UMSHWATHI LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	Local Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with Section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Executive committee	
Mayor	Cllr. G.M. Zondi
	Cllr. N.P. Mdunge (Deputy Mayor)
Councillors	Cllr. P.P. Shezi (Exco Member)
	Cllr. S.K. Nxumalo (Exco Member)
	Cllr. M.P. Majozi (Exco Member)
	Cllr. SM Mbatha Ntuli (Speaker)
	Cllr. A.M. Mbuthu
	Cllr. B.E. Mncube
	Cllr. B.K. Mkhize
	Cllr. E.B. Mbongwe
	Clr B.T Zondi
	Cllr. H. Ngubane
	Cllr. M.P. Dumakude (Deceased 13 August 2023)
	Cllr. M.P. Mlobeni
	Cllr. M.Z. Mbewana
	Cllr. N.A. Mbhele
	Cllr. TP Nxumalo
	Cllr. N.E. Cebekhulu (WHIP)
	Cllr. N.H. Chamane
	Cllr. N.R. Khanyile
	Cllr. TA Papiyana
	Cllr. N.W. Gasa
	Cllr. R. Thomas-Govender
	Cllr. S. Jali (Deceased 23 December 2023)
	Cllr. KV Gwala
	Cllr. S.G. Shezi (Declared: 05 April 2024)
	Cllr. SP Khanyile
	Cllr. V.M. Mncwabe
	Cllr. N. Dladla (Declared 7 December 2023)
Grading of local authority	Category 2
Chief Finance Officer (CFO)	E. V. Mdlalose (Mr.)
Accounting Officer	N.M. Mabaso
Registered office	Main Road New Hanover 3230
Auditors	Auditor General (SA)

General Information

Legislation	Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Finance Management Act (MFMA), Act 56 of 2003 Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

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

Abbreviations used:

FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
UIF	Unemployment Insurance Fund
WCA	Housing Development Fund
SDL	Skills Development Levy
WCA	Workers Compensation Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
INEP	Integrated National Electrification Programme
MIG	Municipal Infrastructure Grant
LED	Local Economic 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 accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2025 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 annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

N.M. Mabaso
Municipal Manager

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	2	8,827,745	9,422,028
Other debtors: exchange	3	4,048,022	3,587,949
Receivables from exchange transactions	4	1,208,597	1,607,548
Statutory Receivables	5	24,337,770	27,671,936
Other debtors non-exchange	6	4,596,675	3,027,887
VAT receivable	7	7,682,684	8,534,988
Cash and cash equivalents	8	105,904,759	111,163,390
		156,606,252	**165,015,726**
Non-Current Assets			
Investment property	9	9,257,992	9,693,697
Property, plant and equipment	10	345,232,533	326,041,969
Intangible assets	11	678,470	536,106
Non-current portion of Acknowledgement of debt debtors	6	3,841,028	3,441,284
		359,010,023	**339,713,056**
Total Assets		**515,616,275**	**504,728,782**
Liabilities			
Current Liabilities			
Leave liabilities	14	5,074,685	4,205,749
Payables from exchange transactions	12	7,469,912	26,940,390
Unspent conditional grants and receipts	13	-	819,281
Provisions	15	901,000	748,000
		13,445,597	**32,713,420**
Non-Current Liabilities			
Provisions	15	5,375,000	5,061,000
Total Liabilities		**18,820,597**	**37,774,420**
Net Assets		**496,795,678**	**466,954,362**
Accumulated surplus		496,795,678	466,954,362
Total Net Assets		**496,795,678**	**466,954,362**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	2,891,304	2,725,075
Construction contract revenue	17	-	9,934,783
Rental of facilities and equipment	18	700,883	672,433
Interest received (trading)	19	946,390	796,781
Agency services	50	3,541,364	3,239,924
Licences and permits	20	13,713	9,521
Commissions received		603,314	-
Other revenue	51	358,940	-
Interest on Current Account		451,187	394,765
Other income - Sale of Goods	52	581,785	305,805
Interest received - investment	21	10,029,731	6,545,816
Total revenue from exchange transactions		**20,118,611**	**24,624,903**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	57,751,312	47,233,370
Interest earned - outstanding debtors	23	6,308,109	7,833,012
Transfer revenue			
Government grants and subsidies	24	174,586,281	174,356,000
Fines	25	337,407	411,043
Total revenue from non-exchange transactions		**238,983,109**	**229,833,425**
Total revenue		**259,101,720**	**254,458,328**
Expenditure			
Employee related costs	26	96,109,919	92,428,301
Remuneration of councillors	27	12,609,519	10,323,853
Impairment loss	28	5,524,812	12,252,283
Depreciation and amortisation	29	18,016,229	21,069,919
Lease rentals on operating lease	30	303,210	208,550
Contribution to Provisions- Debt impairment	31	(44,265,957)	11,822,318
Bad debts written off	54	54,538,893	1
Contract expenditure	32	-	9,934,783
Contracted services	33	46,351,047	36,379,798
General Expenses	34	41,020,473	34,399,286
Total expenditure		**230,208,145**	**228,819,092**
Gains and (losses)	35	947,746	(3,391,254)
Surplus for the year		**29,841,321**	**22,247,982**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	441,419,656	441,419,656
Adjustments		
Correction of errors	(50,502)	(50,502)
Prior year adjustments 40	3,337,226	3,337,226
Balance at 01 July 2022 as restated*	**444,706,380**	**444,706,380**
Changes in net assets		
Surplus for the year	22,247,982	22,247,982
Total changes	22,247,982	22,247,982
Restated* Balance at 01 July 2023	**466,954,357**	**466,954,357**
Changes in net assets		
Surplus for the year	29,841,321	29,841,321
Total changes	29,841,321	29,841,321
Balance at 30 June 2024	**496,795,678**	**496,795,678**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		53,973,995	37,965,594
Grants		173,767,000	161,856,000
Interest income		17,325,344	6,545,816
Other receipts		5,770,680	19,138,665
		250,837,019	225,506,075
Payments			
Employee costs		(108,719,437)	(102,752,159)
Suppliers		(106,837,287)	(65,130,595)
		(215,556,724)	(167,882,754)
Net cash flows from operating activities	36	**35,280,295**	**57,623,321**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(42,142,763)	(44,765,033)
Proceeds from sale of property, plant and equipment	10	947,746	775,925
Purchase of other intangible assets	11	(297,211)	-
Proceeds from sale of financial assets		-	(423,852)
Net cash flows from investing activities		**(41,492,228)**	**(44,412,960)**
Cash flows from financing activities			
Repayment of leave liabilities		868,936	(1,580,539)
Net cash flows from financing activities		**868,936**	**(1,580,539)**
Net increase/(decrease) in cash and cash equivalents		**(5,342,997)**	**11,629,822**
Cash and cash equivalents at the beginning of the year		111,163,390	99,533,548
Cash and cash equivalents at the end of the year	8	**105,820,393**	**111,163,370**

The accounting policies on pages 12 to 24 and the notes on pages 25 to 59 form an integral part of the annual financial statements.

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3,022,764	-	**3,022,764**	2,891,304	**(131,460)**	A
Rental of facilities and equipment	895,000	(200,000)	**695,000**	700,883	**5,883**	B
Interest received (trading)	-	-	**-**	946,390	**946,390**	C
Agency services	3,202,500	100,000	**3,302,500**	3,541,364	**238,864**	D
Licences and permits	6,000	12,000	**18,000**	13,713	**(4,287)**	E
Commissions received	-	-	**-**	603,314	**603,314**	F
Other revenue	-	-	**-**	358,940	**358,940**	G
Interest on current account	100,000	90,000	**190,000**	451,187	**261,187**	
Other income	252,000	139,000	**391,000**	581,785	**190,785**	
Interest received - investment	3,000,000	4,000,000	**7,000,000**	10,029,731	**3,029,731**	
Total revenue from exchange transactions	**10,478,264**	**4,141,000**	**14,619,264**	**20,118,611**	**5,499,347**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	60,634,586	-	**60,634,586**	57,751,312	**(2,883,274)**	
Surcharges and Taxes	-	11,000,000	**11,000,000**	-	**(11,000,000)**	H
Interest - outstanding debtors	7,500,000	2,000,000	**9,500,000**	6,308,109	**(3,191,891)**	I
Transfer revenue						
Government grants & subsidies	173,104,000	663,000	**173,767,000**	174,586,281	**819,281**	J
Fines, Penalties and Forfeits	20,500	(10,150)	**10,350**	337,407	**327,057**	K
Total revenue from non-exchange transactions	**241,259,086**	**13,652,850**	**254,911,936**	**238,983,109**	**(15,928,827)**	
Total revenue	**251,737,350**	**17,793,850**	**269,531,200**	**259,101,720**	**(10,429,480)**	
Expenditure						
Employee related cost	(97,677,222)	(3,903,118)	**(101,580,340)**	(96,109,919)	**5,470,421**	L
Remuneration of councillors	(10,506,080)	(2,576,000)	**(13,082,080)**	(12,609,519)	**472,561**	M
Impairment Loss	(5,759,156)	-	**(5,759,156)**	(5,524,812)	**234,344**	
Depreciation,amortisation and Impaiments	(27,390,844)	10,000,000	**(17,390,844)**	(18,016,229)	**(625,385)**	N
Lease rentals on operating lease	-	-	**-**	(303,210)	**(303,210)**	O
Debt Impairment	(5,000,000)	(25,500,000)	**(30,500,000)**	44,265,957	**74,765,957**	P
Bad debts written off	-	(54,400,160)	**(54,400,160)**	(54,538,893)	**(138,733)**	
Contracted Services	(54,243,700)	(8,766,510)	**(63,010,210)**	(46,351,047)	**16,659,163**	Q
General Expenses	(38,769,725)	(7,281,085)	**(46,050,810)**	(41,020,473)	**5,030,337**	R
Total expenditure	**(239,346,727)**	**(92,426,873)**	**(331,773,600)**	**(230,208,145)**	**101,565,455**	
Operating surplus	**12,390,623**	**(74,633,023)**	**(62,242,400)**	**28,893,575**	**91,135,975**	
Gain on disposal of assets and liabilities	-	949,461	**949,461**	947,746	**(1,715)**	
Surplus	**12,390,623**	**(73,683,562)**	**(61,292,939)**	**29,841,321**	**91,134,260**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis	**12,390,623**	**(73,683,562)**	**(61,292,939)**	**29,841,321**	**91,134,260**	

(A) - Service Charges – the variance is due to business closure, termination of leases for household tenants without notifications

(B) - Rental of Facilities – this includes the hiring of community halls, which are on cash basis and the increase is due to high demand in community halls rental due to elections campaigns.

(C) - Interest Servie charges - The budget for this line item is on the interest on outstanding debtors line.

(D) - Agency fees – the increase is due to the increase of new licenses applications and car registrations and new card system.

(E) - Licenses and permits – the decrease is due to non-payment and vacating of market stalls without notifications

(F) - Commission received - This relates to comission received fromIEMAS Financial Services for the administration of employee loan collections on their behalf. Interest on investments – the increase is due to the increase in investment capital amounts.

(G) - Other revenue - this is due to building plans applications, sale of properties (valuation certificates) and new developments , which are cash basis

(H) - Vat Refund – the item is Vat Refund that was budgeted for , however this item should not be recognized as a revenue

(I) - Interest on Outstanding Debtors – the decrease is due to the implementation of Bad Debt W rite-Off Policy and Indigent Policy

(J) - Grants and subsidies - A grant rolled over from previous periods was spent in current year.

(K) - Fines, penalties and Forfeits - this is due to non-payment and cancellation of traffic fines by court.

(L) - Employee Related – the variance is due to unfilled new budgeted positions

(M) - Remuneration of Councilors – the budgeted amount also includes Subsistence and Travelling for Councilors

(N)- The variance reflects uauthorised expenditure that was approved for write off by council.

(N)- Certain expenditure that was budgeted for was not incurred due to delays in planning and SCM processes

(O) - Budget for this line item is included in general expenses.

(P) - Debt impairment reversal occured in current year due to an improved collection rate attributed to debt write offs.

(Q) - Contracted Services – the variance in this expenditure item is due to the delay on the SCM processes and lack of implementation of the procurement plan by user departments.

(R) - General expenses – the variance in this expenditure item is due to the delay on the SCM processes and lack of implementation of the procurement plan by user departments.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	11,768,000	**11,768,000**	8,827,745	**(2,940,255)**	
Other debtors: exchange	19,454,000	(4,709,000)	**14,745,000**	4,048,022	**(10,696,978)**	
Receivables from exchange transactions	-	-	**-**	1,208,597	**1,208,597**	
Statutory Receivables	21,060,000	11,448,000	**32,508,000**	24,337,770	**(8,170,230)**	
Other debtors: non-exchange	-	-	**-**	4,627,495	**4,627,495**	
VAT receivable	-	-	**-**	7,682,684	**7,682,684**	
Cash and cash equivalents	105,963,000	50,828,000	**156,791,000**	105,904,759	**(50,886,241)**	
	146,477,000	**69,335,000**	**215,812,000**	**156,637,072**	**(59,174,928)**	
Non-Current Assets						
Investment property	10,199,000	(1,099,000)	**9,100,000**	9,257,992	**157,992**	
Property, plant and equipment	257,777,000	23,655,000	**281,432,000**	345,232,533	**63,800,533**	
Intangible assets	453,000	5,760,000	**6,213,000**	678,470	**(5,534,530)**	
Statutory receivables	-	-	**-**	3,841,028	**3,841,028**	
	268,429,000	**28,316,000**	**296,745,000**	**359,010,023**	**62,265,023**	
Total Assets	**414,906,000**	**97,651,000**	**512,557,000**	**515,647,095**	**3,090,095**	
Liabilities						
Current Liabilities						
Leave liabilities	-	-	**-**	5,074,685	**5,074,685**	
Payables from exchange transactions	20,873,000	18,924,000	**39,797,000**	7,500,732	**(32,296,268)**	
Provisions	-	-	**-**	901,000	**901,000**	
	20,873,000	**18,924,000**	**39,797,000**	**13,476,417**	**(26,320,583)**	
Non-Current Liabilities						
Provisions	2,851,000	181,000	**3,032,000**	5,375,000	**2,343,000**	
Total Liabilities	**23,724,000**	**19,105,000**	**42,829,000**	**18,851,417**	**(23,977,583)**	
Net Assets	**391,182,000**	**78,546,000**	**469,728,000**	**496,795,678**	**27,067,678**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	391,182,000	78,546,000	**469,728,000**	468,499,551	**(1,228,449)**	

Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Presentation of Annual Financial Statements

These Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following which are effective on 01 April 2023 and before:

	Standard of GRAP
Presentation of Financial Statements	1
Cash Flow Statements	2
Accounting Policies, Changes in Accounting Estimates and Errors	3
Borrowing Costs	5
Revenue	9
Leases	13
Events after Balance Sheet Date	14
Property, Plant and Equipment	17
Segment Reporting	18
Provisions, Contingent Liabilities and Contingent Asset	19
Related Party Transactions	20
Impairment of Non-cash-generating Assets	21
Revenue from Non-exchange Transactions (Taxes and Transfers)	23
Presentation of Budget Information in the Financial Statements	24
Employee Benefits	25
Intangible Assets	31
Financial Instruments.	104
Statutory Receivables	108
Principals and Agents	109

These accounting policies are consistent with the previous period.

GRAP statements 4, 6, 7, 8, 10, 12, 16, 27, ,34, 35, 36, 37, 38, 100, 101, 103, 105, 106, 107 and 110 have not been implemented since they do not affect the operations of the municipality.

GRAP standards 25 (Revised), 104 (revised), IGRAP 7 (revised) and IGRAP 21 are issued but effective date not yet determined but will not affect the municipality’s financial statements when they become effective. The Guideline on accounting for landfill sites has been issued but the effective date is not yet determined however it will not have an effect on the municipality since it does not have a landfill site.

Details of related party transactions are disclosed as per GRAP 20.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants’ Accounting Practice Committee.

1.1 Presentation currency

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

1.2 Going concern assumption

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The municipality is not aware of any uncertainties that may cast doubt on the going concern of the municipality.

Based on the assumptions and estimates these annual financial statements have been prepared on a going concern basis.

1.4 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 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 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 of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

1.5 Investment property

Investment property comprises the Thusong Centre where office are let to various government departments. Each of the leases contains an initial non-cancellable period of 10 years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee and historically the average renewal period is five years. Investment property is valued at cost in the annual financial statements.

1.6 Property, plant and equipment

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value .If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired. Refer to paragraph 14.1.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Item	Depreciation method	Average useful life (years)
Plant and machinery	Straight-line	5 - 30
Furniture and fixtures	Straight-line	5 -19
Motor vehicles	Straight-line	5 - 30
Office equipment	Straight-line	5 - 19
Computer equipment	Straight-line	5 -19
Computer software	Straight-line	3 - 10
Infrastructure	Straight-line	
• Roads and Stormwater		10 - 100
• Electricity Infrastructure		10 - 70
• Buildings		5 - 50
Open spaces	Straight-line	5 - 30

Accounting Policies

1.6 Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revenue.

Depreciation on assets under construction during the year is only provided for once the asset is brought into use.

1.7 Intangible assets

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over a period of five years. Intangible assets are disclosed at cost less amortization in the financial statements.

1.8 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.

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 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.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting.

The municipality has the following financial instruments:

Financial Assets:
- Trade and other Receivables from and exchange and non-exchange transactions valued at amortised cost;
- Cash and cash equivalents valued at amortised cost.
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Financial Liabilities:
- Trade and other payables from exchange and non-exchange transactions valued at amortised cost;
- Finance lease liabilities.

Initial Measurement.

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below- market related rate: the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its components.

1.8 Financial instruments (continued)

Subsequent Measurement

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:
- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

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 , financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

Financial instruments at amortised cost , are non-derivative financial assets or financial liabilities that have fixed or determinable payments, excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review.

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 cost are subsequently measured at cost if the fair value cannot be reliably determined.

Reclassification of Financial Instruments

The municipality does not reclassify a financial instrument when it is issued or held , except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

Gains and losses on Financial Instruments

Gains and losses on fair value measurements, reclassifications, impairment and de-recognition are recognised in surplus or deficit.

Impairment and Review of Financial Assets

Financial assets are subject to annual impairment review.

For financial assets at amortised cost; the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

De-recognition of Financial Instruments

Accounting Policies

1.8 Financial instruments (continued)

Financial Assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

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

Financial Liabilities

The municipality removes a financial liability from its statement of financial position when , and only, it is extinguished . A financial liability is extinguished when the debtor either:

- Discharges the liability by paying the creditor, normally with cash, other financial liabilities , goods or services.;
- Is legally released from primary responsibility for the liability either by process(expires) of law or by the creditor (cancelled). If the debtor has given a guarantee , this condition may still be met.
- Waives the debt or it is assumed by another municipality by way of a non- exchange transaction.

Interest, dividends or similar distributions , losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when , the municipality:

- Currently has a legally enforceable right to set off the recognised amounts; and
- Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

1.9 Inventories

Inventory consists of land and consumable stores. The cost of consumable stores is expensed at the time of purchase.

1.10 Construction contracts and receivables

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Construction contracts and receivables (continued)

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

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

1.11 Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Financial Performance..

1.12 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears 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.

Interest and rentals are recognized on a time proportionate basis.

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

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

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

1.13 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received. Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, 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 recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

Conditional Grants and Receipts

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. The municipality provides for annual leave and long service awards. The leave provision is based on the number of days accrued to employees at year end multiplied by the daily basic salary applicable on 01 July. The provision for the long service award is valued by an actuary as at year end.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred..

1.15 Leases

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

The hire purchase agreement for the mayor’s vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

1.16 Impairment of cash-generating assets

Non-Cash-Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. W hen an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Identification

The entity 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 entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use. When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Value in use

Value in use of an asset is the present value of the asset’s remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

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 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.

1.16 Impairment of cash-generating assets (continued)

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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 a surplus or deficit.

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

Reversal of impairment loss

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

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.

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.

Accounting Policies

1.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined benefit plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined benefit 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.

1.18 Unauthorised expenditure

Unauthorised expenditure is 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), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Irregular expenditure

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

Accounting Policies

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Comparative figures

Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

1.22 Budget information

The municipality is typically subject to budgetary limits in the form of an approved budget which is approved by Council through legislation and regulations applicable in preparation of budgets. The budget is prepared on an accrual basis and linked to performance outcome objectives. The reporting requirements puts an onus on the municipality to provide information on whether resources were obtained in accordance with the legally adopted budget.

The budget covers the financial year under review namely 01 July 2019 to 30 June 2020. The budget and the annual financial statements are prepared on the same basis of accounting. A comparison of the budget to actual amounts is reflected in the Statement of comparison of Budget and Actual Amounts.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity 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 entity.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favorable than the terms it would use to conclude transactions with another entity or person are disclosed.

1.24 Commitments

Commitments for contracts already contracted for in the year under review but to be completed and payable in the following year are disclosed as contracted commitments and the approved capital budget for the following year is disclosed as uncontracted commitments.

1.25 Statutory receivables

Identification

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

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

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

1.25 Statutory receivables (continued)

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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

1.25 Statutory receivables (continued)

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, is reduced, either directly or through the use of an allowance account.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Where the effect of the time value of money is material the estimated future cash flows are discounted using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable 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 estimate 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 exceeding what the carrying amount of the receivable 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.

1.26 Accounting by principals and agents

Identification

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Accounting Policies

1.26 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that 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.

For the period under assessment the municipality has the following principal-agent arrangements:
- The municipality acts as an agent to administer the issuing of driver’s, learner and vehicle licenses on behalf of the Provincial Department of Transport. The municipality receives a commission for providing the service as an agent;
- The municipality constructs electrical infrastructure with funding received from the Department of Energy. The infrastructure is built according to standards set by Eskom. Since the municipality is not an electricity license holder the infrastructure, once complete, is handed over to Eskom. As a result the municipality is an agent in this arrangement

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. Inventories

Consumable stores	393,024	233,945
Unsold Properties Held for Resale	8,434,721	9,188,083
	8,827,745	**9,422,028**
Inventories (land held for sale) recognised as an expense during the year	753,012	2,580,103

Land reserved for housing development of Amount R753 012 (2024) and R2 580 103 (2023) were transferred to the respective beneficiaries during the year under review.

Inventory pledged as security

No inventory was pledged as security.

3. Other debtors: exchange

Fuel deposits	150,000	100,000
Accrued Interest	943,151	533,078
District Municipality	404,245	404,245
Thokazane housing and Department of Housing	1,604,076	1,604,076
Housing Debtors	946,550	946,550
	4,048,022	**3,587,949**

4. Receivables from exchange transactions

Consumer debtors - Refuse	1,060,388	1,514,243
Consumer debtors - Rental	148,209	93,305
	1,208,597	**1,607,548**

Receivables from Exchange Transactions

Consumer Debtors Refuse		
Gross debtors	4,730,183	6,230,951
Impairment	(3,669,795)	(4,716,709)
	1,060,388	**1,514,242**
Consumer Debtors Rental		
Gross debtors	1,261,586	1,053,617
Impairment	(1,113,377)	(960,312)
	148,209	**93,305**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Receivables from exchange transactions (continued)

Receivables from Exchange Transactions Ageing-2024	Refuse	Rental	Total
Current	274,132	64,169	338,301
>30 Days	165,266	64,169	229,435
>60 Days	155,412	64,169	219,581
>90 Days	145,931	61,280	207,211
>120 Days	104,853	59,764	164,617
>150 Days	3,884,587	948,035	4,832,622
	4,730,181	**1,261,586**	**5,991,767**

5. Statutory Receivables

	2024	2023
Fines	411,598	96,248
Consumer debtors - Rates	17,966,885	22,672,671
Interest debtors	5,959,287	4,903,017
	24,337,770	**27,671,936**

Statutory ReceivablesStatutory Receivables

	2024	2023
Rates		
Gross	79,127,296	88,783,917
Impairment	(61,446,520)	(66,111,247)
	17,680,776	**22,672,670**
	-	-
Interest		
Gross	36,197,216	73,562,218
Impairment	(29,951,818)	(68,659,200)
	6,245,398	**4,903,018**

Ageing of Statutory receivables	2024	2023
Current	10,117,685	3,915,254
>30 Days	2,994,488	2,711,062
>60 Days	2,607,043	2,382,562
>90 Days	2,702,743	2,566,233
>120 days	2,784,948	2,439,518
>150 Days	94,117,603	148,331,508
	115,324,510	**162,346,137**

Reconciliaton of provision for doubtful debts	2024	2023
Balance at the beginning of the year	140,447,468	129,013,297
(Reversal of impairment)/ Contribution to provision	(44,265,957)	11,434,171
	96,181,511	**140,447,468**

Transaction(s) arising from statute

Statutory receivables are receivables that arise from legislation, supporting regulations or similar means and requires settlement by another entity in cash or another financial assets. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019

Statutory Receivables pledged as security

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Statutory Receivables (continued)

No receivables from non-exchange transactions were pledged as security.

6. Other debtors: non-exchange

Unallocated	1,198,050	687,121
Other	1,309,243	1,309,243
Sundry debtors	1,461,046	346,086
Current portion of Acknowledgement of Debt Debtors	628,336	685,437
	4,596,675	**3,027,887**
Non-current portion of Acknowledgement of Debt Debtors	3,841,028	3,441,284

7. VAT receivable

VAT	7,682,684	8,534,988

VAT is payable on the receipts/payment basis.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,900	2,900
Bank balances	1,950,955	3,429,522
Short-term deposits	103,950,904	107,730,967
	105,904,759	**111,163,389**

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	June 30, 2022
FNB - Primary Bank Account: 62025459232	1,334,386	3,509,522	1,261,844	382,348	3,429,522	1,261,844
Standard Bank: Transaction Account 253186900	1,563,337	-	-	1,568,606	-	-
Standard Bank: Call Account 0536-1443-4-14	24,826	24,475	22,929	24,826	24,475	22,929
FNB Investment 1 62101572081	37,113,858	72,571,710	59,855,677	37,113,858	72,571,710	59,855,677
FNB Investment 2 62101572172	162,079	151,651	144,366	162,079	151,651	144,366
FNB Call Account 62101571710	851,310	28,112,861	31,774,582	851,310	28,112,861	31,774,582
FNB Call Account: Housing 62214429799	98,398	92,113	87,673	98,398	92,113	87,673
FNB Call Account 74491854045	1,072,104	988,330	925,339	1,072,104	988,330	925,339
ABSA Investment 1 20-66260264	6,298,998	5,789,827	5,458,436	6,298,997	5,789,827	5,458,436
FNB - VAT refund - 63074751679	4,661,865	-	-	4,661,865	-	-
ABSA -2081161421	21,717,247	-	-	21,717,247	-	-
FNB-Business Money Market-76203471075	31,950,221	-	-	31,950,221	-	-
Cash on hand	2,900	2,900	2,700	2,900	2,900	2,700
Total	**106,851,529**	**111,243,389**	**99,533,546**	**105,904,759**	**111,163,389**	**99,533,546**

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14,499,347	(5,241,355)	9,257,992	14,499,347	(4,805,650)	9,693,697

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	9,693,697	(435,705)	9,257,992

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	10,128,211	(434,514)	9,693,697

Pledged as security

No investment property was pledged as security.

The Thusong Centre is classified as Investment Property due to the nature of rentals collected from the Government Departments. Investment Property is depreciated on a straight line basis over 30 years

Details of property

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.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	9,671,213	-	9,671,213	9,671,213	-	9,671,213
Buildings	152,682,034	(61,315,422)	91,366,612	146,716,096	(57,354,649)	89,361,447
Plant and machinery	2,078,784	(1,091,895)	986,889	1,857,843	(1,206,264)	651,579
Furniture and fixtures	11,971,025	(7,860,781)	4,110,244	11,217,101	(8,122,915)	3,094,186
Motor vehicles	23,935,845	(8,910,152)	15,025,693	17,340,160	(7,012,944)	10,327,216
Infrastructure	436,598,599	(212,526,717)	224,071,882	411,079,219	(198,142,891)	212,936,328
Total	**636,937,500**	**(291,704,967)**	**345,232,533**	**597,881,632**	**(271,839,663)**	**326,041,969**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Work in Progress	Disposals	Depreciation	Impairment loss	Total
Land	9,671,213	-	-	-	-	-	9,671,213
Buildings	89,361,447	16,566,035	(10,561,669)	-	(3,920,590)	(78,611)	91,366,612
Plant and machinery	651,579	491,565	-	-	(156,255)	-	986,889
Furniture and fixtures	3,094,186	1,627,965	-	(1,715)	(606,630)	(3,562)	4,110,244
Motor vehicles	10,327,216	7,330,612	-	-	(2,632,135)	-	15,025,693
Infrastructure	212,936,328	38,090,523	(11,402,262)	-	(10,110,067)	(5,442,640)	224,071,882
	326,041,969	**64,106,700**	**(21,963,931)**	**(1,715)**	**(17,425,677)**	**(5,524,813)**	**345,232,533**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Work in Progress	Disposals	Depreciation	Impairment loss	Total
Land	9,671,213	-	-	-	-	-	9,671,213
Buildings	74,510,006	5,773,123	12,865,955	-	(3,787,637)	-	89,361,447
Plant and machinery	894,696	281,049	-	(343,065)	(181,101)	-	651,579
Furniture and fixtures	3,701,525	700,452	-	(432,860)	(874,931)	-	3,094,186
Motor vehicles	7,197,407	5,271,083	-	-	(2,141,274)	-	10,327,216
Infrastructure	218,615,040	13,797,776	6,075,595	-	(13,299,800)	(12,252,283)	212,936,328
	314,589,887	**25,823,483**	**18,941,550**	**(775,925)**	**(20,284,743)**	**(12,252,283)**	**326,041,969**

Pledged as security

No property, plant and equipment was pledged as security.

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within buildings	Total
Opening balance	14,892,708	16,661,351	31,554,059
Additions/capital expenditure	26,613,257	6,004,364	32,617,621
Impairment	(1,168,879)	(38,426)	(1,207,305)
Transferred to completed items	(38,015,526)	(16,566,035)	(54,581,561)
	2,321,560	**6,061,254**	**8,382,814**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within buildings	Total
Opening balance	24,351,504	3,787,209	28,138,713
Additions/capital expenditure	20,490,483	19,068,330	39,558,813
Transferred to completed items	(14,129,914)	(6,194,188)	(20,324,102)
Prior year correction	(15,819,366)	-	(15,819,366)
	14,892,707	**16,661,351**	**31,554,058**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	21,294,498	11,294,757

The significant increase in current year contracted services arose from an outcry from the community during the budget consultation process about dilapidated access roads. We therefore conducted an assessment and it resulted in a budget adjustment of R14million for road maintenance.

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.

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,892,785	(4,214,315)	678,470	4,595,573	(4,059,467)	536,106

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	536,106	297,211	(154,847)	678,470

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	886,767	(350,661)	536,106

12. Payables from exchange transactions

Trade payables	4,415,818	12,206,517
Retentions	3,054,094	7,520,925
Debtors with Credit Balances	-	7,212,948
	7,469,912	**26,940,390**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Thokozani Housing - Title deeds	-	819,281

Movement during the year

Balance at the beginning of the year	819,281	13,319,281
Additions during the year	41,241,000	49,434,000
Income recognition during the year	(42,060,281)	(61,934,000)
	-	**819,281**

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

These amounts are invested in a ring-fenced investment until utilised.

14. Leave liabilities

Accrued leave pay	5,074,685	4,205,749

.

Leave payable

Opening balance	4,205,749	5,786,288
Leave paid	(1,934,525)	(1,717,196)
Current contribution	2,803,461	136,657
	5,074,685	**4,205,749**

Provision for leave relates the number of days accumulated by employees during the reporting period. The provision is calculated on the leave balance due on 30 June 2024. This is the amount the employee will be entitled to should the employee cease employment on 30 June 2024. The municipality is not aware of the time when the leave will be paid out since this is dependent on the time when the employee ceases to be an employee.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Actuarial loss	Current-service cost	Benefits vesting	Interest cost	Total
Long service awards	5,809,000	88,000	511,000	(748,000)	616,000	6,276,000

Reconciliation of provisions - 2023

	Opening Balance	Actuarial loss	Current service cost	Benefits vesting	Interest cost	Policy changes	Total
Long service awards	3,482,152	1,109,380	353,952	(450,358)	288,874	1,025,000	5,809,00

	2024	2023
Non-current liabilities	5,375,000	5,061,000
Current liabilities	901,000	748,000
	6,276,000	**5,809,000**

An actuarial valuation was done for the provision for Long Service Awards to Current employees as at 30 June 2024 in terms of GRAP 25 and a liability raised accordingly. Due to the uncertainty of who will be entitled to the award an actuarial valuation was done on all employees based on their date of appointment together with the policy on the qualifying of the Long Service Award.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA.

Changes in the Present Value of the defined benefit obligation is as follows:		
Opening Balance	5,809,000	3,482,152
Expense recognised in Statement of Financial Performance	467,000	2,326,848
	6,276,000	**5,809,000**

Expense recognised in Statement of Financial Performance		
Current Service Cost	511,000	353,952
Interest Cost	616,000	288,874
Actuarial Loss	88,000	1,109,380
Policy changes	-	1,025,000
Vesting benefits	(748,000)	(450,358)
	467,000	**2,326,848**

Key Assumptions Used		
Discount Rate	11.05%	11.32%
CPI Inflation Rate	5.20%	5.57%
Salary Increase Rate	6.20%	6.57%

Mortality Rate

Average Retirement Age	62 years
Pre-retirement Mortality	SA 85/90 with 1 year downward age rating for females

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Service charges

Refuse removal	2,891,304	2,725,075

17. Construction contracts and receivables

Construction agreement with ESKOM

The amount of revenue arising from such agreements in the period	-	9,934,783

The methods used to determine the stage of completion of agreements in progress is as follows:

The municipality entered into arrangement with ESKOM to construct electrical infrastructure for ESKOM in the Umshwathi area of jurisdiction. The municipality recognises revenue only to the extent of expenditure incurred on the construction of such infrastructure.

18. Rental of facilities and equipment

Rentals	673,935	658,574
Community halls hire	26,948	13,859
	700,883	**672,433**

19. Interest received (trading)

Interest on outstanding debtors (service charges)	946,390	796,781

20. Other Income

Licences and Permits	13,713	9,521

21. Investment received - investment

Short term investments	10,029,731	6,545,816

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Property rates

Rates received

Residential	31,578,950	33,746,176
Commercial	4,069,068	4,256,921
Agricultural	27,823,819	26,339,855
Public benefit Organisations	22,213,456	19,754,864
Less: Income forgone	(27,933,981)	(36,864,446)
	57,751,312	**47,233,370**

Valuations

Residential	1,477,507,000	1,507,038,300
Commercial/industrial	472,720,000	489,062,000
State	1,356,973,700	1,356,973,700
Public Benefit Organisations	120,194,200	117,462,200
Small holdings and farms	5,420,566,980	5,382,635,800
Places of worship	48,497,000	48,497,000
Other	143,337,800	143,337,800
	9,039,796,680	**9,045,006,800**

The new general valuation was implemented on 01 July 2022. The next valuation roll will be implemented in 2027.

23. Interest earned - outstanding debtors

Interest - Receivables	6,308,109	7,833,012

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Government grants and subsidies

Operating grants		
Equitable share	132,526,000	123,847,000
Extended Public Works Programme (EPWP)	2,968,000	1,820,000
Finance Management Grant (FMG)	1,920,000	1,920,000
Library grant	3,200,000	3,200,000
Thusong centre	-	7,500,000
LED grant	-	5,000,000
Housing Sector Grant	819,281	-
	141,433,281	**143,287,000**
Capital grants		
Municipal Infrastructure Grant (MIG)	33,153,000	31,069,000
	174,586,281	**174,356,000**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	41,241,000	61,676,699
Unconditional grants received	132,526,000	123,847,000
	173,767,000	**185,523,699**

Extended Public Works Programme (EPWP)

Current-year receipts	2,968,000	1,820,000
Conditions met - transferred to revenue	(2,968,000)	(1,820,000)
	-	-

Finance Management Grant (FMG)

Current-year receipts	1,920,000	1,920,000
Conditions met - transferred to revenue	(1,920,000)	(1,920,000)
	-	-

Library grant

Current-year receipts	3,200,000	3,200,000
Conditions met - transferred to revenue	(3,200,000)	(3,200,000)
	-	-

Thusong centre

Balance unspent at beginning of year	-	12,500,000
Conditions met - transferred to revenue	-	(12,500,000)
	-	-

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

Municipal Infrastructure Grant (MIG)

Current-year receipts	33,153,000	31,069,000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(33,153,000)	(31,069,000)
	-	-

Housing Sector Grant

Balance unspent at beginning of year	819,281	819,281
Housing Sector Grant	(819,281)	-
	-	**819,281**

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

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

25. Fines

Overdue Books Fines	187	-
Traffic Fines	337,220	411,043
	337,407	**411,043**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Employee related costs

Basic	63,306,957	58,961,162
Bonus	4,339,080	4,094,726
Medical aid - company contributions	5,008,478	4,633,214
UIF	490,677	464,675
Leave pay provision charge	2,803,461	177,803
Defined contribution plans	10,868,018	10,273,233
Travel, motor car, accommodation, subsistence and other allowances	2,609,432	4,892,023
Overtime payments	1,544,687	859,436
Long-service awards	1,081,282	2,856,580
Acting allowances	1,293,729	910,935
Car allowance	1,526,923	1,655,514
Housing benefits and allowances	270,967	585,445
Bargaining Council	30,294	28,760
Cellphone and telephone	55,966	82,000
Standby Allowance	879,968	1,952,795
	96,109,919	**92,428,301**

Remuneration of Municipal Manager

Annual remuneration	764,548	938,819
Travel Allowance	345,253	386,389
Performance Bonus	86,209	114,036
Cellphone Allowance	25,500	6,000
Travel Reimbursement	30,670	39,951
	1,252,180	**1,485,195**

Remuneration of Chief Finance Officer

Annual Remuneration	617,810	565,450
Travel Allowance	189,450	104,270
Cellphone	12,000	4,000
Housing	113,490	37,830
Travel Reimbursement	14,411	56,573
	947,161	**768,123**

General Manager: Technical Services

Annual Remuneration	617,829	628,617
Travel Allowance	189,450	273,021
Performance Bonus	-	52,016
4900 - Employee Related Cost [Expenditure]	16,000	-
Housing	113,490	37,830
Travel Reimbursement	-	154,266
	936,769	**1,145,750**

General Manager: Corporate Services

Annual Remuneration	551,378	683,194
Travel Allowance	369,371	283,271
Performance Bonus	79,629	93,626
Travel Reimbursement	28,446	137,542
	1,028,824	**1,197,633**

General Manager : Community Services

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Employee related costs (continued)

Annual Remuneration	466,748	811,478
Travel Allowance	343,601	268,543
Housing	110,400	18,400
Other	18,579	39,726
	939,328	**1,138,147**

27. Remuneration of councillors

Mayor	1,000,208	934,922
Deputy Mayor	818,131	774,621
Executive Committee Members	1,535,601	1,320,366
Speaker	810,622	578,127
Councillors	8,444,957	6,715,819
	12,609,519	**10,323,855**

In-kind benefits

The Mayor, Deputy Mayor, Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor, Speaker and Whip have use of a Council owned vehicle for official duties.

The Mayor has three full-time VIP protection.The Deputy Mayor has one VIP protection, the speaker has two VIP protection and the Whip has one VIP protection.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

28. Impairment loss

Impairment Loss	5,524,812	12,252,283

Umshwathi Local Municipality has assesed the impairment of assets by for the financial year ended 30 June 2024. The assessment of impairment of assets has resulted in an impairment loss of R5 524 812 for roads and community infrastructure. The reason for impairment was due to heavy rains and floods in December 2023 and April 2024, which resulted in infrastructure damages.

29. Depreciation and amortisation

Property, plant and equipment	17,425,677	20,284,743
Investment property	435,705	434,514
Intangible assets	154,847	350,662
	18,016,229	**21,069,919**

30. Lease rentals on operating lease

Equipment		
Operating Lease Expenditure	303,210	208,550

Figures in Rand	2024	2023

30. Lease rentals on operating lease (continued)

The municipality has recognised the lease on photocopiers as operating leases and recognised the payments of R303 210. The lease is effective from 01 June 2023.

31. Debt impairment

Contributions to debt impairment provision	(44,265,957)	11,822,318

32. Contract expenditure

INEP expenditure	-	9,934,783

The municipality entered an arrangement with ESKOM to construct electrical infrastructure for ESKOM in the Umshwathi area of jurisdiction. The municipality recognises revenue only to the extent of expenditure incurred on the construction of such infrastructure

33. Contracted services

Outsourced Services		
Burial Services	33,250	28,050
Cleaning Services	-	59,110
Hygiene Services	253,037	217,933
Professional Staff	5,448,770	7,879,144
Refuse Removal	489,490	1,071,474
Security Services	2,902,589	3,000,652
Transport Services	50,500	31,500
Consultants and Professional Services		
Business and Advisory	2,581,998	1,916,790
Infrastructure and Planning	2,646,476	485,951
Legal Cost	1,487,297	856,701
Contractors		
Artists and Performers	56,000	50,000
Catering Services	3,636,235	2,741,159
Electrical	320,182	2,419,070
Gardening Services	1,111,598	1,002,294
Maintenance of Buildings and Facilities	6,235,206	5,399,423
Maintenance of Equipment	180,733	235,838
Maintenance of Unspecified Assets	14,908,139	6,035,428
Medical Services	68,420	90,476
Pest Control and Fumigation	151,100	87,900
Transportation	2,474,952	1,519,914
Safeguard and Security	193,701	240,983
Sports and Recreation	718,660	807,729
Stage and Sound Crew	402,714	202,279
	46,351,047	**36,379,798**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. General expenses

Advertising	1,317,906	1,678,576
Auditors Fees	2,294,201	1,944,805
Bank charges	120,142	114,189
Cleaning	57,456	50,387
Computer expenses	3,300,426	3,703,913
Consulting and professional fees	777,855	60,000
Fines and penalties	1,851	-
Learnerships and internships	305,936	-
Gifts	17,593	22,848
Hire charges	1,934,438	711,351
Insurance	1,663,543	1,203,505
Conferences and seminars	166,328	174,880
IT expenses	11,640	189,225
Fleet	37,957	41,834
Levies	875,130	815,855
Magazines, books and periodicals	30,356	13,341
Packaging	223,092	128,420
Fuel and oil	4,668,226	5,137,426
Postage and courier	1,520	-
Printing and stationery	101,200	45,549
Subscriptions and membership fees	1,228,639	1,024,965
Telephone and fax	2,636,305	2,092,450
Travel - local	1,923,681	2,045,566
Refuse	72,000	1,329,933
Electricity	5,503,102	4,401,275
Uniforms	205,579	833,736
Workmen's Compensation Fund	1,814,465	420,111
Bursaries (Employees)	821,128	202,574
Indigent Relief	1,838,462	1,108,994
Achievements and Awards	471,214	91,250
Ward Committees	1,491,000	1,678,253
Inventory consumed	5,021,533	2,893,827
Professional Bodies, Membership and Subscription	66,569	229,466
Venue expenses	20,000	-
Transfers and Subsidies	-	10,782
	41,020,473	**34,399,286**

35. Gains and (Losses)

Inventory - Consumables	-	(35,235)
Inventory - Land	-	(2,580,103)
Property Plant and Equipment	947,746	(775,915)
	947,746	**(3,391,253)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Cash generated from operations

Surplus	29,841,321	22,247,982
Adjustments for:		
Depreciation and amortisation	18,016,229	21,619,636
Debt impairment	(44,265,957)	11,822,318
Bad debts written off	54,538,893	1
Movements in provisions	467,000	2,326,848
Prior year restatement	-	458,882
Impairment loss	5,524,814	12,252,287
Changes in working capital:		
Inventories	(159,073)	2,346,158
Receivables from exchange transactions	(9,873,974)	(11,777,012)
Consumer debtors	(460,073)	-
Statutory Receivables	3,334,166	295,308
Other receivables from non-exchange	(1,968,532)	(1,197,294)
Newly identified assets	-	(382,000)
Payables from exchange transactions	(19,470,486)	11,054,575
VAT	852,304	(944,368)
Unspent conditional grants and receipts	(819,281)	(12,500,000)
Change in working capital	(277,056)	-
	35,280,295	**57,623,321**

37. Commitments

Authorised capital expenditure

Commitments in respect of capital expenditure:		
• Property, plant and equipment	8,995,651	10,915,960
Total capital commitments		
Already contracted for	8,995,651	10,915,960

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Contingencies

The municipality is in dispute with various people at Bargaining Council. The matters are shown below.

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note , civil proceedings have commenced against the employees concerned to recover an amount of R -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Matter	Status	Contingent liability 2024	Contingent liability 2023
Sibusiso N Lunga and LB Msomi vs Umshwathi Local Municipality	The matter is opposed before the South African Local Govt Bargaining Council and evidence has been led but not yet completed.	500,000	500,000
K Mthethwa, MC Majozi and S Mpanza vs Umshwathi Local Municipality	The matter is before the South African Local Government Bargaining Council	-	500,000
IMATU obo S Mkhize and SD Shelembe vs Umshwathi Local Municipality	The matter is before the South African Local Government Bargaining Council	-	500,000
Zwelakhe Joseph Mkhize vs Umshwathi Local Municipality	The application will be argued on 2 Oct 2024 at the Pietermaritzburg High Court	300,000	-
Thulani Butani Magwaza vs Umshwathi Local Municipality	The application will be argued on 2 Oct 2024 at the Pietermaritzburg High Court	300,000	-
Nqobile Joseph Luthuli vs Umshwathi Local Municipality	The application will be argued on 2 Oct 2024 at the Pietermaritzburg High Court	300,000	-
Thembani Sibongile Mkhize vs Umshwathi Local Municipality	The application will be argued on 2 Oct 2024 at the Pietermaritzburg High Court	300,000	-
Thembisile Agnes Mbatha vs Umshwathi Local Municipality	The application will be argued on 2 Oct 2024 at the Pietermaritzburg High Court	300,000	-
Roweda Nabee vs Umshwathi Local Municipality	Plea was filed and served to the plaintiff's legal representation per email on 6 May 2024	14,109	-
	-	**2,014,109**	**1,500,000**

Contingent assets

The municipality is in a dispute with Ndsindiso Group (Pty) Ltd for failure to deliver PPE paid for by the municipality. It is believed that the municipality can potentially win the claim for R354 480.00.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Contingencies (continued)

Umshwathi Municipality vs Universal Islamic and Cultural Trust. The Municipality instigated legal proceddings against the Universal Islamic and Cultural Trust to interdict them for illegal developments. It is believed that the municipality can potentially win the claim for R282 192.

Figures in Rand	2024	2023

39. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Members of key management	Refer to Employee related costs note

Related party transactions

	2024	2023
Awards made to suppliers whom the owner is a spouse or/and an employee		
Supplier Name: Dalton Builders t/a Coco Haven	118,314	126,526
Supplier Name: Mtsholwane Logistics	171,961	-
Awards made to suppliers in the service of other state institutions		
Supplier Name: Ngelizwe Trading	13,432,920	-

Employee: Ms. N. Sahibdeen

During the year, no transactions were conducted with councillors' or entities in which they held interests.

The Remuneration for Councillors is disclosed in Note 27.

Key management information

Class	**Description**	**Number**
Mayor	Mayor	1
Executive Committee	Councillors	5
Councillors	Councillors	21
Municipal Manager	Senior Manager	1
General Management	Senior Managers	4

Remuneration of management

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

Management class: Executive management

2024

	Basic salary	Bonuses and performance related payments	Car Allowance	Cellphone Allowance	Travel Reimbursement	Other Allowances(Housing)	Total
Relationship							
Municipal Manager	764,548	86,209	345,253	25,500	30,670	-	1,252,180
Chief Financial Officer	617,810	-	189,450	12,000	14,411	113,490	947,161
General Manager: Technical	617,829	-	189,450	16,000	-	113,490	936,769
General Manager: Corporate	551,378	79,629	369,371	-	28,446	-	1,028,824
General Manager: Community	466,748	-	343,601	-	18,579	110,400	939,328
	3,018,313	**165,838**	**1,437,125**	**53,500**	**92,106**	**337,380**	**5,104,262**

2023

	Basic salary	Car Allowance	Cellphone Allowance	Other Allowances (Housing)	Total
Relationship					
Municipal Manager	786,283	386,389	6,000	-	1,178,672
Chief Financial Officer	364,726	41,120	46,876	-	452,722
General Manager: Corporate	683,194	283,271	-	-	966,465
General Manager: Community	549,122	96,743	-	7,570	653,435
General Manager: Technical	427,893	209,871	52,016	150,623	840,403
Former Chief Financial Officer	523,719	63,150	4,000	37,830	628,699
Former General Manager: Technical	586,871	273,020	-	37,830	897,721
Former General Manager: Community	679,522	268,543	-	18,400	966,465
	4,601,330	**1,622,107**	**108,892**	**252,253**	**6,584,582**

Notes to the Annual Financial Statements

39. Related parties (continued)

The municipality is administered by 5 senior managers namely the Municipal Manager (Accounting Officer); the Chief Financial Officer; General Manager; Corporate Services; General Manager: Technical Services and the General Manager: Community Services who are accountable to the Council. During the year the above remuneration was paid to the managers.

40. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Property plant and Equipment		315,139,624	(549,715)	314,589,909
Investment property		9,311,697	382,000	9,693,697
		324,451,321	**(167,715)**	**324,283,606**

2023

	Note	As previously reported	Correction of error	Restated
Investment property		9,311,697	382,000	9,693,697
Property, plant and equipment		327,468,419	(1,426,451)	326,041,968
Inventories		7,137,659	2,284,369	9,422,028
Payables from exchange transactions		28,526,370	(1,585,980)	26,940,390
		372,444,145	**(346,062)**	**372,098,083**

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation, ammortisation and impairment		21,158,561	(88,643)	-	21,069,918
General expenses		34,393,287	6,000	-	34,399,287
Rental of facilities and equipment		658,574	-	13,859	672,433
Other Income		723,949	-	(418,144)	305,805
Interest current account		-	-	394,764	394,764
Licences and permits		-	-	9,521	9,521
Gains and losses		5,675,618	(2,284,364)	-	3,391,254
Surplus for the year		**62,609,989**	**(2,367,007)**	**-**	**60,242,982**

Errors

No prior period errors occurred during the year under review.

[If retrospective restatement is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.]

The following prior period errors adjustments occurred:

Error 1

PPE was not depreciated correctly resulting in the increase in carrying amount. The error is to correct depreciation reported in prior year.

Correction of a misallocation cost between infrastructure and buildings asset categories.

Correction of depreciation relating to capitalised projects

Inventories

Land held for sale was restated by R2 284 369 due to an error that occurred by including Erfs in 2022/23 transfers which were not forming part of the transfers for 2022/23 report and there were miscalculations of some Erf values which were transferred with incorrect amounts that were not the same as the opening balance. The land inventory register had to be restructured so we could identify the Erfs that were transferred in 2022/23 versus 2023/24 and ensure that correct values are transferred.

Payables from exchange transactions

Correction of R959 377 is an adjustment of retention which was overstated on captial projects.

R626 599 relates to an insurance refund for a hall that was burnt down and it was not realised upon being utilised.

Gains & Losses

Correction is due to land inventory transfer that was adjusted.

Figures in Rand	2024	2023

40. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Statement of financial performance

Rental of facilities and equipment - Community hall hire R13 859 previously reported under other income has been reclassified to rental of facilities and equipment.

Interest on current account R394 764 previously reported under other income has been reclassified to the face of the income statement as a standalone item.

Taxi rank permits previously reported under other income has been reclassified to the face of the income statement.

Licences and permits previously reported under other income has been disclosed separately on the face of the income statement.

41. Risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

Interest rate risk

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

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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.

43. Events after the reporting date

No reportable events occured after the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Unauthorised expenditure

Opening balance as previously reported	-	9,161,477
Less: Amount authorised - prior period	-	(9,161,477)
Closing balance	**-**	**-**

45. Irregular expenditure

Opening balance	-	241,427
Add: Irregular expenditure - current	2,546,715	-
Less: Amount written off during the year	(2,546,715)	(241,427)
Closing balance	**-**	**-**

45. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Expired contracts		2,546,715	-

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 2 546 715 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,045,097	958,955
Amount paid - current year	(1,045,097)	(958,955)
	-	-

Audit fees

Current year fee	2,294,201	1,944,805
Amount paid - current year	(2,294,201)	(1,944,805)
	-	-

PAYE and UIF

Current year subscription/ fee	14,247,763	13,007,392
Amount paid - current year	(14,247,763)	(13,007,392)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Pension and Medical Aid Deductions

	2024	2023
Current year subscription / fee	27,830,458	22,798,999
Amount paid - current year	(27,830,458)	(22,798,999)
	-	-

VAT

	2024	2023
VAT receivable	7,682,684	8,534,988

VAT output payables and VAT input receivables are shown in note 7

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Zondi GM	7,293	5,436	12,729
Ntuli JB	6,848	98,829	105,677
	14,141	**104,265**	**118,406**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Zondi GM	4,918	13,646	18,564
Ntuli JB	1,946	151,217	153,163
	6,864	**164,863**	**171,727**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Various services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council.

Description	Supplier	Amount
The Request for quotation sourced to the preferred service provider as this service requires strip and quote	Bell Equipment Sales South Africa	42,322
They are the only service provider/petrol station that comply with CSD requirements, hence the petrol prices are regulated.	Wartburg Fuel and Lubricants	425,240
There are the only Taxi Association that comply with CSD requirements around uMshwathi	Msunduzi One Regional Taxi Council	54,570
Strip, Quote and Repair Zero Turn Mower. Could not send the same mower to multiple service providers.	Umvoti Repairs	63,365
Strip, Quote and Repair Zero Turn Mower. Could not send the same mower to multiple service providers.	PMB Power Product	8,172
Strip, Quote and Repair brush cutters. Could not send them to multiple service providers.	Powtool	19,601
Emergency appointment of refuse collection service after municial truck broke down.	Uyikhokonke Construction	67,500
Emergency repairs after pipe burst during the construction of divine crèche project	Sondiya Spiqos Trading	12,000
	-	**692,770**

48. Segment information

General information

Identification of segments

The municipality reports to council on the basis of functions as defined in mSCOA regulations.The segments were organised around the type of service delivered and the target beneficiary.

Aggregated segments

The municipality operates throughout the Umshwathi. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Umshwathi 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**
Community and public safety	Provides municipal services and protection services
Environmental/ Road services	Provides planning and environmental management services
Waste Management	Refuse collection
Other	Support to other segments and other adhoc services to the members of the public

Notes to the Annual Financial Statements

Figures in Rand

48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and public safety	Environmental/ Road services	Waste Management	Governance and Administration	Total
Revenue					
Revenue	7,703,781	32,785,462	2,891,303	215,721,172	259,101,718
Entity's revenue					**259,101,718**
Expenditure					
Operating expenditure	61,930,555	15,923,951	11,372,946	117,439,650	206,667,102
Depreciation and impairment loss	-	-	-	23,541,041	23,541,041
Gains/(losses)	-	-	-	(947,746)	(947,746)
Total segment expenditure	**61,930,555**	**15,923,951**	**11,372,946**	**140,032,945**	**229,260,397**
Total segmental surplus/(deficit)					**29,841,321**

2023

	Community and public safety	Environmental/ Road services	Waste Management	Governance and Administration	Total
Revenue					
Revenue	14,162,110	38,106,299	-	196,052,094	248,320,503
Entity's revenue					**248,320,503**
Expenditure					
Operating expenditure	42,544,375	39,636,442	15,409,155	130,849,567	228,439,539
Total segmental surplus/(deficit)					**19,880,964**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

48. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

49. New standards and interpretations

50. Agency services

Vehicle Registration	3,541,364	3,239,924

Incomes from Agency Services is made up of commission earned from administering the Motor Licensing section on behalf of Department of Transport on an agency basis. Only the commission received is recognised as income.

51. Other revenue

Insurance Recovery	160,547	-
SDL Claim	198,393	-
	358,940	**-**

52. Other income -Sale of Goods

Sale of goods (Tender, Rezoning, Bldg Plans)	446,772	226,097
Grave sites	12,304	5,217
Valuation fees and Rates clearance certificates	101,516	60,775
Photocopies	21,193	13,716
	581,785	**305,805**

53. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Entity as agent

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

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Accounting by principals and agents (continued)

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

54. Bad debts written off

Individual residential accounts with interest on outstanding water balances	21,720,594	-
Department of water affairs outstanding interest	25,041,010	-
Department of rural development and land affairs outstanding interest	804,115	-
Provincial Department of public works outstanding interest	304,069	-
National Department of public works outstanding interest	1,247,979	-
Transnet outstanding interest	277,231	-
Department of human settlements outstanding interest	324,750	-
Department of education outstanding interest	1,727,942	-
Ingonyama Trust Board Outstanding interest	2,076,828	-
Department of justice outstanding interest	16,197	-
Other debtors till 31 August 2023	998,178	-
	54,538,893	**-**

A council resolution was passed on 30 August 2023 to write off irrecoverable interest on outstanding state debtors and interest individual residential debtors for water services that were handed over to Umgunundlovu District Municipality .