 595	554 548	208 061	23 330 221
Interest paid	2 406 623	-	-	-	-	-	-	2 406 623
Bad debt written off	47 379	-	-	-	-	-	-	47 379
Contribution allowance for impairment	2 328 154	-	-	-	-	-	-	2 328 154
General expenses	44 404 892	16 712 330	6 595 136	1 914 890	5 443 801	2 828 910	-	77 899 959
Repairs and maintenance	913 880	66 450	351 155	2 979 130	-	-	141 563	4 452 178
Auditors fees	5 429 890	-	-	-	-	-	-	5 429 890
Decrease/(increase) in provision for landfill site	-	-	-	-	-	(94 548)	-	(94 548)
Fair value adjustments	(2 825 568)	-	-	-	-	-	-	(2 825 568)
Actuarial gains/losses	378 321	-	-	-	-	-	-	378 321
Asset write off: Motor vehicles and IT equipment	1 077 099	-	-	-	-	-	-	1 077 099
Impairment loss: Infrastructure assets	1 304 078	-	-	-	-	-	-	1 304 078
SAMWU liability write-off	(3 220 777)	-	-	-	-	-	-	(3 220 777)
Total segment expenditure	134 562 451	29 935 885	8 654 961	19 589 631	15 015 617	9 111 587	1 483 991	218 354 123
Total segmental surplus/(deficit)	53 950 511	(28 368 079)	(8 614 965)	66 737 338	(13 054 300)	(7 215 162)	5 276 397	68 711 740

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
53. Segment information (continued)								
Assets								
Current Assets								
Inventories	336 233	-	-	-	-	-	-	336 233
Receivables from exchange transactions	1 321 697	-	-	-	-	-	-	1 321 697
Receivables from non-exchange transactions	16 714 063	-	-	-	-	-	-	16 714 063
Statutory receivables	5 706 999	-	-	-	-	-	-	5 706 999
Cash and cash equivalents	304 180	-	-	24 608 278	-	-	-	24 912 458
VAT input accrual	1 709 134	-	-	-	-	-	-	1 709 134
Non-Current Assets								
Investment property	49 195 141	-	-	-	-	-	-	49 195 141
Property, plant and equipment	49 895 061	97 538 089	142 325	251 486 235	864 401	7 092 049	7 183 944	414 202 104
Total segment assets	125 182 508	97 538 089	142 325	276 094 513	864 401	7 092 049	7 183 944	514 097 829
Total assets as per Statement of financial Position								514 097 829
Liabilities								
Current Liabilities								
Other financial liabilities	8 689 631	-	-	-	-	-	-	8 689 631
Payables from exchange transactions	36 238 185	-	-	-	-	-	-	36 238 185
Unspent conditional grants and receipts	-	-	-	11 140 451	-	-	4	11 140 455
Payables from non-exchange	2 929 528	-	-	-	-	-	-	2 929 528
Long service awards	961 892	-	-	-	-	-	-	961 892
VAT output accrual	634 062	-	-	-	-	-	-	634 062
VAT payable	11 594 852	-	-	-	-	-	-	11 594 852
Non-Current Liabilities								
Other financial liabilities	5 132 732	-	-	-	-	-	-	5 132 732
Provisions	-	-	-	-	-	1 095 181	-	1 095 181
Long service awards	4 022 157	-	-	-	-	-	-	4 022 157
Total segment liabilities	70 203 039	-	-	11 140 451	-	1 095 181	4	82 438 675
Total liabilities as per Statement of financial Position								82 438 675

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

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
License and Permits	-	-	-	-	662 533	-	-	662 533
Sundry Income	349 880	8 627	50 280	-	-	-	-	408 787
Construction contract revenue	-	-	-	-	-	-	6 109 565	6 109 565
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	-	215 400 562
Fines	-	-	-	-	976 074	-	-	976 074
Interest received - MEPF	1 353 138	-	-	-	-	-	-	1 353 138
Total segment revenue	178 730 867	4 998 932	50 280	54 928 385	1 725 252	2 380 892	6 109 565	248 924 173
Entity's revenue								248 924 173

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Expenditure

	Unallocated	Community Services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
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	-	10 829 570	141 216	244 084	179 025	19 260 030
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	53 225 773	11 719 048	3 926 427	-	426 474	3 173 790	-	72 471 512
Repairs and Maintenance	1 895 148	55 751	95 000	991 420	-	166 654	123 306	3 327 279
Audit 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 adjustment	(2 296 650)	-	-	-	-	-	-	(2 296 650)
Actuarial gains/losses	(765 299)	-	-	-	-	-	-	(765 299)
Asset write off: Infrastructure and IT equipment	626 048	2 206 172	-	12 378 629	-	-	56 997	15 267 846
Impairment loss: Infrastructure and buildings	268	5 599 619	-	9 374 752	-	-	641	14 975 280
Total segment expenditure	119 208 003	44 294 541	15 835 066	41 859 577	6 958 747	6 668 090	1 207 225	236 031 249
Total segmental surplus/(deficit)	59 522 864	(39 295 609)	(15 784 786)	13 068 808	(5 233 495)	(4 287 198)	4 902 340	12 892 924

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

	Unallocated	Community Services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
53. Segment information (continued)								
Assets								
Current Assets								
Inventories	358 137	-	-	-	-	32 360	-	390 497
Receivables from exchange transactions	1 463 327	-	-	-	-	-	-	1 463 327
Receivables from non-exchange	14 717 191	-	-	-	-	-	-	14 717 191
Statutory receivables	4 797 298	-	-	-	-	-	-	4 797 298
VAT input accrual	1 032 782	-	-	-	-	-	-	1 032 782
Cash and cash equivalents	3 609 494	-	-	17 438 965	2 059 315	-	1 000	23 108 774
Non-current Assets								
Investment property	42 377 436	-	-	-	-	-	-	42 377 436
Property, plant and equipment	131 759 933	-	118 724	206 043 144	106 807	6 816 325	6 171 796	351 016 729
Total segment assets	200 115 598	-	118 724	223 482 109	2 166 122	6 848 685	6 172 796	438 904 034
Total assets as per Statement of financial Position								438 904 034
Liabilities								
Current Liabilities								
Other financial liabilities	-	-	-	-	4 627 657	-	-	4 627 657
Payables from exchange transactions	28 606 035	-	-	-	-	-	-	28 606 035
Unspent conditional grants and receipts	-	-	-	16 098 686	-	-	-	16 098 686
VAT output accrual	652 488	-	-	-	-	-	-	652 488
VAT payable	10 236 572	-	-	-	-	-	-	10 236 572
Payables from non-exchange transactions	5 155 528	-	-	-	-	-	-	5 155 528
Long service awards	220 924	-	-	-	-	-	-	220 924
Non-Current Liabilities								
Other financial liabilities	5 572 759	-	-	-	-	-	-	5 572 759
Provisions	-	-	-	-	-	1 056 410	-	1 056 410
Long service awards	3 729 562	-	-	-	-	-	-	3 729 562
Total segment liabilities	54 173 868	-	-	16 098 686	4 627 657	1 056 410	-	75 956 621
Total liabilities as per Statement of financial Position								75 956 621

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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).

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	(2 176 278)	(1 012 256)
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Expenses incurred on behalf of the principal	(1 273 060)	(1 012 256)
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Payables held on behalf of the principal

Opening balance	-	5 926 848
Expenses incurred	-	(5 926 848)
	-	-

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

55. Prior period errors

1. Commitments

Commitments were understated in the prior year by R11 499,99 due to expenditure that was omitted in the 2022,33 financial year when capturing expenditure for LLP Health and safety Consulting for Ngonyameni access road in the commitment register.

2. Payables from exchange transactions, VAT, repairs and maintenance and general expenses

In 2023 financial year, general expenditure amounting to R 471 171,73, repairs and maintenance amounting to R5 722,66, VAT of R44 717,02 was not recognised. This error also resulted in accruals of R521 611,41 being understated. This expenditure was erroneously recognised in the current year.

3. Property, Plant and Equipment

Buildings were overstated in the prior year by R 1 110 210 and Infrastructure was understated by R 1 692 547 due assets written offs that were not accounted for correctly on the FAR, and transfers in that were not disclosed for correctly on the Fixed Asset Register.

4. Inventory and general expenses

In 2023 financial year, general expenditure (Electrification) amounting to R6 018 351 was erroneously recognised as inventory. This error also resulted in an an overstatement of inventory and general expenses being understated.

5. Cash and cash equivalents and inventory

Cash and cash equivalents was understated in the prior year by R110. This error also resulted in an overstatement in inventory by the same amount.

6. Revenue from exchange and revenue from non-exchange transactions

Fines were understated in the prior year by R144 374 due to pound fees that were incorrectly classified as sundry income. The error has been corrected retrospectively.

7. Property, plant and equipment and asset write offs

The prior period error is as a result of write offs which were understated in the prior year by R202 806.00, due to a vehicle JPN 799 EC that was declared a write-off on the 27th of June 2023 but was not written off.

8. Property, plant and equipment, retention and general expenses

The prior period error is as a result of Work in Progress which was understated in the prior year by R659 635,00, retention understated by 106 050,26 and general expenses overstated by R 553 585,00 due to Cedarville Pre-School that was classified as general expenses instead of Work in Progress.

9. Employee related cost

Shift allowance was understated in the prior year by R339 777 due to a misclassification to stand-by allowance. The error has been corrected retrospectively.

10. Payables from exchange and non-exchange

In the prior year, payables from exchange transactions were overstated by an amount of R379 953 relating to receivables with credit balances that were misclassified as exchange transactions.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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55. Prior period errors (continued)

11. Construction contract and government grants

The municipality received a construction contract revenue from DMRE in the form of INEP to the value of R6 109 565 in the prior year ; however, this revenue was classified as a government grant under revenue from non-exchange transactions. This revenue was then reclassified as construction contract revenue in the 2023/24 AFS as well in corresponding figures.

12. Statutory receivables and VAT input/output accruals

The municipality did not separate the VAT payable/receivable from SARS and the VAT still to be collected/paid to suppliers or customers. To correct this the municipality disclosed separately the VAT payable to SARS and the VAT still to be collected/paid to suppliers or customers.

13. Construction contract revenue and VAT

The municipality received a construction contract revenue from DMRE in the form of INEP to the value of R7 026 000 inclusive of VAT in the prior year; however, this revenue was recognised as a government grant under revenue from non-exchange transactions inclusive of VAT. To correct this error, the municipality reclassified the grant as a construction contract and recognised VAT.

14. Property, plant and equipment - WIP, infrastructure and depreciation

In the 2021 financial year, the municipality erroneously omitted the capitalisation of the consultant's fees for Ntabankulu Internal Streets project. This error resulted to an understatement of infrastructure and overstatement of WIP which amounts to R 2 210 523,32 and an understatement of depreciation and accumulated depreciation relating to the infrastructure amounting to R 76 436,48 in 2021, R 174 207,39 in 2022 and R 406 062.16 in 2023. To correct this error, the municipality capitalised the consultant's fees and recognised depreciation retrospectively.

In the 2023 financial year, the municipality erroneously capitalised assets at an amount that is more than the expenditure incurred for those assets. This error resulted in an overstatement of infrastructure assets amounting to R 979 293,15, accumulated depreciation and depreciation amounting to R 132 859.08 , and an understatement of WIP amounting to R 979 293,15 as the capitalisation left the WIP account with a negative balance.

In the 2023 financial year, an infrastructure project to the value of R 3 114 005,93 was erroneously omitted from being capitalised. This error resulted to an overstatement of WIP and an understatement of infrastructure by the same amount, and understatement of accumulated depreciation and depreciation amounting to R 2 108.44

15. Property, Plant and Equipment- WIP and retention fees

In the 2023 financial year, retention for certain infrastructure projects was not capitalised into the WIP account; however, during the capitalisation of these projects the full expenditure including retention was processed against the WIP account which resulted in the WIP account having a negative balance. This error resulted to an understatement of WIP and retention by R 2 604 638,08. To correct this error, the municipality capitalised retention on WIP and recognised retention fees liability.

The correction of the error(s) results in adjustments as follows:

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
55. Prior period errors (continued)		
Statement of financial position		
Property, plant and equipment	-	(202 806)
Property, Plant and Equipment	-	582 332
Payables from exchange transactions	-	(521 612)
VAT receivable	-	44 717
Inventory	-	(6 018 351)
Cash and cash equivalents	-	110
Inventory	-	(110)
Payables from exchange transactions	-	379 953
Payables from non-exchange transactions	-	(379 953)
Property, Plant and Equipment	-	553 586
Property, Plant and Equipment	-	106 050
Payables from exchange transactions	-	(106 050)
Statutory receivables - VAT	-	(380 294)
VAT input accrual	-	1 032 782
VAT output accrual	-	(652 488)
VAT payable	-	(12 171 133)
Property, Plant and Equipment - WIP	-	979 293
Property, Plant and Equipment - Infrastructure	-	(979 293)
Accumulated depreciation- Infrastructure	-	(541 030)
Decrease in accumulated surplus	-	12 421 777
Property, Plant and Equipment - WIP	-	2 604 638
Retention fees	-	(2 604 638)
Property, Plant and Equipment- WIP	-	(3 114 006)
Property, Plant and Equipment - Infrastructure	-	3 114 006
Accumulated depreciation - Infrastructure	-	(250 644)
VAT payable	-	(916 435)
	-	(7 019 599)
Statement of financial performance		
General expenses	-	(471 172)
Repairs and maintenance	-	(5 723)
General expenses	-	(6 018 351)
Assets write-off	-	582 332
Sundry income	-	(144 374)
Fines	-	144 374
Asset write off	-	(202 806)
General expenses	-	553 586
Employee related costs - Stand-by allowance	-	(339 777)
Employee related costs - Shift allowance	-	339 777
Construction contract revenue	-	6 109 565
Government grants and subsidies	-	(6 109 565)
Construction contract revenue	-	(916 435)
Depreciation- infrastructure	-	(541 030)
	-	(7 019 599)
56. VAT input accrual		
VAT input accrual	1 709 134	1 032 782
VAT input accrual relates to VAT on Trade payables that have not yet been paid at year end. Only once payment is made, the VAT becomes receivable from SARS.		
Current assets		
VAT input accrual	1 709 134	1 032 782

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
57. VAT output accrual		
VAT output accrual	634 062	652 488

VAT output accrual relates to VAT on rental and refuse receivables that have not yet been received at year end.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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58. Construction contracts

Contract between NLM and Department of Mineral Resources and Energy

At 30 June 2024, no retention of contracts in progress was held.

Contract revenue and costs

The municipality recognises revenue using the actual costs of completion as per the payment certificate received from Electrical engineers for agreements that meet all the criteria in paragraph .29 of GRAP9 (Revenue from Exchange Transactions), continuously as construction progresses.

The amount of revenue arising from such agreements in the period	5 222 604	6 109 565
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The aggregate amount of costs incurred for agreements in progress	5 222 604	6 109 565
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59. Change in estimate

Property, plant and equipment

The useful lives of all asset classes were adjusted during 2023/2024 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 9. The effect of changing the remaining useful life of assets for the Municipality during 2023/2024 has decreased the depreciation charge for the current year by R757 059 and future periods. It is impracticable to estimate the effect of these changes on future periods.