uMdoni Municipality
Annual Financial Statements
for the year ended 30 June 2022

* See Note 50

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The primary function of Umdoni Local Municipality is to provide basic services i.e. refuse, roads and stormwater facilities within the municipality's jurisdiction.
Mayoral committee	
Executive Mayor	Cllr ST Khathi (Mayor)
	Cllr SSI Khwela(Deputy Mayor)-(July 2021 to November 2021)
	Cllr ME Mbutho (Deputy Mayor -(December 2021 to June 2022)
	Cllr NP Mpanza(Speaker) -(July 2021 to November 2021)
	Cllr MJ Cele (Speaker) - (December 2021 to June 2022)
	Cllr BC Mngadi(EXCO Member) (July 2021 to November 2021)
	Cllr EV Baptie (EXCO Member) (July 2021 to 30 June 2022)
	Cllr S Mzelemu(EXCO Member)(July 2021 to November 2021)
	Cllr WT Dube (EXCO Member)(July 2021 to November 2021)
	Cllr MJ Cele(EXCO Member)(July 2021 to November 2021)
Councillors	Councillors 1 July 2021 to 08 November 2021
	Cllr SSI Khwela
	Cllr EV Baptie
	Cllr SD Mdluli
	Cllr DP Gambushe
	Cllr LN Myende
	Cllr JM Ndlela
	Cllr S Sookhraj
	Cllr R Brijral
	Cllr NY Khabela
	Cllr SC Shange
	Cllr M Nombuso
	Cllr NP Mpanza
	Cllr MC Ngcobo
	Cllr FM Ngwane
	Cllr S Bhekisa
	Cllr LR Dlamini
	Cllr BB Sosibo
	Cllr S Mzelemu
	Cllr HDT Mntambo
	Cllr T Sokhulu
	Cllr RB Bhoola
	Cllr PE Thabethe
	Cllr SH Cele
	Cllr BC Mngadi
	Cllr NP Mombika
	Cllr ST Khathi
	Cllr BO Mbele
	Cllr JN Gwala
	Cllr ZT Hlongwa
	Cllr WT Dube
	Cllr D Hlengwa
	Cllr MA Khan
	Cllr S Singh

General Information

Cllr JJ East
Cllr DN Hlongwa
Cllr RS Maharaj
Cllr MJ Cele
Cllr MJ Ngubo
Cllr S Mohamed
Councillors 09 November 2021- 30 June 2022
Cllr EV Baptie
Cllr SD Mduli
Cllr JM Ndela
Cllr S Sookhraj
Cllr LR Dlamini
Cllr S Mzelemu
Cllr RB Bhoola
Cllr PE Thabehte
Cllr PN Nombika
Cllr ST Khathi
Cllr K Muhammad
Cllr MA Khan
Cllr S Singh
Cllr RS Maharaj
Cllr MJ Cele
Cllr MJ Ngubo
Cllr S Mahomed
Cllr TN Ndlovu
Cllr MP Tenza
Cllr SN Mlaba
Cllr WS Mthwane
Cllr TM Msomi
Cllr BA Cele
Cllr ZKW Jeza
Cllr MA Mbanjwa
Cllr ZZ Duma
Cllr SEH Mngoma
Cllr Z Molife
Cllr SV Khanyile
Cllr NL Nkomo
Cllr S Zulu
Cllr KP Khumalo
Cllr CN Gumede
Cllr RG Ngcobo
Cllr MR Madlala
Cllr JS Jiji
Cllr ME Mbutho
Cllr GM Phungula

Grading of local authority	3
Registered office	Cnr Bram Fischer and Williamson Streets Scottburgh 4180

General Information

	www.umdoni.gov.za
Business address	Cnr Bram Fischer and Williamson Streets Scottburgh 4180
Postal address	P O Box 19 Scottburgh 4180
Bankers	Standard Bank
Auditors	Auditor General of South Africa Registered Auditors

Index

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

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. 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 year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Accounting Officer also certifies that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the Accounting Officer on 12 December 2022 and were signed on its behalf by:

Accounting Officer
Ms TC Ndlela

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	192 266 258	205 355 394
Inventories	3	15 963 967	15 963 967
Receivables from exchange transactions	4	8 987 585	9 417 913
Receivables from non-exchange transactions	5	50 240 462	32 567 356
VAT receivable	6	28 639 202	19 967 789
Operating lease asset	7	17 947	80 336
		296 115 421	**283 352 755**
Non-Current Assets			
Investment property	8	8 299 161	8 819 209
Property, plant and equipment	9	581 939 652	634 968 807
Intangible assets	10	151 588	227 382
Heritage assets	11	261 011	261 011
		590 651 412	**644 276 409**
Total Assets		**886 766 833**	**927 629 164**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	65 496 894	67 813 671
Unspent conditional grants and receipts	13	9 839 783	23 155 037
Employee benefit obligation	14	1 047 409	2 602 402
Consumer deposits	15	2 459 502	2 443 001
Operating lease liability	51	109 915	-
		78 953 503	**96 014 111**
Non-Current Liabilities			
Provisions	16	14 185 358	13 509 853
Employee benefit obligation	14	26 289 592	22 882 598
		40 474 950	**36 392 451**
Total Liabilities		**119 428 453**	**132 406 562**
Net Assets		**767 338 380**	**795 222 602**
Housing Development Fund		11 046 657	11 046 904
Accumulated surplus		756 291 723	784 175 698
Total Net Assets		**767 338 380**	**795 222 602**

* See Note 50

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	10 222 465	10 343 958
Sale of goods and rendering of services	18	3 429 325	3 570 274
Rental of facilities and equipment	19	6 739 244	5 788 159
Interest received - Investments	20	7 151 407	7 403 911
Interest received - Receivables		949 063	269 034
Agency services	21	2 211 404	1 633 417
Operational revenue	22	534 185	584 340
Actuarial gains - employee benefits		962 011	-
Donations		242 068	-
Total revenue from exchange transactions		**32 441 172**	**29 593 093**
Revenue from non-exchange transactions			
Property rates	23	103 813 890	99 524 131
Property rates - Penalties and Interest	23	6 033 740	5 341 245
Licences and Permits	24	6 714 833	5 843 374
Transfer revenue			
Government grants & subsidies	25	209 505 343	198 819 719
Fines, Penalties and Forfeits	26	1 272 068	1 329 890
Total revenue from non-exchange transactions		**327 339 874**	**310 858 359**
Total revenue		**359 781 046**	**340 451 452**
Expenditure			
Employee related costs	27	(141 218 260)	(132 750 507)
Remuneration of councillors	28	(14 701 234)	(15 077 973)
Contracted services	29	(70 413 851)	(88 530 395)
Operational expenditure	30	(56 211 003)	(59 373 231)
Depreciation and amortisation	31	(36 924 615)	(38 931 894)
Contribution to landfill site provision	32	(1 202 377)	(839 913)
Impairment of cash and non-cash generating assets	33	(65 227 329)	(3 445 785)
Finance costs	34	-	(174 124)
Lease rentals on operating lease	35	(2 122 176)	(1 031 921)
Debt impairment reversal	36	2 223 349	(17 415 141)
Transfers and subsidies	37	(1 867 704)	(3 213 047)
Loss on disposal of assets and liabilities		-	(885 038)
Actuarial losses		-	(1 294 402)
Material expenditure losses incurred	52	-	(11 148 533)
Total expenditure		**(387 665 200)**	**(374 111 904)**
Deficit for the year		**(27 884 154)**	**(33 660 452)**

* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	11 291 750	819 566 977	830 858 727
Adjustments			
Correction of errors	(244 944)	(1 730 729)	(1 975 673)
Balance at 01 July 2020 as restated*	**11 046 806**	**817 836 248**	**828 883 054**
Changes in net assets			
Surplus for the year	-	(33 660 452)	(33 660 452)
Transfer of rentals to the housing development fund	98	(98)	-
Total changes	98	(33 660 550)	(33 660 452)
Restated* Balance at 01 July 2021	**11 046 904**	**784 175 630**	**795 222 534**
Changes in net assets			
Write offs of debt to the housing development fund	(247)	247	-
Net income (losses) recognised directly in net assets	(247)	247	-
Surplus for the year	-	(27 884 154)	(27 884 154)
Total recognised income and expenses for the year	(247)	(27 883 907)	(27 884 154)
Total changes	(247)	(27 883 907)	(27 884 154)
Balance at 30 June 2022	**11 046 657**	**756 291 723**	**767 338 380**

* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates and taxes		94 638 010	86 898 226
Sale of goods and services		23 591 361	19 444 666
Government Grants and Subsidies		264 330 470	330 603 073
Interest income		7 151 407	7 403 911
		389 711 248	444 349 876
Payments			
Employee costs		(150 971 695)	(142 353 446)
Suppliers		(203 126 788)	(266 961 152)
Finance costs		-	(174 124)
		(354 098 483)	(409 488 722)
Net cash flows from operating activities	39	**35 612 765**	**34 861 154**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(48 811 816)	(24 193 577)
Cash flows from financing activities			
Operating lease liability payments		109 915	-
Net increase/(decrease) in cash and cash equivalents		**(13 089 136)**	**10 667 577**
Cash and cash equivalents at the beginning of the year		205 355 394	194 687 817
Cash and cash equivalents at the end of the year	2	**192 266 258**	**205 355 394**

* See Note 50

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	104 746 190	-	104 746 190	-		104 746 190	103 813 889		(932 301)	99 %	99 %
Service charges	9 773 035	36 324	9 809 359	-		9 809 359	10 222 465		413 106	104 %	105 %
Investment revenue	8 312 000	(1 000 000)	7 312 000	-		7 312 000	7 151 407		(160 593)	98 %	86 %
Transfers recognised - operational	162 880 650	4 152 000	167 032 650	-		167 032 650	167 032 650		-	100 %	103 %
Other own revenue	20 361 233	4 050 467	24 411 700	-		24 411 700	28 957 525		4 545 825	119 %	142 %
Total revenue (excluding capital transfers and contributions)	**306 073 108**	**7 238 791**	**313 311 899**	**-**		**313 311 899**	**317 177 936**		**3 866 037**	**101 %**	**104 %**
Employee costs	(145 345 229)	(3 104 090)	(148 449 319)	-	-	(148 449 319)	(141 218 263)	-	7 231 056	95 %	97 %
Remuneration of councillors	(17 357 503)	-	(17 357 503)	-	-	(17 357 503)	(14 701 234)	-	2 656 269	85 %	85 %
Debt impairment	(2 355 905)	(1 300 000)	(3 655 905)			(3 655 905)	2 223 350	-	5 879 255	(61)%	(94)%
Depreciation and asset impairment	(43 592 522)	-	(43 592 522)			(43 592 522)	(102 152 141)	-	(58 559 619)	234 %	234 %
Transfers and grants	(2 601 252)	647 006	(1 954 246)	-	30 000	(1 924 246)	(1 867 703)	-	56 543	97 %	72 %
Other expenditure	(115 098 083)	(39 937 288)	(155 035 371)	-	(30 000)	(155 065 371)	(130 078 097)	-	24 987 274	84 %	113 %
Total expenditure	**(326 350 494)**	**(43 694 372)**	**(370 044 866)**	**-**	**-**	**(370 044 866)**	**(387 794 088)**	**-**	**(17 749 222)**	**105 %**	**119 %**
Surplus/(Deficit)	**(20 277 386)**	**(36 455 581)**	**(56 732 967)**	**-**		**(56 732 967)**	**(70 616 152)**		**(13 883 185)**	**124 %**	**348 %**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	30 640 350	11 833 450	42 473 800	-		42 473 800	42 731 998		258 198	101 %	139 %
Surplus (Deficit) after capital transfers and contributions	**10 362 964**	**(24 622 131)**	**(14 259 167)**	**-**		**(14 259 167)**	**(27 884 154)**		**(13 624 987)**	**196 %**	**(269)%**
Surplus/(Deficit) for the year	**10 362 964**	**(24 622 131)**	**(14 259 167)**	**-**		**(14 259 167)**	**(27 884 154)**		**(13 624 987)**	**196 %**	**(269)%**
Financial Position											
Total current assets	254 487 727	(30 157 168)	224 330 559	-		224 330 559	295 427 682		71 097 123	132 %	116 %
Total non-current assts	688 771 310	(40 580 931)	648 190 379	-		648 190 379	590 651 214		(57 539 165)	91 %	86 %
Total current liabilities	45 227 913	4 669 683	49 897 596	-		49 897 596	77 642 145		27 744 549	156 %	172 %
Total non-current liabilities	41 469 759	1 816 255	43 286 014	-		43 286 014	41 098 562		(2 187 452)	95 %	99 %
Community wealth / equity	856 561 367	(77 224 039)	779 337 328	-		779 337 328	767 338 187		(11 999 141)	98 %	90 %
Capital expenditure and funds sources											
Total capital expenditure	38 595 086	12 269 728	50 864 814	-		50 864 814	48 811 727		(2 053 087)	96 %	126 %
Sources of capital funds											
Transfers recognised - capital	26 643 781	10 289 959	36 933 740	-		36 933 740	36 731 452		(202 288)	99 %	138 %
Internally generated funds	11 951 305	1 979 769	13 931 074	-		13 931 074	12 132 233		(1 798 841)	87 %	102 %
Total sources of capital funds	**38 595 086**	**12 269 728**	**50 864 814**	**-**		**50 864 814**	**48 863 685**		**(2 001 129)**	**96 %**	**127 %**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	42 605 056	(72 971 332)	(30 366 276)	-		(30 366 276)	35 612 765		65 979 041	(117)%	84 %
Net cash from (used) investing	(47 552 330)	(7 072 667)	(54 624 997)	-		(54 624 997)	(48 811 816)		5 813 181	89 %	103 %
Net cash from (used) financing	(8 237)	-	(8 237)	-		(8 237)	109 915		118 152	(1 334)%	(1 334)%
Net increase/(decrease) in cash and cash equivalents	**(4 955 511)**	**(80 043 999)**	**(84 999 510)**	**-**		**(84 999 510)**	**(13 089 136)**		**71 910 374**	**15 %**	**264 %**
Cash and cash equivalents at the beginning of the year	130 059 555	75 295 839	205 355 394	-		205 355 394	205 355 394		-	100 %	158 %
Cash and cash equivalents at year end	**125 104 044**	**(4 748 160)**	**120 355 884**	**-**		**120 355 884**	**192 266 258**		**(71 910 374)**	**160 %**	**154 %**

1. Presentation of Annual Financial Statements

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

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

Changes in Accounting Policy and Comparability

Accounting policies have been consistency applied, except where otherwise indicated below.

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

STANDARDS APPROVED AND EFFECTIVE FOR 2021/22 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2021/22 financial year:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non -Cash Generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 34	Separate Financial Statements
GRAP 100	Discounted Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

Accounting Policies

INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR 2021/22 FINANCIAL YEAR
IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3 Determining whether an arrangement contains a lease
IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies
IGRAP 6 Loyalty Programmes
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9 Distributions of Non-cash Assets to Owners
IGRAP 10 Assets Received from Customers
IGRAP 13 Operating Leases – Incentives
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 Revenue – Barter Transactions Involving Advertising Services
IGRAP 16 Intangible Assets – Website Costs
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 Recognition and Derecognition of Land
IGRAP 19 Liabilities to Pay Levies
IGRAP 20 Accounting for Adjustments to Revenue

1.1 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.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Recievables from exchange and non -exchange transactions

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

The impairment for trade and other receivables is calculated on an individual and group portfolio basis, based on historical collection levels and other indicators present at the reporting date that correlate with relevant portfolio.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Impairment : Write down of Property Plant and Equipment and Inventories

Accounting Policy 1.9 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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.

Useful lives of property, plant and equipment

As described in Accounting Policy 1.5 , the municipality depreciates over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Defined benefit plan liabilities

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

As described in Accounting Policy 1.20, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 13 and 27 to the Annual Financial Statements.

Allowance for doubtful debts

For trade and other 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment of statutory recievables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.
In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted. However, where the municipality charges interest, discounting is not applied.
An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All the amounts are rounded off to the nearest rand .

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 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.4 Materiality (continued)

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 Housing development fund

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25-30 years
Street lighting	Straight line	35 years
Plant and machinery	Straight line	4-50 years
Furniture and fixtures	Straight line	5-50 years
Motor vehicles	Straight line	2-30 years
IT equipment	Straight line	2-35 years
Traffic signs	Straight line	9-55 years
Landfill Site	Straight line	42-55 years
Community Assets	Straight line	2-65 years
Other property, plant and equipment	Straight line	10-30 years
Artwork	Straight line	3-60 years
Transport assets	Straight line	2-30 years
Bins and containers	Straight line	10-30 years
Other property, plant and equipment # 1	Straight line	10-30 years
Leased Motor vehicles	Straight line	3-5 years
Electricity	Straight line	10-25 years
Stormwater	Straight line	20-80 years
Roads municipal ashphalt surface	Straight line	9-80 years
Roads municipal asphalt basis	Straight line	9-80 years
Roads municipal concrete surface	Straight line	4-50 years
Roads municipal concrete basis	Straight line	4-50 years
Roads municipal gravel surface	Straight line	4-50 years
Kerb and channels	Straight line	12-90 years
Retaining walls	Straight line	25-60 years
Pedestrian footpaths	Straight line	25-30 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date, based on the indicators present in accordance with GRAP 17, whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

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

1.7 Investment property

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

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

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements.

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

1.8 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent Measurement - Cost Model

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

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year.
Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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

Item	**Useful life**
Computer software, other	x years

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Accounting Policies

1.9 Heritage assets (continued)

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

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

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

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

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.10 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

1.10 Financial instruments (continued)

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition
Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions
The fair values of financial instruments are determined as follows:
The fair values of quoted investments are based on current bid prices.
If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

1.11 Statutory receivables

Identification

1.11 Statutory receivables (continued)

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

Accounting Policies

1.11 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

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.

1.12 Inventories

Initial recognition

Inventories comprise of housing stock and consumable stores. Inventories are recognised at the weighted average method. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities.

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

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

Service Charges

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

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of Goods

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.14 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Revenue from recovery of unauthorised, Irregular, fruitless and wastefull expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.15 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Accounting Policies

1.15 Provisions and contingencies (continued)

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

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

The municipality treats its provision for leave pay as an accrual. The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

Provision for staff leave:

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

Provision for refuse site rehabilitation:

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined in terms of the Municipal Landfill Closure Costing Module and calculated annually have been applied

1.16 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less or more and are subject to an insignificant risk of change in value unless the purpose and nature of such investments are for capital appreciation purposes and not held for operational activities as deemed by management .

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

1.17 Unauthorised expenditure

Unauthorised expenditure means expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

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.

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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.

Accounting Policies

1.18 Irregular expenditure

In accordance with Section 1 of the MFMA, irregular expenditure, in relation to a municipality, means:
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:
(a) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
(b) Municipal Systems Act, Act 32 of 2000, and its regulations;
(c) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
(d) The municipality's supply chain management policy, and any by-laws giving effect to that policy
Irregular expenditure that was incurred and identified during the current financial and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.
Irregular expenditure that was incurred and identified during the current financial year and for which write-off is being awaited at year end must be recorded in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.
Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.20 Employee benefits

Retirement Benefits :
The municipality provides retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits.

Post- retirement health care benefits :
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

1.20 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

1.20 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- current service cost;

1.20 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.20 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.21 Deposits

Deposits received by the municipality are in terms of the approved tariff of charges by Council. These mainly relate to the use of community facilities and verge deposits, amongst others

Unidentified Direct Deposits relate to deposits made by the public into the municipality's bank account, which due to a lack of information made during the deposit process, cannot be traced to the relevant debtor. A register is maintained for all Unidentified Direct Deposits. Should all attempts prove fruitless in the identification of the relevant debtor and the amount remains unclaimed by the debtor after a time lapse of two years has occurred, these values are transferred to accumulated surplus.

1.22 Leases

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

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

1.22 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.23 Budget information

The annual budget figures have been prepared in accordance with the GRAP 24 standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality. These figures are those approved by the Council at the beginning and during the year. The budget is approved on an accrual basis by nature classification.

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

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

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

1.24 Prior year adjustments

Restatements are effected to prior period comparatives resulting in the reclassification of prior period disclosure when the presentation or classification of items in the annual financial statements is amended. The nature and reason for the reclassification are disclosed.

1.25 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).

1.25 Events after reporting date (continued)

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

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

1.27 Capital commitments

Items are classified as commitments where the municipality commits itself to the future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by the specific standard of GRAP.

-Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

-Contracts that are entered into before the reporting date, but goods and services have yet been received are disclosed in the disclosure notes to the financial statements.

1.27 Capital commitments (continued)

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

1.27 Capital commitments (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.27 Capital commitments (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.28 Borrowing costs

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

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

1.29 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).

1.29 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

The assessment of whether an 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 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.

1.30 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.

Accounting Policies

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

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.

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.31 Comparative figures

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

1.32 Segment information

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

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

1.32 Segment information (continued)

Measurement

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

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

Figures in Rand	2022	2021

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 278	1 278
Bank balances	8 747 287	14 441 146
Other cash and cash equivalents	183 517 693	190 912 970
	192 266 258	**205 355 394**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Absa Bank- Investment-92-3600-6170	20 003 216	19 460 513	18 878 557	20 003 216	19 460 513	18 878 557
First National Bank - Investment - 62-2251-55391	20 247 669	19 585 555	19 004 099	20 247 669	19 585 926	19 004 470
First National Bank - Investment- 71-0938-31661	-	2 913 653	2 810 398	-	2 913 653	2 810 398
Standard Bank - Investment - 5876211 6/007	10 112 380	11 778 189	11 778 189	10 112 380	11 778 191	11 778 191
Standard Bank - Investment - 5876211 6/008	-	327 200	327 200	-	327 200	327 200
Standard Bank - Investment - 5876211 6/010	-	3 770 923	3 645 884	-	3 770 923	3 645 884
Standard Bank - Investment - 5876211 6/014	-	1 198 103	1 198 103	-	1 198 100	1 198 103
Standard Bank - Investment - 5876211 6/015	5 107 973	7 671 410	7 048 437	5 107 973	7 671 230	7 048 437
Standard Bank - Investment-5876211 6/021	-	-	27 084 690	-	-	27 084 689
Standard Bank - Investment-54417996	-	77 102	76 069	-	77 196	76 069
Standard bank - Investment058762116-025	-	30 000 000	-	-	30 000 000	-
Nedbank - Investment-78810177 59/94	97 494 503	94 129 941	50 245 319	97 494 503	94 129 941	50 245 319
Standard bank-Investment 88762116/028	21 306 762	-	-	21 306 762	-	-
Nedbank - Investment-78810177 59/130	3 007 038	-	-	3 007 038	-	-
Nedbank - Investment-78810177 59/156	-	-	40 115 349	-	-	40 115 349
Standard bank - Cheque-052791 688-Primary Bank Account	8 747 287	14 367 916	12 305 217	8 747 287	14 441 146	12 469 906
Cash on Hand	1 278	1 278	5 250	1 278	1 278	5 250
Standard bank-Investment 88762116/029	738 155	-	-	738 155	-	-
Standard bank-Investment 88762116/027	5 500 000	-	-	5 500 000	-	-
Total	**192 266 261**	**205 281 783**	**194 522 761**	**192 266 261**	**205 355 297**	**194 687 822**

3. Inventories

Housing Inventories	15 963 967	15 963 967

Figures in Rand	2022	2021

4. Receivables from exchange transactions

Gross balances		
Salary debtor	1 327 570	1 327 570
Refuse	11 148 283	8 704 763
Sundry debtors	21 103 667	18 770 993
Department of Transport - accrued revenue	124 694	324 059
	33 704 214	**29 127 385**
Less: Allowance for impairment		
Salary Debtor	(1 327 570)	-
Refuse	(8 152 640)	(5 802 635)
Sundry Debtors	(15 236 419)	(13 906 837)
	(24 716 629)	**(19 709 472)**
Net balance		
Salary debtor	-	1 327 570
Refuse	2 995 643	2 902 128
Sundry debtors	5 867 248	4 864 156
Department of Transport - accrued revenue	124 694	324 059
	8 987 585	**9 417 913**
Salary Debtor		
121 and over	-	1 327 570
Refuse		
Current (0 -30 days)	1 010 226	948 918
31 - 60 days	302 255	257 597
61 - 90 days	251 286	199 663
91 - 120 days	244 572	186 197
121 - 365 plus	9 339 944	7 112 388
	11 148 283	**8 704 763**
Sundry Debtors		
Current (0 -30 days)	2 423 467	1 727 494
31 - 60 days	581 468	726 094
61 - 90 days	560 968	710 538
91 - 120 days	592 302	626 092
121 - 365 days	16 945 462	14 980 775
	21 103 667	**18 770 993**
Department of transport-Accrued revenue		
Current (0 -30 days)	124 694	324 059

5. Receivables from non-exchange transactions

Gross Debtors		
Fines	11 692 941	10 526 740
Property Rates	109 677 564	99 948 357
	121 370 505	**110 475 097**

Impairment

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

Traffic fine impairment	(11 362 671)	(10 357 256)
Property Rates impairment	(59 767 372)	(67 550 485)
	(71 130 043)	**(77 907 741)**

Net Debtors		
Traffic Fines	330 270	169 484
Property Rates	49 910 192	32 397 872
	50 240 462	**32 567 356**

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

Fines	11 692 941	10 526 740
Property rates - Residential	75 664 716	65 410 918
Property rates - Informal Settlements	273 991	172 936
Property rates - Vacant Land	6 365 811	5 137 257
Property rates - Minings and quarries	12 140	11 315
Property rates - Smallholdings Agriculture	397 000	207 635
Property rates - Smallholdings Residential	72 296	47 792
Property rates - Industrial	1 341 508	844 807
Property rates - Farms Other	77 017	169 996
Property rates - Business and Commercial	12 367 157	13 333 804
Property rates - Farms Agriculture	6 358 798	5 790 579
Property rates - Farms Commercial	45 224	29 003
Property rates - Farms Residential	1 868 893	1 463 189
Property rates - State Owned Properties	322 256	306 080
Property rates - Public Service Infrastructure	2 704 286	2 552 333
Property rates - Institutional	358 725	343 534
Property rates - Public Service Purposes	1 406 566	4 087 594
Property rates - Public Benefit Organisations	41 180	39 585
	121 370 505	**110 475 097**

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in tems of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdication. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied on outstanding debt, and is linked to the current prime interest rate + 1%.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:

Fines	(11 362 671)	(10 356 256)
Property rates - Residential	(41 982 751)	(46 029 621)
Property rates - Informal Settlements	(217 585)	(151 413)
Property rates - Vacant Land	(2 541 112)	(2 621 592)
Property rates - Mining and quarries	(8 582)	(8 582)
Property rates - Smallholdings Agriculture	(242 990)	(175 423)
Property rates - Smallholdings Residential	(33 614)	(42 626)
Property rates - Industrial	(280 281)	(169 206)
Property rates - Farms Other	(48 811)	(127 601)
Property rates - Business and Commercial	(6 049 392)	(7 002 555)
Property rates - Farms Agriculture	(4 079 414)	(4 027 696)
Property rates - Farms Commercial	(21 869)	(24 048)
Property rates - Farms Residential	(1 248 525)	(974 872)
Property rates - State Owned Properties	(308 449)	(306 080)
Property rates - Public Service Infrastructure	(2 703 997)	(2 543 015)
Property rates - Institutional	-	(328 715)
Property rates - Public Service Purposes	-	(3 012 954)
Property rates - Public Benefit Organisations	-	(5 486)
	(71 130 043)	**(77 907 741)**

The basis of impairment takes into account the following:

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.

In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

Fines	330 270	169 484
Property rates - Residential	33 681 969	19 065 268
Property rates - Informal Settlements	56 406	21 521
Property rates - Vacant Land	3 824 698	2 515 664
Property rates - Smallholdings Agriculture	154 010	32 211
Property rates - Smallholdings Residential	38 682	5 166
Property rates - Industrial	1 061 226	675 601
Property rates - Farms Other	28 206	42 396
Property rates - Business and Commercial	6 317 766	6 671 098
Property rates - Farms Agriculture	2 279 383	1 762 882
Property rates - Farms Commercial	23 354	4 955
Property rates - Farms Residential	620 368	488 317
Property rates - State Owned Properties	13 807	-
Property rates - Public Service Infrastructure	288	318
Property rates - Mining and quarries	3 558	2 733
Property rates - Public Service Purposes	1 406 566	1 075 639
Property rates - Public Benefit Organisations	399 905	34 099
	50 240 462	**32 567 352**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due but are not impaired and included in receivables from non-exchange transactions:

As of 30 June 2022, statutory receivables of R 24 676 501 (2021:R 59 069 446) were conisdered to be past due and not impaired. This was determined by taking into account the debt that is outstanding for a period of more than 30 days which have not been subjected to impairment:

	2022	2021
Fines	1 893 000	2 084 700
Property rates	8 252 140	8 186 160
	10 145 140	**10 270 860**

Summary of aging of debtors

Traffic Fines

	2022	2021
Current (0-30 days)	99 700	136 500
31-60 days	103 400	181 800
61-90 days	55 700	145 050
91-120 days	81 300	126 200
121 days and over	11 352 841	9 937 190
	11 692 941	**10 526 740**

Property Rates

	2022	2021
Current (0-30 days)	9 150 206	8 019 774
31-60 days	2 237 582	1 969 691
61-90 days	2 017 340	1 576 144
91-120 days	1 810 769	1 310 104
121 days and over	94 461 667	87 072 644
	109 677 564	**99 948 357**

6. VAT receivable

	2022	2021
VAT	28 639 202	19 967 789

VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

7. Operating Leases Asset

	2022	2021
Current assets	17 947	80 336

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases, the following assets have been recognised:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Operating Leases Asset (continued)

Balance at begining of year	80 337	56 601
Operating lease revenue recorded	(493 793)	(385 206)
Operating lease revenue effected	431 403	408 942
	17 947	**80 337**

At the reporting date, the municipality had outstanding receipts in terms of operating leases, which will accrue as follows:

Receivable within 1 year	529 923	542 948
Receivable within 2-5 years	553 049	995 534
	1 082 972	**1 538 482**

Included in the above mentioned operating lease receivables is the followingclass of assets:

Land and building	1 082 972	1 538 482

Notes to the Annual Financial Statements

8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	12 085 445	(3 786 284)	8 299 161	12 085 445	(3 266 236)	8 819 209

Reconciliation of investment property - 2022

	Opening balance	Impairments	Depreciation	Total
Investment property	8 819 209	(121 007)	(399 041)	8 299 161

Reconciliation of investment property - 2021

	Opening balance	Impairments	Depreciation	Total
Investment property	9 415 686	(188 186)	(408 291)	8 819 209

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.

Amounts recognised in surplus or deficit

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	66 759 953	-	66 759 953	69 434 950	(2 674 997)	66 759 953
Buildings	47 925 121	(25 899 117)	22 026 004	46 564 959	(15 977 717)	30 587 242
Infrastructure: Roads	466 680 514	(200 486 552)	266 193 962	452 036 934	(157 435 283)	294 601 651
Infrastructure: Electricity	211 364	(170 848)	40 516	211 364	(160 548)	50 816
Infrastructure: Solid Waste	8 206 007	(5 779 728)	2 426 279	8 732 878	(4 246 236)	4 486 642
Machinery and Equipment	25 267 681	(18 035 019)	7 232 662	20 444 038	(16 333 508)	4 110 530
Infrastructure: Storm Water	119 022 645	(54 966 894)	64 055 751	119 022 645	(38 322 990)	80 699 655
Furniture and Office Equipment	9 240 899	(7 922 749)	1 318 150	9 052 441	(7 440 711)	1 611 730
Transport Assets	33 902 287	(27 984 056)	5 918 231	32 504 952	(25 785 945)	6 719 007
Computer Equipment	10 876 119	(7 859 976)	3 016 143	9 831 483	(7 080 788)	2 750 695
Community Assets	282 902 881	(139 950 880)	142 952 001	257 306 879	(114 715 993)	142 590 886
Total	**1 070 995 471**	**(489 055 819)**	**581 939 652**	**1 025 143 523**	**(390 174 716)**	**634 968 807**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	66 759 953	-	-	-	-	-	66 759 953
Buildings	30 587 242	1 360 163	-	-	(2 141 883)	(7 779 518)	22 026 004
Infrastructure: Roads	294 601 651	14 643 579	-	-	(16 294 255)	(26 757 013)	266 193 962
Infrastructure: Solid Waste	4 486 642	-	-	(526 871)	(513 247)	(1 020 245)	2 426 279
Infrastructure: Storm Water	80 699 655	-	-	-	(3 204 147)	(13 439 757)	64 055 751
Infrastructure: Electricity	50 816	-	-	-	(10 300)	-	40 516
Machinery and equipment	4 110 530	4 823 643	-	-	(1 552 185)	(149 326)	7 232 662
Furniture and office equipment	1 611 730	188 458	-	-	(446 731)	(35 307)	1 318 150
Transport Assets	6 719 007	1 397 335	-	-	(1 964 250)	(233 861)	5 918 231
Computer equipment	2 750 695	802 568	242 068	-	(736 500)	(42 688)	3 016 143
Community Assets	142 590 886	25 596 003	-	-	(9 586 281)	(15 648 607)	142 952 001
	634 968 807	**48 811 749**	**242 068**	**(526 871)**	**(36 449 779)**	**(65 106 322)**	**581 939 652**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	69 434 950	-	-	-	-	(2 674 997)	66 759 953
Buildings	32 790 951	-	-	-	(2 157 123)	(46 586)	30 587 242
Infrastructure: Roads	298 906 262	14 220 637	(885 037)	-	(17 640 211)	-	294 601 651
Infrastructure: Solid waste	3 278 781	100 000	-	1 371 569	(263 708)	-	4 486 642
Infrastructure: Stormwater	84 216 739	-	-	-	(3 517 084)	-	80 699 655
Infrrastructure: Electricity	61 123	-	-	-	(10 307)	-	50 816
Machinery and Equipment	3 529 915	74 140	-	-	712 092	(205 617)	4 110 530
Furniture and office equipment	2 180 507	28 700	-	-	(530 205)	(67 272)	1 611 730
Transport Assets	9 630 943	-	-	-	(2 820 851)	(91 085)	6 719 007
Computer equipment	2 125 541	1 678 920	-	-	(881 725)	(172 041)	2 750 695
Community Assets	145 836 227	8 091 178	-	-	(11 336 519)	-	142 590 886
	651 991 939	**24 193 575**	**(885 037)**	**1 371 569**	**(38 445 641)**	**(3 257 598)**	**634 968 807**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	12 166 021	10 118 120	1 304 341	23 588 482
Additions/capital expenditure	14 643 579	25 596 003	-	40 239 582
Transferred to completed items	(5 385 412)	(12 469 397)	-	(17 854 809)
	21 424 188	**23 244 726**	**1 304 341**	**45 973 255**

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	14 553 530	5 093 184	19 646 714
Additions/capital expenditure	14 220 637	7 996 177	22 216 814
Transferred to completed items	(17 026 234)	-	(17 026 234)
	11 747 933	**13 089 361**	**24 837 294**

Expenditure incurred to repair and maintain property, plant and equipment

	2022	2021
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	11 079 848	34 272 955
General expenses	5 337 131	5 898 175
	16 416 979	**40 171 130**

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.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

The following land assets, the Municipality has assessed that it has the right to direct access to, and restrict or deny the access of others to land while another is the legal owner of land. Substance over form determines that the land is controlled by the Municipality as it has the right to direct access to land, and to restrict or deny the access of others to land in terms of IGRAP 18.

Shayamoya Hall (R9 374), the municipality had built a hall on this land hence the recognition. Control can only be exercised on the portion where the building is situated.

UMdoni Municipality is responsible for operating the MPCC in Malangeni as its own building due to cabinet or Council decisions made in the past. The substance over form takes precedent even though there's no formal agreement. Control is only exercised on the portion where the building is situated(Lot 981 Malangeni , R 1038).

The library was built on this land of which the building belongs to the municipality. Control is only exercised on the portion where the building is situated (Lot 982 Malangeni , R 1038). Park Rynie (R11 000 000, Lot 572), the municipality had leased the land from the Department of Public Works with the primary intention of promoting local tourism. The rental income earned is incidental, consequently the land could not be classified as investment property. As part of the on-going local tourism promotion strategy, the municipality has erected buildings on the property. It is assumed that even though the lease term is not unlimited but it will be renewed and the service provided will continue in an ongoing basis.

	2022	2021
Carrying value of land included in the carrying value of Property, plant and equipment	11 011 450	11 011 450

Land derecognised in terms of legislation which entity transfers control without legal ownership or custodianship

The municipality has assessed that it is the legal owner or custodian of the land, however, it has concluded that it does not control the land since Ugu District Municipality enjoys the control benefits of the land as per IGRAP 18.

The Ugu District Municipality utilises the land to install water services infrastructure assets for water provision thus derives service potential. This demonstrates that it has a substantive right to control the land, for the right to be substantive, the holder of the right must have the present ability to exercise that right. The provision of water services was transferred from the local municipalities to district municipalities; in accordance with the Structures Act and gazette, the related assets were supposed to be transferred to Ugu District Municipality by the Deeds Registrar.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Property, plant and equipment (continued)

Carrying value of land derecognised from the carrying value of Property, plant andequipment	5 019 025	5 019 025

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	389 799	(238 211)	151 588	389 799	(162 417)	227 382

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	227 382	(75 794)	151 588

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	305 342	(77 960)	227 382

11. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monument and Antiquities	261 011	-	261 011	261 011	-	261 011

Reconciliation of heritage assets 2022

11. Heritage assets (continued)

	Opening balance	Total
Historical Monument and Antiquities	261 011	261 011

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical Monument	261 011	261 011

12. Payables from exchange transactions

Trade payables and accruals	28 621 669	34 926 850
Payments received in advance	6 383 641	6 424 760
Accrued leave pay	16 816 130	16 108 255
Retention held	11 202 545	7 411 922
Unidentified direct deposits	2 472 909	2 941 884
	65 496 894	**67 813 671**

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors. The municipality has financial policies place to ensure that all payables are paid within the credit timeframe.

Retention refers to monies retained by the municipality on construction work completed by the various suppliers throughout the duration of their contract. These monies are released upon progressive completion of their respective undertakings.

Leave accrual is due to staff leave accruing to the staff of the municipality on an annual basis, subject to certain conditions and is capped at 48 days as per the collective agreement. The provision is an estimate of the amount due at the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Equitable share Covid 19 grant	-	4 152 000
Disaster Management Grant	4 985 525	4 985 525
Municipal Infrastructure Grant	1 106	9 833 450
Scottburgh CBD Rehabiliatation	-	5 270
Small town Rehabilitation Grant	4 000 000	-
Title Deeds Restoration Grant	852 998	1 080 759
Housing Development	154	3 098 033
	9 839 783	**23 155 037**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

14. Employee benefit obligations

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

Carrying value		
Medical Aid	21 509 000	(20 338 000)
Long Service	5 828 001	(5 147 000)
	27 337 001	**(25 485 000)**
Non-current liabilities	26 289 592	22 882 598
Current liabilities	1 047 409	2 602 402
	27 337 001	**25 485 000**

Post Retirement Medical Aid Obligation:
The fair value of plan assets includes:

Post Employment Health Care Benefit Liability	21 509 000	20 338 000
Subtotal	21 509 000	20 338 000
Less: Transfer to Current Provisions	(903 000)	(804 000)
	20 606 000	**19 534 000**

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2022 by ARCH Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

In-service members	200	203
Continuation members	19	18
	219	**221**

The liability in respect of past service has been estimated to be as:

In-service members	10 668 000	10 101 000
Continuation members	8 501 000	7 985 000
	19 169 000	**18 086 000**

The municipality makes monthly contributions for health care

- Bonitas

- Key Health

- LA Health

- Samwumed

- Hosmed

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	11,82 %	10,05 %
Health Care Cost Inflation Rate	8,43 %	6,83 %
Net Effective Discount Rate	3,13 %	3,01 %
Expected Retirement Age - Males and Females	62	62

The amounts recognised in the Statement of Financial Position are as follows:

Present Value of Fund Obligations	21 509 000	20 338 000

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

Current service cost	1 082 000	898 000
Interest cost	2 005 000	1 720 000
Actuarial (gain)/loss recognised	(1 090 710)	1 294 402
	1 996 290	**3 912 402**

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	20 338 000	17 171 000
Current service cost	1 082 000	898 000
Interest cost	2 005 000	1 720 000
Benefits paid	(804 000)	(745 402)
Recognised acturial (gain)/loss	(1 090 710)	1 294 402
	21 530 290	**20 338 000**

The effect of a 1% change in inflation rate movement in the assumed rate of health care:

Increase		
Effect on the defined benefit obligation	2 680 000	2 421 000
Decrease		
Effect on the defined benefit obligation	2 276 000	(2 861 000)

14. Employee benefit obligations (continued)

The future service cost for the ensuing year is estimated to be R108 200 whereas the interest-cost for the next year is estimated to be R 2005 000 (2021: R 898,000 and R1720,000 respectively)

The history of experienced adjustments are as follows:	2022	2021	2020	2019	2018
Present value of Defined Benefit Obligation	21 509 000	20 338 000	17 171 000	16 383 557	16 183 760

Defined contribution plan - Natal Joint Municipal Pension Fund

Umdoni Municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors.

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

All of these afore-mentioned funds are multi-employer plans and are subject to either a triennual, biennual or annual actuarial valuation, details which are provided below.

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

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

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

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

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

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

14. Employee benefit obligations (continued)

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2021 by Argen Actuarial Solution.

The actuarial valuation performed as at 31 March 2021 revealed that the fund had a shortfall of R 162.5 million (31 March 2018: shortfall of R 162.5 million) , with a funding level of 101.0% (31 March 2018: 96,1%). The contribution rate, including the surcharges below, paid by the members (7%) and municipalities (18,37%) should be sufficient to eradicate the shortfall in the fund. However, the basic contribution payable is 0.8% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuarial Solutions.

The actuarial valuation performed as at 31 March 2021 revealed that the fund had a shortfall of R Nil (31 March 2018 shortfall of R Nil), with a funding level of 100,0% (31 March 2018: 100%). The contribution rate paid by the members (9,25%) and municipalities (21,63%) is 0.32% (31 March 2015 : 0.22%) less than the required contribution rate for future service and will be reviewed at the next valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2018: 9,5%) of pensionable salaries.

This surcharge is payable until 31 July 2020. The surcharge to local authorities amounts to 9.50% (31 March 2018: 9.50%). The "Scheme to eliminate deficiency" in terms of Section 18 of the Pension Funds Act was implemented with effect from 1 August 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund will merge with the Retirement Fund in the near future.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The valuation performed as at 30 June 2021 revealed that the assets of the fund amounted to R 7 255 819 (30 June 2011: R1,483,786,381). The contribution rate paid by the members (13.75%) and the municipalities (15%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2021.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuaries.

The actuarial valuation performed as at 31 March 2021 revealed that the market value of the fund was R 4,105,682 million (31 March 2018: R 2,636,064 million). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2021.

None of the above mentioned plans are State Plans

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

Long Service Awards

Provision for long service awards	5 828 000	5 147 000
Subtotal	5 828 000	5 147 000
Less: Transfer of current provisions	(456 000)	(504 000)
	5 372 000	**4 643 000**

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Umdoni Municipality). The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2022 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2022 by Arch Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 395 employees were eligible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R 629,000 whereas the interest-cost for the next year is estimated to be R 626,000

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	11,16 %	9,62 %
Expected rate of salary increase	7,33 %	5,91 %
Net effective discount rate	3,57 %	3,50 %

The amounts recognised in the Statement of Financial Position are as		
Present value of fund obligation	5 828 000	5 147 000

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:		
Current Service Cost	595 000	556 000
Interest Cost	471 000	340 000
Actuarial loss/(gain)	128 699	19 899
	1 194 699	**915 899**

The movement in the defined benefit obligation over the year is as follows:		
Balance at Begining of year	5 147 000	4 812 000
Current service cost	595 000	556 000
Interest Cost	471 000	340 000
Benefit Paid	(513 699)	(580 899)
Acturial (gain)/loss recognised	128 699	19 899
	5 828 000	**5 147 000**

The effect of a 1% movement in the assumed rate of salary inflation is as follows:		
Increase		
Effect on the aggregate of the current service and interest cost	975 000	975 000
Decrease		
Effect on the aggregate of the current service and interest cost	827 000	827 000

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

The history of experienced adjustments are as follows:	2022	2021	2020	2019	2018
	5 828 000	5 147 000	4 812 000	4 516 624	4 022 751

15. Consumer deposits

	2022	2021
Rates- Valuations appeal	19 819	19 819
signage and poster deposits	79 988	79 988
Verge deposits	1 466 382	1 493 455
Rental deposits	893 313	849 739
	2 459 502	**2 443 001**

Deposits are paid by members of the community on application for the hire of community halls and facilities, as stipulated in the tariff of charges. The deposits are repaid when the use of community halls and facilities are completed, and an inspection has been executed to ensure that the facilties hired have been restored to its original condition, and no damage to the property is evident. Council may utilise the deposit as payment to rectify the facilities to its original condition or to restore damage to the property

No interest is paid on consumer deposits held.

16. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	13 509 853	1 202 376	(526 871)	14 185 358

Reconciliation of provisions - 2021

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	11 298 370	839 913	1 371 570	13 509 853

17. Service charges

	2022	2021
Solid waste	72 989	95 191
Refuse removal	10 149 476	10 248 767
	10 222 465	**10 343 958**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Sale of goods and rendering of services

Advertising	-	16 885
Camping fees	246 248	210 318
Tender documents	63 865	51 130
Cemetery and burial	87 197	78 038
Legal fees	148 416	165 447
Building plan fees	724 222	908 270
Membership	9	62
Photocopies and faxes	44 387	19 806
Application for land usage	18 689	10 139
Removal of restrictions	-	31 296
Clearance certificates	242 559	247 861
Demolition application fees	-	419
Parking fees	213 146	180 247
Encroachment fees	1 635	2 303
Town planning and servitudes	14 124	2 856
Subdivision	-	1 263
Staff housing rentals	188 739	181 661
Traffic Control	1 436 089	1 462 273
	3 429 325	**3 570 274**

19. Rental of facilities and equipment

Premises		
Premises	6 739 244	5 788 159

20. Interest on investments

Interest revenue		
Bank	7 151 407	7 403 911

21. Agency services

Vehicle Registration	2 211 404	1 633 417

22. Operational revenue

Skills Development Levy Fund	261 140	126 313
Settlement Discount	-	7 739
Commision Earned	253 622	430 803
Special consents	17 019	9 163
Inspection fees	1 983	10 270
Breakages and Losses	421	52
	534 185	**584 340**

Figures in Rand	2022	2021

23. Property rates

Property rates billed

Residential	62 752 124	59 210 202
Business, Commercial and Industrial	19 350 669	27 632 600
Public Benefit and Public Service Infrastructure	9 380 909	5 017 785
Small holdings and farms	4 219 913	4 038 153
Vacant Land	8 110 275	3 625 391
	103 813 890	99 524 131
Property rates - interest and penalties imposed	6 033 740	5 341 245
	109 847 630	**104 865 376**

Randages in terms of the Municipal Property Rates Act

Residential	0,01133	0,01091
Commercial,Business and Industrial	0,01517	0,01460
Agricultural Property	0,02840	0,00273
Public Service Infrastructure, Public Benefit Organisations	0,00284	0,00273
Vacant Industrial, Commercial and Other	0,02830	0,02720

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2022.

Rebates on these rates are allowed on the following basis:

Special residential (excluding land)	75 000	75 000
Vacant property	15 000	15 000
Disabled persons, pensioners, indigent persons as defined in the indigent policy (inclusiveof the R75,000 above)	370 000	370 000
	460 000	**460 000**

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

24. Licences and permits

Boat	4 638	10 522
Trading licence	16 001	33 718
Drivers and Learners licence	6 668 218	5 787 923
Taxi rank permits	25 976	11 211
	6 714 833	**5 843 374**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Government grants and subsidies

Operating grants

Equitable share	151 763 000	161 997 000
Finance Management Grant	1 950 000	2 000 000
Tiltle Deeds Grant	-	29 072
Spatial Development Framework Grant	-	730 500
Provincial Library Services Grant	9 731 000	9 338 000
Expanded Public Works Programme	1 976 000	1 398 000
Municipal Infrastructure Grant	1 612 650	1 524 900
	167 032 650	**177 017 472**

Capital grants

Municipal Infrastructure Grant	40 472 693	21 802 247
EDTEA Grant	2 000 000	-
	42 472 693	**21 802 247**
	209 505 343	**198 819 719**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	116 952 502	34 100 803
Unconditional grants received	147 611 000	166 149 000
	264 563 502	**200 249 803**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable share-Covid 19 grant

Balance unspent at beginning of year	4 152 000	26 476 000
Conditions met - transferred to revenue	(4 152 000)	(22 324 000)
	-	**4 152 000**

Conditions still to be met - remain liabilities (see note 13).

Disaster Management Grant

Balance unspent at beginning of year	4 985 524	4 985 524

Conditions still to be met - remain liabilities (see note 13).

Municipal Infrastructure Grant

Balance unspent at beginning of year	9 833 450	8 441 597
Current-year receipts	32 253 000	24 719 000
Conditions met - transferred to revenue	(42 085 344)	(23 327 147)
	1 106	**9 833 450**

Conditions still to be met - remain liabilities (see note 13).

Provincial Library Services Grant

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Government grants and subsidies (continued)

Current-year receipts	9 731 000	9 338 000
Conditions met - transferred to revenue	(9 731 000)	(9 338 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Small Town Rehabiliatation Grant

Current-year receipts	4 000 000	-

Conditions still to be met - remain liabilities (see note 13).

.

Expanded Public Works Programme

Current-year receipts	1 976 000	1 398 000
Conditions met - transferred to revenue	(1 976 000)	(1 398 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Title Deeds Restoration Grant

Balance unspent at beginning of year	1 080 759	235 952
Current-year receipts	-	873 879
Payments made on behalf of principal	(227 761)	(29 072)
	852 998	**1 080 759**

Conditions still to be met - remain liabilities (see note 13).

Finance Managment Grant

Current-year receipts	1 950 000	2 000 000
Conditions met - transferred to revenue	(1 950 000)	(2 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Housing Development

Balance unspent at beginning of year	3 098 033	4 968 821
Current-year receipts	65 042 502	124 749 073
Payments made on behalf of principal	(68 140 381)	(126 619 861)
	154	**3 098 033**

Conditions still to be met - remain liabilities (see note 13).

26. Fines, Penalties and Forfeits

Overdue Books Fines	3 260	1 290
Municipal Traffic Fines	1 268 808	1 328 600
	1 272 068	**1 329 890**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Employee related costs

Basic salaries	95 753 143	90 778 175
13th cheque	6 735 218	6 656 362
Medical aid contributions	6 279 730	5 894 931
Unemployment Insurance Fund	844 477	762 727
Contribution for Leave Pay	2 133 790	3 267 422
Pension fund contributions	14 654 672	14 363 595
Post retirement medical aid contributions	4 153 000	3 533 899
Staff Insurance	1 477	2 638
Overtime payments	7 493 162	5 385 095
Non Pensionable allowances	708 215	767 077
Shift allowance	172 846	168 607
Housing Benefits and allowances	359 268	299 306
Rental Subsidy	46 134	42 934
Bargaining Council Levy	59 927	57 292
Cellphone allowance	255 885	263 353
Travelling allowance	126 581	42 400
Standby allowance	1 440 735	464 694
	141 218 260	**132 750 507**

Remuneration of the Municipal Manager: Mrs TC Ndlela(November 2021 -June 2022)

Annual Remuneration	709 000	-
Cellphone Allowance	13 912	-
Leave Paid	52 000	-
	774 912	**-**

Remuneration of the Acting Chief Financial Officer : MS Dlamini(July 2021- September 2021)

Annual remuneration	141 056	404 406
Cellphone allowance	-	1 707
Leave Pay	20 310	23 310
	161 366	**429 423**

Remuneration of the General Manager: Corporate Services Mr SG Dludla (Jul 2021 - Jun 2022)

Annual remuneration	846 306	846 306
Cellphone allowance	6 600	6 600
Acting allowance	-	32 457
	852 906	**885 363**

Remuneration of the Acting Municipal Manager: MR NE Biyase (July 21 - December 21)

Annual Remuneration	343 586	-
Package	45 353	-
Leave Paid	32 983	-
Cellphone	6 956	-
	428 878	**-**

Remuneration of the General Manager : Community Services: Mr VT Khanyile (July 20-June 2022)

Annual remuneration	666 306	696 307
Cellphone allowance	6 600	6 600
Travel allowance	180 000	150 000
	852 906	**852 907**

Remuneration of the Acting General Manager: Planning and Development Mr MCI Mzotho (June 2021-June 2022)

Figures in Rand	2022	2021

27. Employee related costs (continued)

Annual remuneration	669 993	811 044
Cellphone allowance	6 480	6 480
	676 473	**817 524**

Remuneration of the Acting Chief Financial Officer : MS Vilakazi(September 2021-March 2022)

Annual Remuneration	367 098	-
Cellphone	3 850	-
Leave Paid	40 622	-
Travel	126 581	-
	538 151	**-**

Remuneration of the Acting Chief Financial Officer : Mr ZN Mhlongo(April 2022-June 2022)

Annual Remuneration	191 830	-
Cell phone	1 650	-
	193 480	**-**

28. Remuneration of councillors

Cllr WT Dube (Mayor)	-	301 753
Cllr ST Khathi (Deputy Mayor)	-	305 453
Executive Committee Members	1 974 578	3 507 733
Cllr NP Mpanza (Speaker)	259 024	733 088
Other councillors	10 099 478	9 230 856
Cllr STKhathi(Mayor)	908 919	552 172
Cllr SSI Khwela (Deputy Mayor)	278 952	446 918
ME Mbutho(Deputy Mayor)	457 851	-
Cllr MJ Cele(Speaker)	722 432	-
	14 701 234	**15 077 973**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Remuneration of councillors (continued)

Mayor (Cllr WT Dube)(July 2020- October 2020)		
Basic salary allowance	-	286 953
Cellphone allowance	-	14 800
	-	**301 753**

Deputy Mayor (Cllr SSI Khwela) (July 2021 -November 2021)		
Basic salary allowance	263 264	401 734
Cellphone allowance	15 688	25 900
Backpay	-	19 283
	278 952	**446 917**

Executive Committee Members		
Basic salary allowance	1 974 578	3 282 033
Cellphone allowance	-	225 700
	1 974 578	**3 507 733**

Speaker (Cllr NP Mpanza)(July 2021 -November 2021)		
Basic salary allowance	243 336	688 688
Cellphone allowance	15 688	44 400
	259 024	**733 088**

Speaker (Cllr MJ Cele)(December 2021 -June 2022)		
Salary	667 877	-
Cellphone allowance	42 900	-
Backpay	11 655	-
	722 432	**-**

Mayor (Cllr ST Khathi)(July 2021 -June 2022)		
Basic salary allowance	849 544	502 168
Cellphone allowance	42 900	25 900
Backpay	16 475	24 104
	908 919	**552 172**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Commitee members are full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of council.

The Mayor, Deputy Mayor and Speaker have use of council owned vehicles for official duties and each have one full time driver.

The Mayor has two full time bodyguards. The Deputy Mayor and Speaker have one full time bodyguard per person .

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Contracted services

Outsourced Services		
Alien Vegetation Control	239 000	666 791
Animal Care	49 918	23 741
Business and Advisory	15 380 151	6 407 451
Catering Services	-	336 403
Cleaning Services	-	407 786
Clearing and Grass Cutting Services	3 090 868	1 714 010
Hygiene Services	95 652	6 512 261
Internal Auditors	180 000	259 638
Refuse Removal	12 093 365	8 961 732
Security Services	13 803 717	9 025 186
Swimming Supervision	1 171 350	688 500
Transport Services	95 500	386 801
Electrical	3 881 390	3 768 546
Consultants and Professional Services		
Business and Advisory	264 630	309 663
Infrastructure and Planning	914 618	1 292 505
Legal Cost	4 602 134	4 458 950
Contractors		
Catering Services	1 465 740	950 803
Employee Wellness	-	17 761
First Aid	15 700	14 815
Gas	117 000	149 127
Maintenance of Buildings and Facilities	1 434 400	4 428 013
Maintenance of Equipment	778 169	5 040 163
Maintenance of Unspecified Assets	7 337 476	27 873 282
Medical Services	1 900	85 260
Traffic and Street Lights	937 813	2 264 808
Sports and Recreation	628 898	683 245
Stage and Sound Crew	88 600	86 720
Shark Nets	1 745 862	1 716 434
	70 413 851	**88 530 395**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Operational expenditure

Advertising	827 005	1 888 884
Signage	157 951	107 252
Auditors remuneration	2 117 895	2 926 374
Bank charges	297 194	317 647
Commission paid	166 425	199 052
Consumables, Materials and Supplies	4 097 751	12 796 347
Bursaries	188 678	181 097
Hire charges	6 053 997	1 470 224
Insurance	3 627 005	1 262 598
Conferences and seminar registration fees	893 065	1 050 624
Computer services and licence fees	3 153 243	4 737 976
Skills Development Levies	1 301 055	1 015 644
Fuel and oil	7 867 390	5 249 095
Printing and stationery	1 544 031	743 805
Uniform and Protective clothing	2 252 370	3 185 687
Drivers licence and motor vehicle fees	1 293 619	1 444 126
Subscriptions and membership fees	1 494 580	1 424 360
Telephone and fax	1 955 398	2 310 313
Travel and subsistence expenditure	1 175 318	908 219
Vehicle Tracking	3 213	3 091
Electricity and water	12 050 701	12 118 108
Firearm handling fees	12 800	12 753
Workmens Compensation	1 161 275	1 317 061
Ward Committees	1 461 672	2 175 112
Indigent relief	1 057 372	527 782
	56 211 003	**59 373 231**

31. Depreciation and amortisation

Property, plant and equipment	36 449 779	38 445 643
Investment property	399 042	408 291
Intangible assets	75 794	77 960
	36 924 615	**38 931 894**

32. Contributions to Landfill Site Provisions

Contribution to Landfill Site Provision	1 202 377	839 913

33. Impairment of assets

Impairments		
Property, plant and equipment	65 106 322	3 257 599
Investment property	121 007	188 186
	65 227 329	**3 445 785**

The uMdoni Local Municipality area was affected by the civil unrest that took place in July 2021. There was significant damage to the municipal property which includes both the movable and immovable assets. Furthermore, the uMdoni Local Municipality area was affected by severe weather conditions during the month of April/May 2022 which resulted in significant damage to the municipal property, i.e. infrastructure and community assets. At 30 June 2022, the Municipality performed the conditional assessment of the assets to determine whether there is an indication that they may be impaired. As a result there has been a notable increase in the impairment loss that has been recognised in the current financial year (2021/22) when compared to the previous financial year (2020/21).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

34. Finance costs

Trade and other payables - Overdue accounts	-	174 124

35. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	2 122 176	1 031 921

36. Debt impairment

Debt impairment	(2 223 349)	17 415 141

37. Transfers and Subsidies

Grants paid to ME's		
Ugu South Coast Development Agency and Ugu South Coast Tourism	-	1 867 658
Other subsidies		
Grant in aid	67 612	13 206
Social relief	865 334	107 550
Youth development - Section 20 schools	608 749	395 060
Skills development and training	326 009	829 573
	1 867 704	**1 345 389**
	1 867 704	**3 213 047**

38. Auditors' remuneration

Audit Fees	2 117 895	2 926 374

39. Cash generated from operations

Deficit	(27 884 154)	(33 660 452)
Adjustments for:		
Depreciation and amortisation	36 924 615	38 931 894
Actuarial (gain)/loss	(962 011)	1 294 402
Impairment loss	65 227 329	3 445 785
Debt impairment	(2 223 349)	17 415 141
Movements in operating lease assets and accruals	62 389	(23 736)
Contribution to defined benefit obligations included in employee cost	4 153 000	4 828 301
Contribution to Refuse Site Provision	1 202 377	839 913
Contribution to staff leave	2 133 790	3 267 422
Donated asset recieved	(242 068)	-
Loss on disposal of assets	-	885 038
Changes in working capital:		
Receivables from exchange transactions	(494 311)	(2 744 495)
Receivables from non-exchange transactions	(14 525 108)	(18 752 605)
Payables from exchange transactions	(4 450 579)	24 261 741
VAT	(8 671 413)	(6 387 809)
Unspent conditional grants and receipts	(13 315 254)	3 787 372
Consumer deposits	16 501	93 945
Employee benefit obligation	(1 338 989)	(2 620 703)
	35 612 765	**34 861 154**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	21 068 807	18 526 895

Total capital commitments		
Already contracted for but not provided for	21 068 807	18 526 895

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	21 068 807	18 526 895

This committed expenditure relates to property and will be financed by available retained surpluses, existing cash resources and grant funding.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its printing machines. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

41. Related parties

Related party balances

Transactions with Key Management		
Councillors	14 701 234	15 077 973
Municipal Manager and Section 57 personnel	5 476 514	5 461 003

42. Risk management

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow 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 municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

42. Risk management (continued)

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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

Investments/Bank, Cash and Cash Equivalents-The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. 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 ongoing 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, water and electricity services rendered to them.

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.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Instruments disclosure

Class	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank balances	Financial asset measured at amortised cost

SUMMARY OF FINANCIAL ASSETS

Figures in Rand	2022	2021

42. Risk management (continued)

Financial Assets at Amortised Cost :		
Receivables from exchange transactions	8 987 585	9 417 913
Receivables from non-exchange transactions	50 240 262	32 567 356
Bank balances	192 266 258	205 354 116
VAT receivable	28 639 202	17 997 170
Operating lease asset	17 947	45 993
Financial Assets at Fair Value		
Cash on Hand	1 278	1 278
	280 152 532	**265 383 826**

FINANCIAL LIABILITIES:

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

Class	**Category**
Consumer Deposits	Financial asset measured at amortised cost
Trade Payables and Accruals	Financial asset measured at amortised cost
Payments received in advance	Financial asset measured at fair value
Retention	Financial asset measured at fair value

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Consumer Deposits	2 459 502	2 443 001
Trade Payables and Accruals	28 621 668	34 926 850
Payments received in advance	6 383 641	6 424 760
Retention	11 202 545	7 411 923
Accrued leave pay	16 816 130	16 108 255
Unallocated deposits	2 472 909	2 941 884
	67 956 395	**70 256 673**

43. Unauthorised expenditure

Opening balance as previously reported	120 621 048	103 690 984
Opening balance as restated	**120 621 048**	**103 690 984**
Add: Expenditure identified - current	58 559 419	16 930 064
Less :Amounts written of -prior period	(116 163 192)	-
Closing balance	**63 017 275**	**120 621 048**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	58 559 419	16 930 064

Analysed as follows: non-cash

Impairment of non cash generating assets	58 559 419	-
Debt impairment	-	12 472 207
Write off of assets	-	4 457 857
	58 559 419	**16 930 064**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

43. Unauthorised expenditure (continued)

Analysed as follows: cash

The unauthorised expenditure relates to increased estimates on debt impairment due to decreased collection levels relating to the 2020/2021 Financial year. The increase in impairment of assets is due to damaged infrastructure and other assets from the current year floods relating to the 2021/2022 Financial year.

Unauthorised expenditure: Budget overspending – per municipal department:

Various Departments	58 559 419	16 930 064

Disciplinary steps taken/criminal proceedings

44. Fruitless and wasteful expenditure

Opening balance as previously reported	15 949 996	4 757 822
Opening balance as restated	**15 949 996**	**4 757 822**
Add: Expenditure identified - current	103 262	11 192 174
Less: Amount written off - prior period	(43 641)	-
Closing balance	**16 009 617**	**15 949 996**

Notes to the Annual Financial Statements

Figures in Rand

44. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Interest on late payments	32 819	43 641
Payments made without goods being delivered	-	11 148 533
Legal expense	70 443	-
	103 262	**11 192 174**

Amounts to the value of R 11,148,533 for the prior year expenditure were paid as a direct payment from the trade payable and pension liability accounts, however, management did not determine whether these payments served any value by incurring this expenditure during the due diligence conducted. These payments were to be subject to an investigation and shall be reported to Council for further processes. This expenditure has been included in the fruitless and wasteful expenditure register.

.

45. Irregular expenditure

Opening balance as previously reported	428 375 475	336 734 846
Opening balance as restated	**428 375 475**	**336 734 846**
Add: Irregular Expenditure - current	31 625 584	91 640 629
Add: Irregular Expenditure - prior period	37 663 384	-
Less: Amount written off - prior period	(318 070 532)	-
Closing balance	**179 593 911**	**428 375 475**

45. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

Regulation 36 incorrectly applied	-	44 549
Regulation 32 contracts incorrectly applied	-	769 045
Non Compliance with SCM regulations	32 722 496	8 807 609
BAC Non compliance	35 842 083	49 559 632
Payments made subsequent to expired contracts	724 389	6 405 845
Non-compliance with tax matters	-	512 186
Inadequate documentation to support SCMprocess	-	25 541 763
	69 288 968	**91 640 629**

46. Accounting by principals and agents

Title Deeds Restoration Programme

The Municipality works as an agent on the title deeds restoration programme on behalf of the KZN Provincial Department of human settlements.
The Municipality is considered to be an agent in accordance with GRAP 109, with the KZN Provincial Department of Human Settlements being the principal in this arrangement.

46. Accounting by principals and agents (continued)

Details of the arrangement is as follows:

The purpose of the principal-agent relationship is for funding to effect the transfer of the 1863 houses in the Ifafa Glebe Housing Project.
Significant terms and conditions of the arrangement are as follows:
- The Municipality to submit to the department ,its bussiness plan detailing how funds are to be used ,also setting time frames for utilization of funds

- The municipality to appoint the conveyancers that are registered with the law society of south africa to carry out the transfer of the properties on the business plan.

- To give regular progress reports to the departments as requested and at steering commitee meetings.

- To ensure that the registration of sites is done quickly as possible and with parameters of the law.

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

During the year, the municipality had an opening balance of R 1 080 759. Only R 227 761 has been spent during the year. Balance of R852 998 was left unspent. It is recorded under Unspent Conditional Grants, Current Liabilities

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year.

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been settled during the financial year, and hence no outstanding payments were recorded at year end..

Housing Development Project

The municipality is a party to a principal-agent arrangement in terms of the Housing Development Project. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Human Settlements being the principal in this arrangement.

Details of the arrangement is as follows:

Notes to the Annual Financial Statements

46. Accounting by principals and agents (continued)

The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements.Umdoni Municiaplity is acting as an agent in this arrangement, and the Provincial Department of Human Settlements is the Principal.In additiion the municipality works as an agent on the title deeds restoration programme on behalf of KZN Deparment of human settlements

Significant terms and conditions of the arrangement are as follows:
The municipality to procure the implementation of the project on a rural in-situ upgrade.
Design the product in consultation with all stakeholders.
Investigate building systems and designs for the Top-Structures and Rain Water Harvesting Tanks that are acceptable with the community, the municipality and the Department.
Prepare detailed Top Structure foundation designs in accordance to the varying geotechnical conditions.
Construct the Top Structures and Rain Water Harvesting tanks in accordance with the drawings and specifications within the period of the agreement.

Significant risks have been identified as follows:
The significant risks identified are delays in land acquisitions, Delays in funding approval, Social unrest, Inadequate funding to meet the requirements, and environmental risks
-
Mitigation strategies and benefits associated with the relationship are as follows:
Negotiating with land owners prior to the construction
Ensuring compliance with the agreements to ensure speedy release of the funding
Constant communication with the community and ensuring public participation
Be pro-active in the feasibility study to be aware of the environmental pre-conditions

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

.During the year, the municipality had an opening balance of R 3 098 033 and received R65 042 501. Only R68 140 380 has been spent during the year. Balance of R154 was left unspent. It is recorded under Unspent Conditional Grants, Current Liabilities.

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been paid.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Resources have been recognised by the agent in its financial statements. Included in unspent conditional grants is the balance of the funds left amounting to R154.

During the period the municipality had an opening balance of R3 098 033 and received funds amounting to R65 042 501. Funds were spent in implementing these projects; Amahlongwa Phase 2 Rural Housing Project,Vulamehlo/Mistake Farm,Malangeni Housing Project,KwaCele Rural Housing/Amandawe..
The resources left will not be remitted by the agent to the principal, instead the municipality will continue to implement the projects.
There is no specific time for handing over of rural housing projects. They are handed over as they are completed continuously.

There are cost implications for the entity if the principal-agent arrangement is terminated

The municipality is liable of the damages should it fail to remedy a breach within 14 days of the receipt of a written notice of such breach.

Motor Vehicle Registrations

The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

Figures in Rand	2022	2021

46. Accounting by principals and agents (continued)

Details of the arrangement

The purpose of the principal-agent relationship is to provide service the community and to enhance the municipality's revenue.

Significant terms and conditions of the arrangement are as follows:
The Provincial Department shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year

The municipality provide facilities for owners of motor vehicles to pay their licences. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due.

The municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department

The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences.

The municipality is entitled to retain 8,55% of the cash collected for undertaking this activity on behalf of the Department.

Significant risks have been identified as follows:

The significant risks relate to the possible loss of any monies during transit and potential theft by employees

Mitigation strategies and benefits associated with the relationship are as follows:
Cameras installed and monitored
Access is controlled through biometric system
Cash is collected by the security services company and such cash is insured
Internal controls and reconciliation are performed on a daily and monthly basis

Resources held on behalf of the principal, but recognised in the entity's own financial statements

During the financial year, the municipality collected R25 244 959. All the monies collected were paid over to the principal as banking is done everyday.

No resources are expected to be paid over to the principal.

Revenue recognised

Revenue has been recognised as the compensation for the transactions carried out on behalf of the principal is R2 174 391 (2021: R1 633 417)

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end.

No corresponding rights of reimbursement that have been recognised at year

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources have been recognised by the agent in its financial statements.The municipality is required to return the equipment supplied by the department should the agreement is terminated.

During the period the municipality collected R25 224 959. All the funds were paid over to the Principal by the end of the financial year.No resources expected to be remitted as remaining resources by the agent to the Principal.Banking is done everyday, therefore funds collected on behalf of the principal are paid over everyday.The municipality is required to return the equipment supplied by the department if the agreement is terminated.

Figures in Rand	2022	2021

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 361 607	1 418 810
Amount paid - current year	(1 361 607)	(1 427 515)
	-	**(8 705)**

Audit fees

Current year subscription / fee	2 117 894	2 784 884
Amount paid - current year	(2 117 894)	(2 784 884)
	-	-

Unemployment insurance fund and Skills Levy

Opening balance	2 145 532	1 767 196
Current year subscription / fee	(2 145 532)	(1 767 196)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	20 934 403	20 258 528
Amount paid - current year	(20 934 403)	(20 258 528)
	-	-

VAT

VAT receivable	29 342 657	20 526 085
VAT payable	703 455	558 296
	30 046 112	**21 084 381**

VAT output payables and VAT input receivables are shown in note .

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

Supply chain management regulations

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

Incident		
An emergency: Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of an emergency.	6 013 433	5 850 049
Goods and services procured or available from a single provider only: Expenditure incurred in accordance with Section 36 of the SCM Regulations inrespect of goods and services or available from a single provider only.	208 167	1 301 417
Exceptional case where it is impractical or impossible to follow the official procurementprocesses : Expenditure incurred in accordance to Section 36 ofthe Regulations in respect of exceptional case where it is impractical or impossible to follow the official procurement processes.	1 225 567	1 312 244
	7 447 167	**8 463 710**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Contingent Liabilities

Personal injury claims against the municipality for injuries	5 034 386	4 799 428
Contractual in nature, where by Plaintiff claimed the amount of R610 350 from themunicipality for services allegedly rendered(supply of G4 gravel).	-	583 991
Breach of Contract claim	-	2 465 316
Breach of contract claim in respect of a tender being awarded to a service provider but could not commence construction.	4 706 062	4 706 062
Breach of contract claim – rehabilitation of the Scottburgh CBD	24 902 689	24 902 689
Breach of contract claim due to termination of agreement in respect of the Rehabilitation Umzinto CBD	13 135 907	13 293 858
Counter claim lodged against the municipality for alleged storm water damage	-	1 007 546
Action was instituted contractors pursuant to a cession of debt by the business who were the appointed contractors in respect of Gqolweni Road project Phase 2.	1 558 011	-
Claim against municipality for unfair labour Practice by staff member	50 000	-
Applicant alleged that Umdoni was permitting unlawful invasion of its lane and constructing of a road on its property.	86 250	46 971
Applicant alleges that due to the failed water pipe system above their property heavy rainfall, over time has led to damage to their property	148 321	41 375
	49 621 626	**51 847 236**

Contingent Liabilities that cannot be quantified:
The Municipality has commenced employee job evaluations as prescribed in terms of the salary wage collective agreement between SALGA, IMATU and SAMWU – 27 July 2012. As a result, the Municipality is unable to measure, with sufficient reliability, the amount of such obligation for as at 30 June 2019.

49. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 756 291 723 and that the municipality's total assets exceed its liabilities by 767 338 380.

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.

49. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.

The world continued to experience a Covid-19 pandemic disease, resulting in many businesses and residents financial situation being impacted.

When determining going concern, the wide-ranging effects of the virus and the restrictions imposed were taken into account including the possible impact on service delivery, purchasing of goods and services required to enable service delivery. The working capital cycle impact which may severely affect the entity’s ability to settle its debts as they become due as well as default on payments on loans and facilities has been further considered.

The revenue collection on fines, penalties, service charges, licenses and permits are a few of the income streams which were affected due to the pandemic.

The pandemic has affected all customers of the municipality since operations were prevented during the level restrictions imposed by Government and there is uncertainty on whether the customers will be able to settle their accounts on time. The effects of the pandemic were factored in the calculations of provision for bad debts as required by GRAP 104, taking into account the impact on the collection levels of outstanding debtors for the year under review.

Management has further considered the impact, should the rate of Covid-19 infections increase in the near future, and the possibility that a second lock down may be imminent.

In response to this, the government of South Africa has increased funding support in terms of grants and equitable share which will be used by the municipality to overcome the negative impact of Covid-19 on the municipal operations. The additional allocations will therefore assist the municipality in maintaining cashflow levels to fund service delivery in future.

Management has further redirected funds to meet service delivery requirements and implemented measures to control expenditure to ensure that there is adequate funds to fund additional operations as the need arises.

Based on the above, the financial statements have been prepared on a going concern as sufficient measures are in place to curb the impact of the pandemic.

Notes to the Annual Financial Statements

50. Prior Period Adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	205 355 394	-	-	205 355 394
Receivables from exchange transactions	9 417 913	-	-	9 417 913
Inventories	15 963 967	-	-	15 963 967
Receivables from non-exchange transactions	32 567 356	-	-	32 567 356
VAT receivable	17 997 170	1 970 619	-	19 967 789
Operating lease asset	45 993	34 343	-	80 336
	281 347 793	**2 004 962**	**-**	**283 352 755**
Non-Current Assets				
Investment property	8 819 209	-	-	8 819 209
Property, plant and equipment	631 610 462	3 358 345	-	634 968 807
Intangible assets	227 382	-	-	227 382
Heritage assets	261 011	-	-	261 011
	640 918 064	**3 358 345**	**-**	**644 276 409**
Total Assets	**922 265 857**	**5 363 307**	**-**	**927 629 164**
Liabilities				
Current Liabilities				
Consumer deposits	2 443 001	-	-	2 443 001
Employee benefit obligation	2 602 402	-	-	2 602 402
Payables from exchange transactions	64 081 766	3 731 905	-	67 813 671
Unspent conditional grants and receipts	23 149 767	5 270	-	23 155 037
	92 276 936	**3 737 175**	**-**	**96 014 111**
Non-Current Liabilities				
Employee benefit obligation	22 882 598	-	-	22 882 598
Provisions	13 509 853	-	-	13 509 853
	36 392 451	**-**	**-**	**36 392 451**
Total Liabilities	**128 669 387**	**3 737 175**	**-**	**132 406 562**
Net Assets	**793 596 470**	**1 626 132**	**-**	**795 222 602**
Net Assets				
Reserves				
Housing development fund	11 291 750	(244 846)	-	11 046 904
Accumulated surplus	782 304 720	1 870 978	-	784 175 698
Total Net Assets	**793 596 470**	**1 626 132**	**-**	**795 222 602**

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.1 VAT receivable

Balance previously reported	17 997 170
Prior year adjustments	1 970 619
	19 967 789

This relates to VAT on impairment of debtors which was not raised in the prior year.The contribution to the debt impairment provision included VAT on the income statement in prior years. In accordance with NT Circulars and guidance issued, this amount should be exclusive of VAT and the VAT portion should be effected to the VAT as impairment

50.2 Operating lease asset

Balance previously reported	45 993
Prior period adjustments	34 343
	80 336

Operating leases with indefinite time frames and non-escalated were included in the register for a straight lining. According to the guideline issued by National Treasury/Office of the Accountant General, the straight lining is not required in those leases.

50.3 Property, plant and equipment

Balance previously reported	631 610 462
Prior year adjustments	3 358 345
	634 968 807

The Gumede Majola bridge was incorrectly capitalised to WIP at year end of 2020-21.The WIP adjustment for capitalisation was reversed.Assets that were previously written off were reviewed and matching of descriptions were verified.

50.4 Payables from exchange transactions

Balance previously reported	64 081 767
Prior year adjustments	3 731 904
	67 813 671

Accurals which were incorrectly not included the prior year .This relates invoices received for year 2019/20 and 2020/2021 financial years which were not included in the prior year relating to Department of Labour and Compensation fund.

50.5 Unspent conditional grants and receipts

Balance previously reported	23 149 767
Prior year adjustments	5 270
	23 155 037

There was an unspent portion on the grant that was remaining in the 2017/2018 financial year and taking in account that the amount was immaterial,Cogta requested the return of the money and therefore this had to be restated in order to repay the amount to Cogta.

50.6 Housing development fund

Balance previously reported	11 291 750
Prior period adjustments	(244 846)
	11 046 904

This relates to recognition of the Housing movements of the which was not accounted for previously.

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.7 Accumulated surplus

Balance previously reported	782 304 720
Prior year adjustments	1 870 978
	784 175 698

The above mentioned prior period errors impacted the accumulated surplus in relation to Property ,Plant and Equipment,trade payables from exchange transactions,debt impairment and VAT as well as the housing development fund.

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Sale of goods	3 570 274	-	-	3 570 274
Service charges	10 233 742	110 216	-	10 343 958
Operational revenue	584 340	-	-	584 340
Rental of facilities and equipment	5 663 264	124 895	-	5 788 159
Interest received - receivables	269 034	-	-	269 034
Agency services	1 633 417	-	-	1 633 417
Investment revenue	7 403 911	-	-	7 403 911
Total revenue from exchange transactions	**29 357 982**	**235 111**	**-**	**29 593 093**
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	99 524 131	-	-	99 524 131
Property rates - penalties and interest	5 341 245	-	-	5 341 245
Licence or permits	5 843 374	-	-	5 843 374
Transfer revenue				
Government grants & subsidies	198 819 719	-	-	198 819 719
Fines, Penalties and Forfeits	1 329 890	-	-	1 329 890
Total revenue from non-exchange transactions	**310 858 359**	**-**	**-**	**310 858 359**
Total revenue	**340 216 341**	**235 111**	**-**	**340 451 452**
Expenditure				
Employee related costs	(133 766 151)	-	1 015 644	(132 750 507)
Remuneration of councillors	(15 077 973)	-	-	(15 077 973)
Contribution to landfill site provision	(839 913)	-	-	(839 913)
Depreciation and amortisation	(38 826 678)	(105 216)	-	(38 931 894)
Impairment of cash and non-cash generating assets	(3 445 785)	-	-	(3 445 785)
Finance costs	(174 124)	-	-	(174 124)
Debt impairment	(18 490 091)	1 074 950	-	(17 415 141)
Lease rentals on operating lease	(1 031 921)	-	-	(1 031 921)
Material expenditure losses incurred	(11 148 533)	-	-	(11 148 533)
Contracted services	(88 530 394)	-	-	(88 530 394)
Transfers and subsidies	(3 213 047)	-	-	(3 213 047)
Losses on disposals of assets and liabilities	(4 457 857)	3 572 820	-	(885 036)
Acturial losses	(1 294 402)	-	-	(1 294 402)
Operational expenditure	(57 772 250)	(585 337)	(1 015 644)	(59 373 231)
Total expenditure	**(378 069 119)**	**3 957 217**	**-**	**(374 111 901)**
Operating deficit	**(37 852 778)**	**4 192 328**	**-**	**(33 660 449)**
Deficit for the year	**(37 852 778)**	**4 192 328**	**-**	**(33 660 449)**

50.8 Service charges

Balance previously reported	10 233 742
Prior period adjustments	110 216
	10 343 958

Eskom invoice which was incorrectly included in revenue in the prior year has been correctly moved to expenditure.

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.9 Rental of facilities and equipment

Balance previously reported	5 663 264
Prior period adjustments	124 895
	5 788 159

Operating leases with indefinite time frames and non-escalated were included in the register for a straight lining. According to the guideline issued by National Treasury/Office of the Accountant General, the straight lining is not required in those leases.

50.10 Employee related costs

Balance previously reported	(133 766 151)
Reclassification	1 015 644
	(132 750 507)

In accordance with MFMA Circular No 112 guidance issued on disclosure of Skills development levy,the levy does not constitute employee related cost, this was reclassified to Operational Cost.

50.11 Depreciation and amortisation

Balance previously reported	(38 826 678)
Prior year adjustment	(105 216)
	(38 931 894)

The reversal of the capitalisation of Mashanela hall resulted in an recalculation of depreciation and adjustments.

.

50.12 Debt impairment

Balance previously reported	(18 490 091)
Prior year adjustment	1 074 950
	(17 415 141)

Vat Impairment for debtors were recalculated for prior financial year and restated accordingly. The contribution to the debt impairment provision included VAT on the income statement in prior years. In accordance with NT Circulars and guidance issued, this amount should be exclusive of VAT and the VAT portion should be effected to the VAT as impairment

50.13 Loss on disposal of assets and liabilities

Balance previously reported	(4 457 857)
Prior period adjustments	3 572 821
	(885 036)

The Gumede Majola bridge was incorrectly capitalised to WIP at year end of 2020-21.The WIP adjustment for capitalisation was reversed.Assets that were previously written off were reviewed and matching of descriptions were verified.

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.14 Operational Expenditure

Balance previously reported	(57 772 250)
Prior period adjustments	(585 337)
Reclassifications	(1 015 644)
	(59 373 231)

In accordance with MFMA Circular No 112 guidance issued on disclosure of Skills development levy this does not constitute employee related cost, this was reclassified to Operational Cost.Prior period adjustments relates to correction of accurals incorrectly raised.

51. Operating lease Liability

This Municipality entered into a lease agreement relating to Machinery and Equipment which met the definition of a operating lease.The Actual amount incurred was less then the straight lined amount resulting in a operating lease liability.

Operating lease liability	109 915	-

52. Material expenditure losses incurred

Gains or losses arising from a change in fair value less point of sale costs	-	11 148 533

The above mentioned amounts were paid as a direct payment from the trade payable and pension liability accounts, however, management did not determine whether these payments served any value by incurring this expenditure during the due diligence conducted. These payments were to be subject to an investigation and shall be reported to Council for further processes. This expenditure has been included in the fruitless and wasteful expenditure register. Management has undertaken a due diligence, and confirmed the completeness of the amount disclosed as material losses.

53. Change in estimate

Property, plant and equipment

The useful lives of Property Plant and Equipment were assessed by management. At the end of the current period management has revised their estimate ranging from months to 3 years for different asset categories. The effect of this revision has decreased the depreciation charge for the current and the future period by R3220 156,16 in respect of these assets. The assessment was done at year end when the assets were approaching the end of the useful lives and the economic benefits still accruing to the municipality.

Depreciation previously reported	8 101 400	967 496
Change in estimate	(4 881 244)	(656 534)
Depreciation restated	**3 220 156**	**310 962**

Landfill site

[IThe survey was conducted by the surveyor and based on the available airspace the liabilty amounts to R 14 185 360. Therefore, R 526 871 represent the change in estimate.

Humberdale Landfill Site		
Landfill Site Liability after unwinding interest	(14 712 231)	-
Landfill Site Liability as at 30 June 2022	14 185 360	-
	(526 871)	**-**

54. Segment information

General information

54. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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 operates within it municipal jurisdiction, as per the boundaries and demarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout were sufficiently similar to warrant aggregation..

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
Segment 1	Roads and Stormwater
Segment 2	Waste Management
Segment 3	Tertiary education services
Segment 4	Housing
Segment 5	Planning and Development
Segment 6	Recreational facilities
Segment 7	Libraries and archives
Segment 8	Community halls and facilities

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libaries and archives	Community halls and facilities	Total
Revenue								
Revenue from non-exchange transactions	42 141 950	-	-	3 976 000	20 124	9 734 260	-	55 872 334
Revenue from exchange transactions	-	11 114 366	35 526	1 268 642	213 866	61 836	334 100	13 028 336
Total segment revenue	**42 141 950**	**11 114 366**	**35 526**	**5 244 642**	**233 990**	**9 796 096**	**334 100**	**68 900 670**
Other unallocated revenue								290 880 372
Entity's revenue								**359 781 042**
Expenditure								
Employee related cost	11 704 743	12 109 047	2 420 341	23 009 221	12 368 152	10 585 760	5 373 321	77 570 585
Contracted services	16 889 879	13 262 575	171 560	5 444 944	6 946 812	210 440	407 899	43 334 109
Operational expenditure	8 806 980	2 742 980	1 695 876	14 489 424	3 092 246	713 543	1 782 763	33 323 812
Depreciation and armortisation	25 803 124	-	-	1 259 226	-	-	5 756 331	32 818 681
Total segment expenditure	**63 204 726**	**28 114 602**	**4 287 777**	**44 202 815**	**22 407 210**	**11 509 743**	**13 320 314**	**187 047 187**
Total segmental surplus/(deficit)								**(118 146 517)**
Unallocated expenses								163 747 166
Total revenue reconciling items								-
Entity's surplus (deficit) for the period								**(27 884 154)**
Assets								
Segment assets	37 858 987	50 442	(58 915)	8 544 416	(328 481)	(40 177)	(201 020)	45 825 252
Unallocated assets 1								840 941 581
Total assets as per Statement of financial Position								**886 766 833**

54. Segment information (continued)

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libaries and archives	Community halls and facilities	Total
Liabilities								
Segment liabilities	64 706 385	26 535 524	(2 233 521)	19 318 121	10 522 288	(9 233 975)	3 599 536	113 214 358
Unallocated liabilities 1								(232 642 802)
Total liabilities as per Statement of financial Position								**(119 428 444)**

2021

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational Facilities	Libaries and Archives	Community Halls and facilities	Total
Revenue								
Revenue from non-exchange transactions	130 207 273	-	29 072	2 128 500	24 840	9 339 290	-	141 728 975
Revenue from exchange transactions	8 260 854	10 538 542	36 117	1 156 100	212 977	29 197	156 853	20 390 640
Total segment revenue	**138 468 127**	**10 538 542**	**65 189**	**3 284 600**	**237 817**	**9 368 487**	**156 853**	**162 119 615**
Other unallocated revenue								178 331 839
Entity's revenue								**340 451 454**
Expenditure								
Employee related cost	(28 376 746)	(10 903 558)	(2 337 683)	(20 018 711)	(12 654 054)	(10 390 446)	(4 400 343)	(89 081 541)
Contracted Services	(50 031 286)	(9 833 121)	(7 015 257)	(2 949 494)	(5 923 172)	(206 930)	(2 055 437)	(78 014 697)
Operational Expenditure	(20 700 627)	(3 211 455)	(137 789)	(11 795 177)	(3 656 063)	(761 784)	(4 840 364)	(45 103 259)
Depreciation and Armortisation	(24 843 630)	-	-	(881 724)	-	-	(13 206 541)	(38 931 895)
Material Losses	(11 148 532)	-	-	-	-	-	-	(11 148 532)
Total segment expenditure	**(135 100 821)**	**(23 948 134)**	**(9 490 729)**	**(35 645 106)**	**(22 233 289)**	**(11 359 160)**	**(24 502 685)**	**(262 279 924)**
Total segmental surplus/(deficit)								**424 399 539**

54. Segment information (continued)

Total revenue reconciling items								178 331 839
Unallocated expenses								(84 217 376)
Entity's surplus (deficit) for the period								**(33 660 452)**
Assets								
Segment assets	927 909 356	73 250	-	(1 573 920)	(281 826)	(123 700)	-	926 003 160
Unallocated assets								1 626 003
Total assets as per Statement of financial Position								**927 629 163**
Liabilities								
Segment liabilities	(121 748 453)	-	(379 149)	(1 398 000)	252 576	(9 308 928)	-	(132 581 954)
Unallocated liabilities								175 394
Total liabilities as per Statement of financial Position								**(132 406 560)**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

55. Budget differences

Material differences between budget and actual amounts

Investment revenue-The major adjustment between original and final budget was informed by the reduction in interest rates folowing Covid-19 impact. .

Other revenue-The impact of Covid-19 didn't turnout badly as it was anticipated on the revenue. The muncipality was collecting less during covid-19 restrictions especially on the tourism sector(camp sites).

55. Budget differences (continued)

Remunaration of Councillors-Most of Exco Councillors was employed partime from November 2021 to April 2022 therefore they were earnig less than what was budgeted; and one Concil post was vacant from November 2021 to June 2022

Debt impairment-Most of customers took an advantage of incentive scheme , which stipulate that if you settle your account in full 50% of penalties write off, and futher 3,5% discount which was allowed in the previous year(2020/21), which had an impact in the opening balnce of 2021/22.

Depriciation and assets impairment
The uMdoni Local Municipality area was affected by the civil unrest that took place in July 2021. There was significant damage to the municipal property which includes both the movable and immovable assets. Furthermore, the uMdoni Local Municipality area was affected by severe weather conditions during the month of April/May 2022 which resulted in significant damage to the municipal property, i.e. infrastructure and community assets. At 30 June 2022, the Municipality performed the conditional assessment of the assets to determine whether there is an indication that they may be impaired. As a result there has been a notable increase in the impairment loss that has been recognised in the current financial year (2021/22) when compared to the previous financial year (2020/21).

Other Expenditure-Funds were directed to other expenditure to correct the under-budgeting for items such as insurance etc. In terms of actuals, savings have been realised in the remuneration of ward committees vote due to the fact that ward commitees were nominated after Council inauguration. Savings were also realised in the insurance premium, a high premium was anticipated considering that the new insurance company was to be appointed and the risk profile of the province that had increased. Lastly, Land fill site contribution to provisions is less than the budgeted amount.

Transfers and subsidies - capital-The reason the final budget is more than the original budget is due to the MIG and Equitable share rollover that was approved by National Treasury.

Surplus or deficit for the period-The municipality had budgeted for a deficit, but due to underspending and savings realised in some categories as explained above.

Net cash from (used)/Operating-It's the release of retention which was classified under Capital assets as per the National Treasury mapping. In terms of GRAP, it is classified as operating activities.

Net cash from (used)/Investing-It's the release of retention which was classified under Capital assets as per the National Treasury mapping. In terms of GRAP, it is classified as operating activities. The final budget changed because of the approved rollovers

Net cash from (used)/Finanacing-Consumer deposits treatment in terms of GRAP differs to that of National Treasury.

Cash and cash equivalents at year end-Due to savings realised on the votes and over-collection realised on the own revenue, cash was more than anticipated.

Renewal of Textile Road-At the beginning of the project the contractor dugged up the wrong road, so the Municipality budget more as they could pay more for this road but these cost were inurred by the Contactor

Current assets-The bank balance is more than what was anticipated. Due to savings realised.

Total current liabilities
Payables and accruals were recognised due to invoices that came in late which were relating to 2021/22 FY.